

Tim Gurner, Melbourne lord mayor square off over build-to-rent



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Apartment developer Tim Gurner has slammed the emerging build-to-rent sector in Australia, calling it "economically stupid".

Speaking as part of a COVID-19 industry webinar, the Financial Review Rich Lister said bringing corporate players into the rental market would wipe out mum-and-dad investors and push up rents.



Tim Gurner says BTR would wipe out mum-and-dad investors.

"I am incredibly against build-to-rent, purely because I think economically, it's a stupid model in the sense that a 4.5 per cent return on costs [\[the magic number according to Mirvac\]](#) should not get a development off the ground.

"But that's actually not what I am most worried about. What I am much more concerned about is by bringing in the Blackstones and Greystars and the big boys from overseas they are going to wipe out the mum-and-dad investors."

Mr Gurner said the current system where investors underpinned new projects alongside owner-occupiers worked just fine and kept rents in check.

"We have mum-and-dads and we have international investors and they create the investment stock," he said.

"I am very concerned what build-to-rent will do for mum-and-dad Australians who have used negative gearing to grow their asset pool and grow capital."



Sally Capp: There is a place for BTR in cities. **AAP**

But speaking on the same Australia Israel Chamber of Commerce (AICC) property webinar, Melbourne lord mayor Sally Capp said for cities to be successful they needed to provide housing for a diversity of people at different price points.

"I love build-to-rent as a new asset class and what it can add to us," Ms Capp said.

She said it was possible to have both a private and a corporate rental market co-existing if it was managed well, but said what build-to-rent was really about was affordability.

"We know that pre-COVID, our most stressed population cohort was private renters," she said.

"And we have started to see some great innovations like rent-to-buy, smaller scale build-to-rent, and a lot of thinking about how do we incorporate affordable housing and share areas and services into residential projects."

But Mr Gurner said it was untrue that build-to-rent would make housing more affordable.

"Build-to-rent's number-one claim is they get a 15-20 per cent premium on market rents," he said. "So looking at build-to-rent as an affordable housing market, it's actually the opposite. Rents will go up.

"It's one group have a monopoly over a market or a building and they control the pricing, versus mum and dads fighting with each to get the pricing right."

With the number of build-to-rent projects on the rise before the pandemic (among those acquiring sites were ASX-listed Mirvac and privately owned Coronation Property) Scott Keck, chairman of property consultants Charter Keck Cramer, said the sector might strengthen after COVID-19, "notwithstanding a short-term reduction in rental values, and an increase in vacancy rates".

"For many the pandemic will have reduced their eligibility for home ownership and there will also be a gradual return of population growth," Mr Keck said.

"The build-to-rent sector was already making gains in Australia and can be expected to continue evolving, seeking particularly well located, sizeable but affordable sites."

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