

Media Release

Tuesday, 25 August 2020

Investors eye build-to-rent as a key element of housing affordability solution

First State Super is calling for greater tax incentives at a Federal and State Government level to make investments in build-to-rent schemes more viable in Australia.

Speaking ahead of the Committee for Economic Development of Australia (CEDA) 'Prioritising Social and Affordable Housing' event on Tuesday, First State Super Chief Investment Officer Damian Graham said it was critical that government and industry continued to work together to ensure build-to-rent schemes could become more feasible to help address the current housing affordability issues facing so many Australians.

'Build-to-rent is popular overseas in countries like the United States, but is still in its early stages in Australia,' Mr Graham said. 'As a major investor in affordable housing First State Super wants to expand our investments in this sector and see the barriers removed to make way for the market to grow.'

'Growth in this sector is not as financially viable in Australia as it is internationally due to a number of challenges presented by the Australian financial system with its current tax laws.'

Mr Graham said the build-to-rent sector in the United States was significant, largely made possible by the financial system in the US - particularly the banking and debt systems and urged for greater tax incentives in Australia, including GST reform and a reduction in stamp duty.

Mr Graham said additional changes to policy to make build-to-rent more attractive in Australia were needed including reductions to land tax as well as additional concessions for density requirements under planning laws.

'In order for build-to-rent projects to be successful there needs to be a reduction in land tax and more release of State and Federal land available for development. The Australian landscape has proven to be difficult with a higher cost of land holding it back compared to some overseas markets.'

Mr Graham said First State Super welcomed the NSW Government's recent announcement that it would cut land tax for the next 20 years for new build-to-rent housing projects and would give a 50 per cent discount on land tax to developers who invested in build-to-rent schemes. Additional schemes for build-to-rent housing projects would be welcomed to allow for more investment in this space.

'Now is the opportunity for governments, industry and investors to work together and respond to these challenging issues and allow for more investment opportunities of scale in affordable housing and build-to-rent developments.'

First State Super has commenced its first 'build to rent' affordable housing project in New South Wales and is interested in expanding its investments across Australia, in addition to other affordable housing initiatives.

Over the past 12 months First State Super has invested \$250 million in key worker affordable housing initiatives in NSW and Victoria; one of the largest commitments of this kind of any Australian super fund.

These key worker affordable housing investments have seen hundreds of new or renovated apartments and units rented to nurses, teachers, police, paramedics, aged and disability support workers and other key workers at 80 per cent of the market rate.

‘We know that for many key workers finding safe, secure quality housing near their workplace is a challenge. These investments support key workers to secure affordable rental accommodation close to work and other important amenities,’ he said.

‘However, they also support our crucial construction sector to maintain jobs and move forward with important projects despite the economic uncertainty.’

First State Super will be making further announcements regarding additional investments in affordable housing shortly and has committed to increase that investment to \$400 million this year.

‘There is a real opportunity for investors like us to collaborate with government to respond to the significant issue of housing affordability, to help support future housing needs across the country, provide a welcome boost to construction and to support jobs.’

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Note to editors:

First State Super merged with VicSuper on 1 July 2020 to become one of Australia’s largest industry funds managing over \$125 billion in assets and providing superannuation, advice and retirement solutions to those who teach, nurse, care, respond and help others in our communities.

The Fund consistently delivers strong long-term returns to keep fees low, so members can retire with more. A diverse range of investment options are provided to members along with access to advice about their super and the investment options available to them.

Investments are focused on delivering strong long-term returns. In addition, the Fund aims to not only benefit the environment but contribute to jobs in the communities where their members live, work and retire.

First State Super has achieved the highest platinum performance rating from independent ratings agency SuperRatings for the past decade and has consistently been awarded ChantWest’s highest 5-apples rating. firststatesuper.com.au

First State Super will change its name to **Aware Super** in mid-September.