



**Sustainable
Built Environment**
National Research Centre
AUSTRALIA

Social and Affordable Housing Build-to-Rent Framework

**Final Industry Report
Project 1.91**

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We encourage you to continue to draw on the results of our Centre's applied research to deliver tangible outcomes for your operations. By working together, we can transform our industry and communities through enhanced and sustainable business processes, environmental performance and productivity.



A stylized, handwritten signature of John V McCarthy AO in black ink.

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There is a critical need to address current challenges facing many Australians in need of safe and secure housing. This Sustainable Built Environment National Research Centre, Australia project explores whether the Build-to-Rent (BTR) model can deliver an additional pathway to increasing much-needed supply and help boost access to social and affordable housing (SAH).

The project will provide recommendations for improving the supply and diversity of BTR housing across different markets for the medium and long term. For this research, BTR is characterised as a single asset of between 200 and 500 homes, with one owner and/or manager who are committed for the long term. Developments include improved amenities, such as gardens or meeting spaces, with a focus on resident experience, driven by future rental return for investors.

BTR SAH requires a multi-stakeholder approach to the planning, delivery and operationalisation of successful projects. Government needs to take a strong leadership role in setting the agenda for housing strategy. This needs to provide government policy leadership in addition to funding mechanisms to allow for implementation of the plans within the strategy. However, private sector involvement and investment is also required. Incentives to developers and asset holders may assist in delivering this supply. Yet, to achieve net zero agendas and sustainable design, as well as the demand for housing, collectively we need to investigate alternative or modern methods of construction.



1.0 The Industry Challenge

The Sustainable Built Environment National Research Centre, Australia, (SBEnrc) social and affordable housing (SAH) research undertaken since 2014 has investigated key issues for the sector, as defined by government, industry, not-for-profit and research partners. This program of research has been a partnership between government, industry and academia to help build an evidence-based support of policymaking and housing delivery.

In Australia, the SAH sector is currently serviced by government agencies and Community Housing Providers (CHPs) with access to a range of government incentives.¹ The private sector has focused more on the delivery of market-led housing.

The Build-to-Rent (BTR)² (also known as multi-family) Framework is a guide for decision-making around considerations in supply of higher density SAH.^{3,4} It aims to help clarify the likely scale of development (density/number of dwellings) that could be delivered in different locations in Australia.

To date, BTR services the higher end of the private rental market, providing long-term tenancies with high quality, easy access (typically onsite) to amenities and ready access to other services (including public transport options) and an onsite concierge. The opportunity also exists for this model to provide additional SAH. Affordable BTR is defined as “private market BTR projects that provide, in whole or in part, dwellings rented at 20-25% below market rents or where rental costs do not exceed (say) 30% of gross household income” (Urban Development Institute of Australia National 2022, p. 5). Mackintosh (2023) also provides a broader discussion on definitions (p. 29).

Doubts have been raised about the likelihood of this pipeline of BTR units being completed, given the challenges around construction cost escalations, constraints within the construction labour market, interest rates and access to institutional funds. The uncertainty over the tax regime applied to foreign-owned projects is deterring foreign and domestic investors from investing into the sector.⁵

- **BTR is forecast to see 55,000 units completed by 2030**
- **This would be approximately 1.5 per cent of total rental supply in Australia**
- **In 2023 there [were] 8,350 units under construction nationally**

Source: *Breaking the Shackles – the rise of BTR report*. Retrieved 01 June 2024: <https://www.knightfrank.com.au/blog/2023/09/15/btr-sector-in-australia-forecast-to-see-55000-dedicated-units-by-2030>

(All figures contained within this report are in Australian dollars.)

¹ GST/stamp duty/land tax concessions and government rental subsidies (UDIA National, 2022, p.6).

² “‘Build to rent’ is the process whereby developers and their financiers build multi-unit buildings and, instead of selling the units, retain them to rent to tenant households. Rents may be set at market rent or, for affordable and social housing, at an appropriate discount to market rents” (Could ‘build to rent’ create affordable rental housing? | AHURI).

³ Social housing definition: “[S]ubsidised rental housing provided by not-for-profit, non-government or government organisations to assist people who are unable to access suitable accommodation through the private market” (Productivity Commission, 2024).

⁴ Affordable housing definition: “[H]ousing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education. As a rule of thumb, housing is usually considered affordable if it costs less than 30 per cent of gross household income” (<https://www.facs.nsw.gov.au/providers/housing/affordable/about#1>).

⁵ <https://www.afr.com/property/commercial/build-to-rent-sector-faces-wave-of-consolidation-20240911-p5k9n6>

1.1 Developing a BTR Framework for Social and Affordable Housing

The BTR Framework (Figure 1) considers the supply and delivery of SAH within BTR product. It integrates findings from the 2024 international case studies⁶ of BTR housing supply and demand in Canada and the United Kingdom, government, academic and industry literature, and 12 interviews with key sector stakeholders in Australia.

The seven components and associated sub-components (Table 1) fall under the four groupings of regulatory environment, enabling environment, design and construction environment and quality of life. The framework also aligns directly with the nine impact domains.⁷ The nine impact domains highlight that SAH is not just an economic cost, but also a social investment in housing infrastructure.

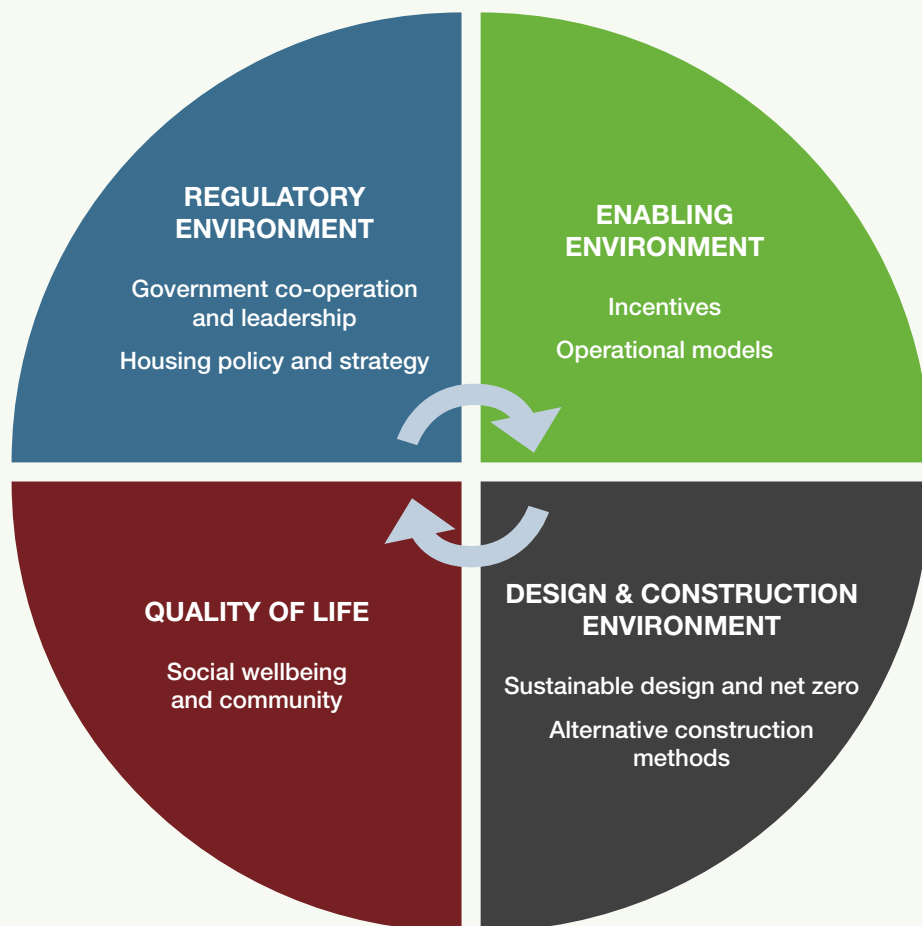


Figure 1: BTR Framework for social and affordable housing

⁶ Chiang, L., Jones, A., Reid, S. and Kraatz, J. (2024). *Build-to-Rent (BTR) to Increase Housing Supply in Australia: International case studies*, SBEncr, Australia.

⁷ Kraatz, J., Thomson, G. and Shearer, H. (2017). *Valuing Social Housing Final Research Report Attachment A – Domain Tables*, available at <https://sbenrc.com.au/research-programs/1-41/>

1.0 The Industry Challenge (cont'd)

Table 1: BTR social and affordable housing framework components and sub-components

BTR Social and Affordable Housing Framework Components and Sub-components		
Regulatory Environment	1. Government cooperation and leadership 2. Housing policy and strategy	Federal, state and local council policy, plans and strategies Policy alignment and support Partnership models
Enabling Environment	3. Incentives 4. Operational models	Feasibility of SAH developments Financial incentives Planning incentives Government fundings and grants Operational models
Design & Construction Environment	5. Sustainable design and net zero 6. Alternative construction methods	Net zero plan Environmental standards Modern methods of construction Modular construction
Quality of Life	7. Social wellbeing and community	Integrated communities Support services

The nine impact domains (Figure 2) are:

1. Community and culture – outcomes for providing equitable opportunity, community connectedness and planning for community.
2. Economy – outcomes addressing both the macro and micro economic systems and economic equity and diversity.
3. Education – outcomes covering impact of housing on both participation and performance.
4. Employment – relating to impact of housing on participation and mobility.
5. Environment – considering both utilities and physical assets in a whole-of-life context.
6. Health and wellbeing – identifying health system access and demands, and health and wellbeing benefits of secure housing.
7. Housing – considering issues around sustaining tenancies, effective housing asset and service provisions, and liveability.
8. Social engagement – addressing social capital, cohesion and empowerment, antisocial behaviours and activities, and neighbourhood engagement/issues.
9. Urban amenity – considering placemaking, regeneration, satisfaction and accessibility (both personal and transport-related).

Nine Impact Domains



Figure 2: Nine impact domains of social and affordable housing

1.2 Regulatory Environment

There was overwhelming support of the importance a consistent regulatory framework can have on reducing development time and costs, thus risks associated with BTR developments.

Participant 5: *"The risk-adjusted perspective is very different from my perspective as an equity investor with a global remit."*

Participant 8: *"Clear guidelines and streamlined approval processes can significantly reduce development time and costs."*

The coordinated role of government support and policy alignment to streamline processes and provide clear guidelines for developers was seen as assisting this.

Participant 2: *"The role of government, consistent with what we spoke about earlier, is to ensure that the concessions available to CHPs are fully available to the investor. There has to be a basis on which that discounted housing top-up is achieved."*

Participant 3: *"I think what you'll see at the moment, from what I'm told, is that the cost of constructing medium and high-rise buildings in Queensland is higher than it's ever been. In that situation, if you can purchase land – and we still have planners willing to grant planning permission for Greenfield sites in outer suburbs and so on – there's potential."*

Strong public-private partnerships were seen as essential for leveraging strengths and ensuring efficient housing delivery.

Participant 1: *"The reality is, we need to get both public and private sectors to cooperate. Governments have significant landholdings, and private developers have the expertise."*

Participant 3: *"Collaborations between government bodies and private developers could leverage the strengths of both sectors, ensuring efficient and effective housing delivery."*

These were evidenced throughout the Government Cooperation and Leadership and the Housing Strategy and Policy components of the BTR Framework, as evidenced in Table 2.

Table 2: Regulatory environment components and sub-components

Government Cooperation and Leadership		
Federal government	National Housing Accord	An initial target agreed by all parties to build 1 million new homes over five years from mid-2024. The Commonwealth government is committed to delivering 10,000 affordable homes, while state and territory governments are committed to supporting the delivery of an additional 10,000 homes. Each state and territory government is allocated to a certain number of affordable homes: New South Wales (NSW) (3,100), Victoria (2,546), Queensland (2,049), Western Australia (WA) (1,076), South Australia (700), Tasmania (220), Northern Territory (96), Australian Capital Territory (175)
	National Housing Supply and Affordability Council	A statutory body established under the <i>National Housing Supply and Affordability Council Act 2023</i> . It provides independent, evidence-based expert advice on matters affecting Australia's housing supply and affordability
	Housing Australia	Provides long-term and low-cost finance and capacity-building assistance to registered CHPs to support more SAH The Affordable Housing Bond Aggregator (AHBA) - AHBA loans were provided to registered CHPs for construction and cashflow finance and fund new development projects. Housing Australia issues social and sustainability bonds to fund AHBA loans to registered CHPs Supports consortium finance via the Victorian Government's Ground Lease Model 2 public-private partnership procurement program. This program targets the development of 1,400 social, affordable and specialist disability homes across metropolitan Melbourne
	National Agreement on Social Housing and Homelessness (NASHH)	A bilateral agreement between the Australian and state and territory governments under the <i>Federal Financial Relations Act 2009</i> . The NASHH recognises the Commonwealth's and the states' and territories' mutual interest in improving housing outcomes across the housing spectrum

1.0 The Industry Challenge (cont'd)

Table 2: Regulatory environment components and sub-components (cont'd)

Government Cooperation and Leadership (cont'd)		
State government	WA Community Housing Partnership Steering Group	Provides advice, oversight and engagement that will help support the growth and sustainability of the community housing sector
	NSW Community Housing Industry Council	Brings together relevant government agencies, CHPs and independents to focus on issues relevant to CHP business, growth and capacity-building
	Queensland Community Housing Futures Program	A program to improve the long-term viability and financial strength of Queensland CHPs by providing CHPs with access to training and specialist advice, enhancing their capability to deliver larger scale housing supply projects, diversifying towards operating models that increase affordable housing, and enhancing capacity to bid for government assistance for housing projects
	Queensland Housing Supply Expert Panel	<p>The Queensland Housing Supply Expert Panel provides independent, expert advice to the Queensland Government on:</p> <ul style="list-style-type: none"> • Housing diversity and affordability • State and local government strategies, plans and policy responses addressing land and housing supply • Challenges or opportunities to progressing growth management outcomes of regional plans across Queensland • Monitoring of dwelling supply benchmarks and employment planning baselines, including adequate years of supply and potential responses when supply benchmarks are not met
	Victoria Social Housing Growth Fund and Affordable Housing Investment Partnerships Program	<p>Runs ongoing grant rounds with CHPs to procure social housing. This includes the New Rentals Development Program and the Build and Operate Program. The Social Housing Growth Fund is also responsible for distributing grants as part of the Big Housing Build and works directly with CHPs to get the best value and dwelling outcomes</p> <p>Affordable Housing Investment Partnerships Program supporting the CHP sector by providing low-interest loans for SAH projects. This supports the CHP sector and other not-for-profit housing providers in acquiring debt through other sources and improving the financial stack of their projects</p>
	State government agencies	<p>For example, NSW Land and Housing Corporation (LAHC): LAHC provides a streamlined and transparent pathway for CHPs to put forward proposals that contribute to growing SAH. LAHC supports mixed-tenure, BTR development</p> <p>NSW Landcom: Landcom is a state-owned land and property development organisation. Landcom is delivering a BTR program, with projects in the South Coast and Northern Rivers regions</p> <p>WADevelopment</p>
Local council	Australian Local Government Association (ALGA)	Represents 537 councils across the country. ALGA Vice President Mayor Matt Burnett said Australia's 537 councils play a key role in facilitating SAH but could do much more with better funding partnerships
Community Housing Providers	Community Housing Industry Association (CHIA)	Australia's peak body representing not-for-profit community housing organisations. CHIA sees value in an expansion of the market BTR sector and calls for needs to take place alongside continued growth in affordable BTR provision
	National Shelter	A non-government peak organisation that aims to improve housing access, affordability, appropriateness, safety and security for people on low incomes. It shares the same view as CHIA about the market BTR sector

Table 2: Regulatory environment components and sub-components (cont'd)

Housing Policy and Strategy		
Federal government	National Housing and Homelessness Plan	A 10-year strategy to help more Australians access safe and affordable housing Key reforms include (1) a 15% increase to the maximum rates of Commonwealth Rent Assistance to assist low-income renters, (2) the \$10 billion Housing Australia Future Fund, the single biggest investment in SAH by a federal government in more than a decade, which will support the delivery of 30,000 social and affordable homes in its first five years, (3) a National Housing Accord (Accord), setting out a shared ambition to build 1 million new, well-located homes over five years from 2024, (4) an additional \$350 million over five years from 2024-25 to support funding of 10,000 affordable homes under the Accord, (5) providing tax incentives to support BTR developments to reduce barriers to new supply in the private rental market, (6) increasing Housing Australia's (previously National Housing Finance and Investment Corporation) liability cap by an additional \$2 billion. This will allow Housing Australia to provide more loans to CHPs for SAH, supporting around an additional 7,000 dwellings, (7) widening the remit of the National Housing Infrastructure Facility, making up to \$575 million available to invest immediately in SAH, (8) expanding eligibility for the Home Guarantee Scheme to help more people buy a home sooner, (9) offering states and territories an additional \$67.5 million to address homelessness as part of a one-year extension to the National Housing and Homelessness Agreement, (10) a \$2 billion Social Housing Accelerator payment to state and territory governments, which will create thousands of homes for Australians on social housing waiting lists, and (11) committing to A Better Deal for Renters to harmonise and strengthen renters' rights across Australia
	Foreign Investment Policy	Streamlining and attracting foreign investment by allowing foreign investors to buy established BTR developments and supplying lower application fees to this type of investment. This will encourage investment in BTR developments and contribute to Australia's housing stock
State government	Homes for Queenslanders (HfQ)	HfQ commits \$3.1 billion over five years to deliver a new, system-wide housing plan. HfQ is structured into five pillars: Pillar 1: \$504 million – build more homes, faster, including Pillar 2: \$166 million – support Queensland renters, including Pillar 3: \$30 million – help first homeowners into the market, including Pillar 4: \$1.75 billion – boost our social housing Big Build, including Pillar 5: \$526 million – work towards ending homelessness, including HfQ complements and builds on the Queensland Government's existing efforts to address housing pressures, including the actions under the former <i>Queensland Housing Strategy 2017-2027</i> and its associated Action Plans
	NSW Housing State Environmental Planning Policy (SEPP)	NSW Housing SEPP facilitates affordable and diverse housing development. BTR and SAH are in planning provisions under the Housing SEPP. The BTR housing provisions allow development to be used as BTR housing anywhere that residential flat buildings or shop-top housing are permitted, as well as in E2 Commercial Centres, MU1 Mixed Use, B3 Commercial Core, B4 Mixed Use, B8 Metropolitan Centre and SP5 Metropolitan Centre Zones
	NSW Community Housing Industry Development Strategy	Supports capacity-building initiatives, ranging from developing a system for benchmarking CHP performance and managing strategic risk, to building effective industry partnerships for the delivery of SAH and providing better services for clients through improved tenant engagement tools

However, there is a clear need for a long-term strategy for housing, integrating BTR into the broader housing market.

Participant 1: "We need a strategy that looks beyond immediate needs and integrates BTR into the overall housing market."

Participant 7: "BTR needs to be seen as a stable, long-term rental solution, rather than a temporary fix."

BTR needs to push beyond high-end, market-led housing as is currently being developed to address housing diversity. BTR should complement rather than replace traditional build-to-sell models.

Participant 2: "BTR is a new addition to that landscape, and I think that's only a good thing."

1.0 The Industry Challenge (cont'd)

1.3 Enabling Environment

Participants highlighted the importance of financial incentives such as tax breaks and density bonuses to make BTR projects financially viable. Government funding and grants are necessary to support the inclusion of SAH within BTR developments.

Financial incentives are crucial for making BTR projects financially viable.

Participant 2: "Government funding and grants can significantly impact the feasibility of BTR projects."

Participant 4: "Tax incentives and financial concessions can make a significant difference in the feasibility of BTR projects."

Participant 9 highlights land tax discounts provided by several states: "NSW, Victoria, Queensland, South Australia and Western Australia offer a 50% land tax discount for build-to-rent development."

Government funding and grants that are targeted funding programs are necessary to support SAH within BTR developments.

Participant 2 states: "The Social Housing Accelerator is a one-off two billion [dollar] payment to states and territories for delivering a permanent increase in social housing stock."

Participant 7 adds: "The Housing Australia Future Fund Facility includes a \$10 billion fund to support and increase social and affordable housing and other housing needs."

Participant 8: "Governments need to provide targeted funding programs to support SAH within BTR developments."

This is due to: "The difficulty in securing long-term financing for BTR projects in Australia compared to more established markets like the US is a major barrier." (Participant 5). Participant 6 mentions: "Housing Australia was established to bridge the funding gap in social and affordable housing through long-term and low-cost finance provisions to registered community housing providers." Thus, the capacity to deliver at scale and government incentives and subsidies can support the feasibility of BTR developments.

These enabling environment components and sub-components are evident in Table 3.

Table 3: Enabling environment components and sub-components

Incentives for BTR Development		
Federal government	Taxation incentives	<p>Increased the capital works tax deduction rate from 2.5% to 4% per annum for projects initiated after 9 May 2023. This BTR tax reform can effectively reduce taxable income for investors during the relevant period. The mechanism shortens the depreciation timeline from 40 to 25 years, enhancing the project's early cashflow attractiveness</p> <p>On the other hand, for eligible rental income distributions to foreign investors from active BTR developments, the Managed Investment Trusts (MIT) withholding tax rate has been reduced from 30% to 15%, which aligns with the MIT withholding tax rate that applies to commercial property. This measure is intended to make BTR investments in Australia more appealing to foreign capital, potentially diversifying the investor pool and increasing overall investment in the sector</p>
	Financial incentives	<p>AHBA Loans: This facility provides low-cost finance to registered CHPs for SAH projects. Housing Australia administers this loan</p> <p>National Housing Infrastructure Facility – Critical Infrastructure (NHIF CI): NHIF CI provides loans and grants for critical infrastructure to unlock and accelerate new housing supply. The fund can be used for electricity and gas, water, sewerage and stormwater, transportation including roads, and telecommunications</p> <p>Commonwealth Rent Assistance (CRA): CRA is available to individuals or families receiving a social security payment that pays rent for a community housing dwelling or housing in the private rental market. The amount of rent assistance people can receive depends on an applicant's income, rent and household circumstances</p> <p>*Removal of GST: Based on Canada's case study, the federal government waived the GST on purpose-built rental, addressing a longstanding issue that has prevented the construction of more rental housing for decades. The taxation reform on BTR might increase SAH's supply</p>

Table 3: Enabling environment components and sub-components (cont'd)

Incentives for BTR Development (cont'd)		
Federal government	Social Housing Accelerator	A one-off \$2 billion payment to states and territories for delivering a permanent increase in social housing stock. Starting February 2024, states and territories must report on a six-monthly basis until August 2028 on progress associated with social dwellings built and committed, changes to the social housing waitlist, and planning and zoning reforms
	National Australia Future Fund Facility & National Housing Accord Facility	An investment vehicle to provide an additional \$10 billion fund to support and increase SAH and other housing needs. It includes the needs of Indigenous communities and housing services for women, children and veterans. The fund seeks to facilitate superannuation and institutional capital investment in SAH
State government	Land tax discounts	NSW, Victoria, Queensland, South Australia and WA offer a 50% land tax discount for BTR development. In general, all states offer a 50% reduction in land tax for BTR development. The Queensland Government requires at least 10% of rental dwellings to be affordable housing in BTR developments to be eligible for a 50% land tax discount
	Planning incentives	<p>Expedited zoning, planning and land release: All state and territory governments are progressing with planning reforms to support the delivery of social and affordable dwelling projects funded under the National Housing Accord or Housing Affordability Future Fund</p> <p>NSW Government has several SAH-related reforms, including (1) implementing a new State Significant Development (SSD) pathway for residential developments with a Capital Investment Value of more than \$75 million that allocates a minimum of 15% of the total Gross Floor Area to affordable housing. All developments with a minimum of 15% affordable housing will also gain access to a 30% floor space ratio boost and a height bonus of 30% above local environment plans, (2) NSW Land and Housing Corporation (LAHC) and the Aboriginal Housing Office will be provided with an expanded SSD approval pathway for projects with more than 75 homes or more than \$30 million in capital investment. Landcom will also have an SSD pathway for developments of more than 75 homes that includes at least 50% in affordable housing, (3) providing Landcom the same self-assessment powers as LAHC for affordable housing developments of up to 75 dwellings, and (4) exempting SAH (provided in accordance with the Housing SEPP provisions) from attracting a state infrastructure contribution</p> <p>Victoria's reform is to unlock and rezone surplus government land and include a minimum 10% affordable housing target on these sites</p> <p>Queensland Government's reforms are to (1) strengthen the remit of Economic Development Queensland to drive new housing supply by establishing the delivery of social, affordable and diverse housing as a clear purpose in legislation, (2) introduce planning reforms that streamline planning approvals that will support the delivery of more SAH, (3) undertake an audit of state government-owned land and buildings to identify housing opportunities through development or repurposing, including the provision of SAH, and (4) investigate and consult on introducing inclusionary requirements into the planning framework to increase the supply of SAH. Additional reforms include establishing the regulatory framework to govern the provision of affordable housing under the <i>Economic Development Act 2012</i>. It enables Economic Development Queensland to progress to the next stages of implementation including setting affordable housing requirements in Priority Development Areas development schemes. Queensland has set up a State-Facilitated Development team to streamline decisions and quickly resolve planning and infrastructure issues that delay new homes, including SAH. They will expedite approvals, prioritise affordable housing, promote infill development and lead an Inclusionary Planning Pilot program</p> <p>South Australia Government will lease two parcels of land at Goolwa North, on the Southern Fleurieu, and Fisherman Bay, on the Yorke Peninsula. At least 15% of the allotments are expected to be allocated for affordable housing</p> <p>WA Government's planning measures to boost and streamline the delivery of SAH include (1) delegated authority for the Housing Authority to assess SAH projects of up to 20 dwellings, (2) a commitment to introduce planning bonuses for projects that include social housing, and (3) ability for the State Development Assessment Unit to independently assess applications for social housing projects, via the 'Part 17 Significant Development Pathway'</p>

1.0 The Industry Challenge (cont'd)

Table 3: Enabling environment components and sub-components (cont'd)

Incentives for BTR Development (cont'd)		
State government	Queensland Housing Investment Growth Initiative (QHIGI)	<p>Aims to deliver 8,365 social and affordable homes for vulnerable Queenslanders. The QHIGI is being delivered through three funding initiatives: Housing Investment Fund, QuickStarts Qld and Help to Home</p> <p>The Housing Investment Fund (HIF) is relevant to BTR and SAH. The HIF is a \$2 billion fund to support a revised target of 5,600 social and affordable home commencements by 30 June 2027. The HIF provides subsidies, one-off capital grants and other support to encourage developers, builders, registered CHPs, tenancy managers, institutional investors and superannuation funds to partner to develop, finance and operate additional SAH supply in Queensland. All housing projects supported under the HIF must be owned, held and managed long-term as social or affordable rental properties</p>
	NSW floor space ratio bonuses	NSW Government offers floor-space ratio bonuses to incentivise affordable housing development. If a minimum of 10% of the gross floor area of an eligible residential development is affordable housing, a bonus floor space ratio is available. Bonuses are scaled according to the size of the affordable housing component, up to a maximum 30% uplift if 15% or more of the gross floor area is affordable housing
Local government	Brisbane BTR policy	<p>Is an infrastructure charge deferral incentive to support the construction of new BTR residential multiple dwellings in appropriately zoned locations</p> <p>The policy defines a BTR development as a new purpose-built, large-scale, multiple-dwelling residential development in which all dwellings are retained in one ownership to be managed for a minimum of 10 years as long-term rental housing. The BTR development is being delivered, owned and maintained by a registered not-for-profit housing provider. The entire BTR development needs to be the residential use of the building</p> <p>For eligible developments, the local council will enter into an Infrastructure Agreement under the <i>Planning Act 2016</i> to defer the payment of the infrastructure charges for up to five years for the BTR component of the development. The deferred charges are to be paid in annual instalments following the commencement of use for the eligible development. A special assessment unit is established to streamline the assessment of priority development applications. Under Brisbane's BTR incentive policy, streamlined assessment is available for applications</p>
	Sydney Local Environment Plan proposal	Will introduce a floor space bonus to incentivise BTR housing in central Sydney. The reforms introduce a new bonus floor space ratio of up to 30% and a height bonus of up to 30%, where a proposal includes a minimum of 15% of the gross floor area as affordable housing
Other	Super Housing Partnerships	A specialist affordable housing fund manager. The partnership is supported by founding investment partner HESTA, which committed \$240 million to seed its first fund, initially focused on developing a pipeline of Victorian BTR apartment projects. SHP's first fund will develop BTR Victorian apartment projects, potentially representing more than 1,600 mixed-tenure dwellings of social, affordable, market-rate and specialist disability housing
	Australian Retirement Trust (ART) & Queensland Investment Corporation (QIC) Partnerships	An institutional investor, ART, partnered with institutional investment manager QIC to finance up to 1,200 new homes, largely consisting of SAH. ART is also working with CHP Brisbane Housing Company (BHC) to deliver a scalable model for financing, developing and operating SAH in Queensland. ART supports the QIC-BHC Social Housing Consortium in delivering seven projects, representing nearly 600 dwellings
	Aware Super Essential Worker Housing Program	Established in 2018, offers essential workers access to quality rental housing near essential and social infrastructure. The Meridian Miranda development is Aware Super's first BTR affordable housing development in Australia
	Philanthropic grant funding	Philanthropy plays an important role in addressing financing barriers that constrain the supply of affordable housing. Barriers include land costs, finance costs, ongoing operating costs, development costs, return on investment, etc. The Lord Mayor's Charitable Foundation (Melbourne) is an example of philanthropic grant funding in Australia. The Foundation holds a yearly Affordable Housing Challenge to encourage landowners to build affordable housing on under-utilised land near amenities. The Foundation provides grants for a scalable and replicable solution to affordable housing

Table 3: Enabling environment components and sub-components (cont'd)

Operational Models		
Federal government	Financial support	<p>Housing Australia was established to bridge the funding gap in SAH through long-term and low-cost finance provisions to registered community housing providers</p> <p>Several case studies support this model. Housing Australia provided a loan of \$73 million via the National Housing Infrastructure Facility and a \$15.6 million grant to support an affordable BTR housing project in Perth. The 29-storey BTR apartment development will be managed by a consortium comprising Housing Choices WA and Super Housing Partnerships. WA Government will contribute more than \$40.6 million to this project, which is expected to deliver 219 new apartments comprising 66 social, 44 affordable, 98 market and 11 specialist disability accommodation options</p>
State government	Ground lease model	<p>State governments, such as Victoria and WA, lease their land to a consortium to build, operate and maintain housing on the site for a certain period, i.e. 40 years of lease in Victoria and 52 years in WA. As part of an integrated housing model, there will be a mix of social, affordable, specialist disability and market rental homes across the sites to provide greater diversity</p> <p>For example, the WA Government announced the procurement process of the Smith Street Ground Lease Pilot, for the Department of Communities to partner with a CHP or community housing provider-led consortium to establish an innovative BTR housing development in Smith Street, the site of a former social housing apartment block. The successful community housing provider will provide integrated asset and tenancy management services under a Ground Lease for up to 52 years</p> <p>Victorian Government's Ground Lease Model (GLM) 1 project, in which the state government leased Crown land to private consortium Community Housing (Vic) Limited under an availability model to design, build, finance, manage and maintain the housing for 40 years. One ground lease model 1 project is located in Prahran, Melbourne, and includes 228 social, 195 market rentals, and 11 specialist disability units. Other projects are in Brighton and Flemington. Housing Australia provided \$394.1 million in funding to support GLM1, comprising a loan facility of \$344.4 million through the AHBA and \$49.8 million via the NHIF. The NHIF funding enabled critical infrastructure works including stormwater, sewer drainage, and water, gas and electrical power supply</p>
Industry	Integrated management	<p>Mirvac, as a developer and landlord, launched LIV as a BTR option that combines the flexibility of renting and the security of home ownership. LIV is about connection, creating spaces and places that bring people together, with a shared perspective on what a better life looks like and the aspiration to make it happen. LIV has secured five properties, set to deliver close to 2,200 apartments. By 2024, 3,300 residents will call LIV home across Sydney, Melbourne and Brisbane</p>
CHPs	CHPs	<p>CHPs Participant 9: "Community Housing Providers are crucial for the success of social housing components within BTR projects, and government policies should support and incentivise their involvement"</p>

* Removal of GST is specific to the Canadian International Case Study;⁸ however, Australia has a lot to learn from enhancing the feasibility of BTR developments through the removal of GST applicable.



⁸ Chiang, L., Jones, A., Reid, S. and Kraatz, J. (2024). *Build-to-Rent (BTR) to Increase Housing Supply in Australia: International case studies*, SBEnrc, Australia.

1.0 The Industry Challenge (cont'd)

Participants discussed in detail the need to consider the professional management of BTR to enable tenant satisfaction.

Participant 2: *"Professional management teams are crucial for the success of BTR projects."*

As Participant 7 noted: *"Managing a diverse tenant group requires flexible management strategies that can cater to various needs, from young professionals to older adults."*

Due to the scale of most BTRs in operation or under construction, the industry is looking to innovative solutions for professional management.

Participant 3: *"Innovative operational practices, such as using technology for efficient service delivery and data analytics to understand tenant needs, can significantly enhance the performance of BTR developments."*

Participant 6: *"Leveraging digital platforms for tenant communication and maintenance requests can streamline operations and enhance tenant satisfaction, leading to higher retention rates."*

However, given the cohort of some SAH providers, additional support and services will be required. Balancing this within a mixed-tenure BTR environment will be challenging.

Additionally, balancing the financial and investment risk and rewards associated with BTR at the back end was another consideration discussed by participants.

Participant 3: *"Ultimately, we want to invest in projects that provide stable returns while mitigating risk."*

Participant 5: *"The current risk-adjusted returns for BTR in Australia are not as attractive as in other markets, posing challenges for investment."*

Government contributions through incentives strengthen the feasibility of SAH in BTR. The lack of a secondary market to test the transaction and market risk of this product is still immature in Australia. Lessons from our previous research examining international case studies⁹ highlight that institutional investors do have an investment appetite for this form of property.

1.4 Design and Construction Environment

The design and construction environment incorporates the components of sustainable design and net zero, as well as alternative construction methods. These components and sub-components are outlined in Table 4.

Table 4: Design and construction environment components

Sustainable Design and Net Zero		
Federal government	Net zero plan	<p>Is formed by six sectors: electricity and energy, transport, industry, agriculture and land, resources and the built environment</p> <p>The built environment encompasses buildings, structures, parks and water infrastructure. This includes around 11 million private dwellings and 1 million commercial buildings across Australia. The built environment sector plan will take a holistic approach to reduce emissions associated with operating buildings and embodied emissions in the construction material used in buildings. The built environment sector plan is currently in the consultation process</p>
State government	NSW flexible design	<p>BTR was introduced as a housing product in NSW State Environmental Planning Policy (Housing) 2021. NSW Government recognises the benefits of flexible design for BTR developers and provides an Apartment Design Guide to give criteria for BTR housing. Flexibility must apply to three areas: balconies and private open space, storage, and apartment mix. Flexibility can apply to solar and daylight access, apartment size and layout and common circulation spaces</p>

⁹ Chiang, L., Jones, A., Reid, S. and Kraatz, J. (2024). *Build-to-Rent (BTR) to Increase Housing Supply in Australia: International case studies*, SBEncr, Australia.

Table 4: Design and construction environment components (cont'd)

Sustainable Design and Net Zero (cont'd)		
Investments	Clean Energy Finance Corporation (CEFC)	CEFC is Australia's green bank, investing in transition to net zero emissions by 2050. CEFC is investing in the Mirvac Australian Build-To-Rent Club, an innovative project incorporating sustainable design principles to benefit investors, developers, residents and the environment. The cost of incorporating sustainability measures has the potential to be recouped as energy savings result from the improved ongoing life cycle performance of properties
Industry initiatives	Green certification	Participant 7: "Green certifications like Green Star can enhance the marketability and appeal of BTR projects"
Alternative Construction Methods		
State Government	NSW Modern Methods of Construction program (MMC)	NSW Government is investing \$10 million in an MMC program to deliver quality and permanent social homes. MMC refers to the wide variety of construction methods that differ from traditional onsite construction. This includes prefabrication, offsite manufacturing, modular or volumetric dwellings, and new technologies such as 3D printing, robotics and artificial intelligence. The NSW Good Design for Social Housing Guide is an example of the use of architecturally designed modern methods of construction of permanent homes compliant with the National Construction Code and Building Sustainability Index
Industry innovations	Modular construction	Participant 1: "...This includes prefabrication, offsite manufacturing, modular or volumetric dwellings"
	Innovative materials	Participant 1: "New construction technologies can improve the efficiency and environmental impact of BTR projects"

Participants discussed at length the role that high environmental standards have in increasing the importance of long-term viability and attractiveness from both the asset owner and tenants' perspective. As participant 5 stated: "Sustainable design and net zero targets are critical for the long-term success of BTR developments." For the built environment sector to achieve net zero targets there is a need to consider design, construction and operationalising of a building. Thus, due to the long-term nature of BTR investments as a buy/build and hold asset class, this aligns with sustainable design.

Participant 4: "Environmentally sustainable buildings lead to lower operating costs and higher tenant satisfaction."

Participants underscored the importance of sustainable design and achieving net zero targets for the long-term success of BTR developments. Green certifications are seen as beneficial for marketability and appeal, aligning with the long-term nature of BTR investments.

The investment into how industry will achieve net zero targets, among other factors, has resulted in a move towards exploring innovative construction methods. Modularisation or modular building is one modern method of construction that is attracting a lot of attention.

Participant 8: "Modular construction methods streamline development and improve feasibility."

Participant 9: "Modular methods can significantly reduce construction time and costs, making BTR more viable."

As Crowe et al. (2024, p. 77) stated: "Value capture through modular construction has been documented through reduced person-hours and labour costs, improved efficiency through economies of scale, decreased transportation costs and logistics needs given the centralised production process." It is not just the speed of construction that is controlled and enhanced through modular building.

Participant 4: "Prefabricated construction techniques can also play a significant role in reducing waste and improving construction timelines, further enhancing the viability of BTR projects."

Increased competition for building and construction trades people has impacted on the construction industry. There are potential benefits to attracting workforce within the modular building environment, particularly under-represented individuals such as women, who might find the work environment within a factory advantageous to a worksite.

However, widespread adoption of innovative construction methods requires industry leadership, as well as integration with existing construction standards.

1.5 Quality of Life

A key impediment to the inclusion of SAH into current BTR in Australia is the focus on high-end residential market housing. Despite this, participants spoke at length about the need to carefully plan in the aspects relating to tenants' quality of life.

Participants emphasised the importance of integrated communities with mixed-tenure housing to promote social wellbeing and inclusivity. As one participant highlighted: "Mixed-tenure developments can create more inclusive and cohesive communities" (Participant 1) that are "beneficial for social wellbeing" (Participant 3).

High-quality designed amenities are essential for enhancing the living experience and fostering community.

Participant 2: "Well-designed communal spaces can enhance the living experience and foster a sense of community."

Participant 4: "Providing high-quality amenities that cater to diverse resident needs is essential."

Integrating support services for social housing residents can also improve outcomes and ensure sustainable tenancies.

Participant 3: "Support services are crucial for the success of social housing within BTR projects."

Operational models also must foster community engagement and social integration, with some noting the onsite advantage of professional management enabling this:

Participant 3: "Community-focused amenities and onsite staff are essential for creating vibrant, cohesive communities."

Participant 5: "Having community-oriented onsite staff can significantly enhance the living experience for residents."

The quality of life components are encapsulated in Table 5 on social wellbeing and community. These highlight the role of impact investing, specific tenant requirement and targeted strategies to improve the quality of life for communities.

Table 5: Social wellbeing and community

Social Wellbeing and Community		
Institutional investment	Impact investing	Several institutional investors, such as Macquarie Asset Management portfolio and Brightlight, are committed to integrating impact housing into its rental apartment developments
	Specific tenant segments	<p>Local is an Australian BTR residential developer whose impact housing is focused on three groups of people: key workers such as nurses and those in the hospitality sector; people living with a disability; and women over the age of 55 who are at risk of homelessness</p> <p>Local also includes apartments designed to meet the Liveable Housing Australia Gold standard – which provides better access, circulation space and facilities – to provide viable housing for older Australians seeking to age in place</p> <p>Two Local projects totalling around 900 apartments are currently under construction in the Melbourne neighbourhoods of Kensington and South Melbourne and are due to open in 2024. Between these projects, Local will provide 83 affordable, social and specialist disability accommodation apartments, with partnerships with the Women's Property Initiatives – a not-for-profit registered CHP that supports women over the age of 55 at risk of or experiencing homelessness – and Home in Place – a specialist disability accommodation provider</p>
	Targeted strategies	Brightlight's BTR strategy is a joint venture platform that delivers strong commercial and social returns by creating genuine, positive social and environmental outcomes for its tenants. The BTR Strategy also factors environmental sustainability and community engagement in its design, and focuses on tenants' mental and physical wellbeing and social connection in its active management. With a NatHERS 7-star environmental rating, location and neighbourhood desirability, and sought-after amenities and resident perks, the BTR approach is holistic, with community and wellbeing focused through its building design and active management



2.0 Conclusions

The \$10.8 trillion Australian residential real estate market is experiencing a period of extremely low vacancy rates, with the national average rental vacancy rate at 1.3 per cent as at June 2024 (SQM Research, 2024). A residential market that is in equilibrium would be between 3 per cent and 4 per cent. Therefore, as at June 2024 there are only approximately 40,000 dwellings vacant across Australia. Of these, there would be a significant proportion that are inferior stock or in very poor quality to make habitation unlikely.

According to The Treasury, nominal dwelling prices and advertised rents have also demonstrated significant and sustained growth. Nationally, home values have also been experiencing consecutive growth, up 7.6 per cent annually (Lawless, 2024), putting the national average house price at just short of \$800,000 (Lawless, 2024). Because of increasing price pressures, a growing proportion of Australian households are having to find additional money to contribute to housing costs.

Changes to the financial services sector brought about by the banking Royal Commissions are impacting on borrowing capacity. This is contributing to housing affordability. The decline in affordability factored in by how long the median gross disposable household income would take to save a deposit or as a return of median house price is contributing to housing affordability. Whereas once housing would cost the average household four times their disposable income or approximately 30 per cent of household budgets, this has escalated to eight times and closer to 40 per cent.

Dwelling approvals have been extremely volatile over the past decade, leading to a decline in the supply of new residential housing product. The tight labour markets and competition for trade labour is one factor contributing to these costs. Construction costs also are not being able to be retained over the life of some projects, contributing further instability to the construction of particularly residential apartment product. The National Housing Accord set a target of 1.2 million dwellings over the next five years, or approximately 240,000 dwellings per year. To date Australia has never achieved dwelling completions of this scale. Crowe et al. (2024) indicate that over the past decade Australia has fallen short of these targets by approximately 23 per cent or 55,000 per year.

The social housing sector, between social and community housing, has approximately 444,115 dwellings as at June 2023 (Productivity Commission (PC), 2024). This is costing the state and territory governments in Australia approximately \$4.9 billion in net recurrent expenditure (PC, 2024). The Productivity Commission (2024) highlights that there has been a shifting policy over the past decade, reflecting a push towards the community housing sector working in partnership with governments and private industry to increase supply. This has occurred at the same time Australia has experienced a decline in the number of public housing households with a corresponding increase in community housing stock.



Image by Kitidach (Source: Adobe Stock)

Given these market conditions, the use of BTR assets has advantages. As Macintosh (2023, p. 13) highlights, BTR has maintained stable returns albeit at lower yields, low income volatility, greater tenant experience from long-term occupancy and in desirable locations due to the scale of the developments. BTR developments are generally also more resilient to construction cycles due to the long-term investment intention of asset owners. However, to date, all BTR developments in Australia are at scale, with between 300 and 400 apartments.

CHPs are at the forefront of BTR development, from a delivery and operational perspective. There is clear diversification that could occur within their business models to partner with institutional investors in operationalising market-led or mixed-tenure BTR. The unique services model has transferable skills.

Currently, the BTR sector in Australia is a very small component of the residential rental market. There are approximately 5,500 apartments in operation, with a further 8,350 under construction (Macintosh, 2023; Knight Frank, 2024). Most of the current and under-construction activity is in Melbourne, followed by Sydney, Brisbane and to a lesser extent Perth. Despite the average scale of 320 apartments per BTR development, the opportunity for expansion of this asset class is significant. "EY estimates that the current size of the Build to Rent sector in Australia is \$16.87 billion (this equates to ~0.2% of the total value of the residential housing sector)" in 2023 (Macintosh, 2023). Internationally, BTR represents closer to 12 per cent and 6 per cent of the USA and United Kingdom residential housing sectors, respectively.

However, uncertainty within the regulatory environment, particularly around taxation policy for foreign investors and owners of BTR, is creating challenges to the sector. Bringing the withholding tax rate applied to BTR to 15 per cent, in line with other forms of foreign-owned commercial property, has been held up by political process. Investors into this asset class need certainty. The lack of a secondary market for BTR in Australia also is contributing.

Increasing costs of dwellings in Australia and accessibility to finance will result in more households, particularly younger generations, renting. BTR will not surpass existing investment in the housing sector in Australia, which comprises mainly 'Mum and Dad' investors.

There is strong evidence to support the growth of BTR development utilising foreign and domestic institutional investors. However, until a secondary market is tested, the risk for domestic institutional investors may be too highly risk-adjusted. Government incentives to support affordable housing and to subsidise social housing within the tenant mix has the potential to increase adoption of SAH within BTR. However, the short-term BTR market will continue to be dominated by market-led rental housing.





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Find out more:

Project webpage:

Social and Affordable Housing Build-to-Rent Framework

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