

Australia Build to Rent Update



Q3 2025

Improved macroeconomic outlook and supportive Government policy to enhance demand and investment into the sector

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Madison Grand,
Southbank VIC

The Quick Take



Robust operational performance

Operational schemes are demonstrating strong performance, with high occupancy rates and steady rental growth which is providing added confidence to the market and investors.



Momentum building at policy level

Accelerating housing delivery is high up on the government agenda, with BTR representing a key tool to ramp up supply. The NSW Government recently announced a permanent 50% land tax exemption in a positive move for the sector.



2025 shaping up to be a record year

Following a record year of supply in 2024 this is forecast to be eclipsed again in 2025 with 6,000 units expected to be delivered. Easing construction costs and lower interest rates will support further development activity.



Improving market stability

Encouraging signs of macro-economic stability returning to the market, providing an improving backdrop for BTR investment activity. This coupled with supportive Government policy will only enhance the sector's appeal to investors and developers.



More entrants to the BTR sector

As global investors scale up their exposure to the living sectors, more entrants are expected to enter the market as the sector is maturing.



Return of core strategies

A gradual return to core strategies will be instrumental in driving the BTR sector's next phase of growth.

Record year of supply expected

6,000 UNITS FORECAST FOR DELIVERY IN 2025 BEFORE TAPERING OFF IN 2026

Last year marked a record for the BTR sector, with 4,660 units delivered across 18 schemes nationally. As we reach the halfway point of 2025, early indications suggest that delivery is trending higher compared to 2024, although final figures will depend on timing of completions as the year progresses.

Since the turn of the year four schemes have opened adding 1,298 units to the total operational stock. Two of the projects in Melbourne; Claremont Tower and Madison Grand, further reinforcing the city's position as the national leader in BTR delivery to date. Two more schemes opened in Brisbane known as Arklife Cordelia and Liv Anura, where interest in the asset class continues to grow amid tightening rental conditions.

Our database shows a further 4,702 units earmarked for completion in the second half of the year across 12 schemes. This would take annual delivery to 6,000 units, comfortably eclipsing the record level of supply seen in 2024.

However, analysis of the construction pipeline suggests this momentum is likely to start to taper off in 2026, reflecting the feasibility challenges experienced by developers across the residential sector over the last couple of years. Early projections indicate a notable decline in new supply, with around 4,000 units currently forecast for completion next year. After an unsettled period for the development market, a slowdown was inevitable and this will keep supply levels muted in the short term.

POLICY SUPPORT AND EASING CONSTRUCTION COSTS VITAL TO STIMULATE THE LONG TERM PIPELINE

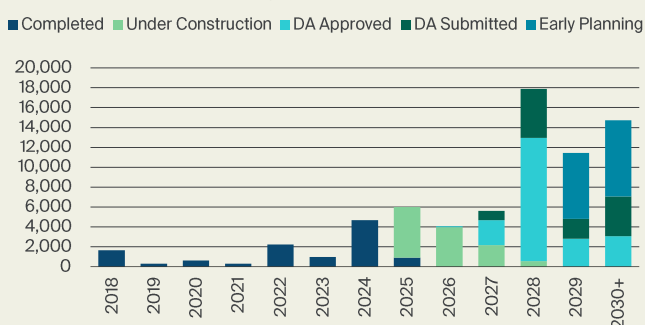
With market conditions stabilising, attention has now turned to stimulating the next wave of growth. A consistent pipeline of new project commencements is needed to ensure that the recent slowdown is only a short-term blip, and central to this is the ability to activate the pool of approved schemes. In total there are around 20,500 units in the pipeline sitting at the DA-approved stage where construction has not yet commenced. This is a significant number and these projects will be crucial in sustaining the recent growth trajectory of the sector.

How many of these schemes progress to delivery, and how quickly, will partly be dictated by market forces. After a challenging period marked by elevated construction and finance costs, the outlook for Australia's BTR development sector is beginning to shift. Recent signs of easing build cost inflation, reducing interest rates, and improving access to capital are renewing confidence across the market. As a more stable macroeconomic environment emerges, there is growing optimism that a greater share of projects at the DA-approved stage will move into delivery over the coming 12-24 months.

Policy support remains a critical lever in unlocking the next wave of BTR supply across Australia. With a significant portion of the pipeline in planning, targeted government intervention can help accelerate project viability and delivery. The MIT legislation passed at the end of last year was a significant step in the right direction and a positive example of the role policy can play in incentivising BTR development and attracting institutional capital.

Australia BTR pipeline

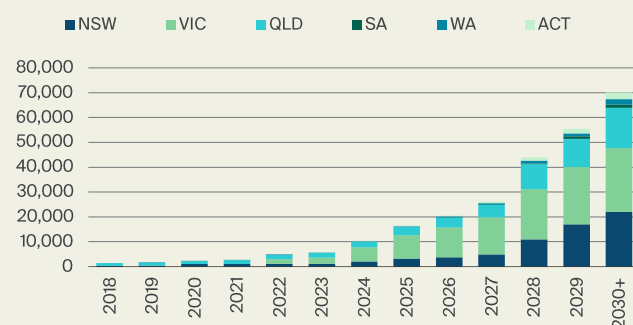
No. of total BTR units each year



Source: Knight Frank Research

Cumulative total of completed and proposed units

By state, incl. completed, under construction and planned projects



Source: Knight Frank Research

Stabilised rental market

RENTAL GROWTH HAS EASED

The first half of 2025 has seen the return of a more balanced rental market with rental growth moderating whilst vacancy rates are steady. At a national level, the vacancy rate currently stands at 1.3% with year to date rental growth of 4.8%. This marks a clear difference to the same time last year where annual rental growth was 19.2%.

The chronic supply-demand imbalance in the housing market has meant that rental growth has significantly outpaced wage growth, placing pressure on affordability. Between 2020 to 2025, rents have grown nationally by 47% whereas wages have increased by only 15%. This large spread over the last five years has now eased with rental growth falling back in line with wages.

The return of stable conditions in the rental market is being driven by several key factors. Firstly, rental growth is highly correlated with wage growth and subsequently underlying inflation. Over the last 10 years rents have consistently kept pace with inflation, with national rents growing by 5.3% on average over the past 10 years, exceeding the 2.7% average growth in the overall CPI.

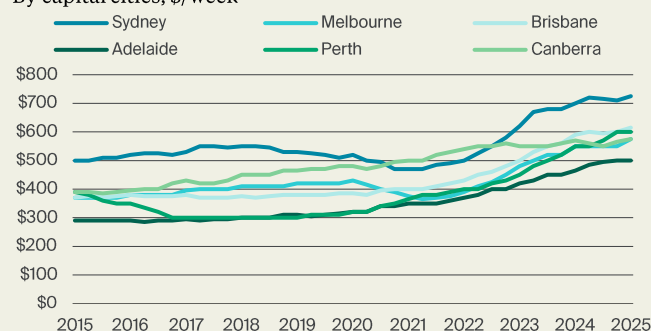
Stretched affordability has now placed a firm brake on rental growth, a trend encouraged by easing population growth with a reduction in net overseas migration. The Wage Price Index (ABS) peaked in Q4 2024 at +4.3% (annual movement) and has since ticked down to +3.4% as at Q1 2025. It is likely that wage growth will ease further in the short term and a period of stability in the rental market is expected, characterised by more modest rental growth.

OPERATIONAL SCHEMES MAINTAINING HIGH OCCUPANCY RATES AND STEADY GROWTH

The BTR market is reflecting this broader narrative, with a tapering in rental growth observed across operational schemes. Underlying performance remains robust with stabilised schemes maintaining high occupancy levels, and new scheme launches have generally outperformed underwrite expectations in terms of lease up rates. This is demonstrated by Mirvac's latest operational update (3Q25), which reports continued momentum across its growing BTR platform, with releasing spreads of 3.6% and occupancy increasing to 97.2%. Its third BTR scheme, LIV Aston in Melbourne comprising 474 apartments, reached stabilisation in just seven months.

Apartment weekly medium rent

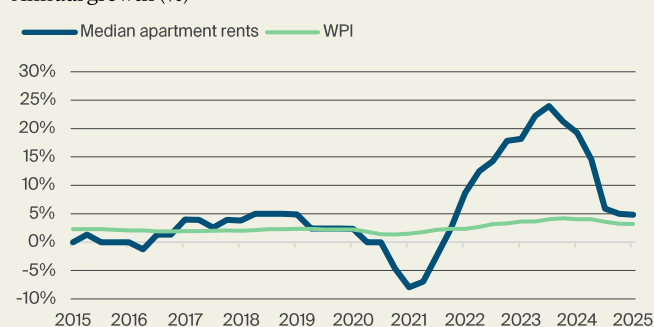
By capital cities, \$/week



Source: Knight Frank Research

Rental growth outstrips wage growth

Annual growth (%)



Source: Knight Frank Research, ABS, APM

Recent scheme launches – Asking Rents

Property	Operator	Completion	1-Bed from (\$/week)	2-Bed from (\$/week)	3-Bed from (\$/week)
Madison Grand / 334-344 City Rd, Southbank VIC	GQ Residence	H1 2025	600	855	1,590
Arklife Cordelia / 13-17 Cordelia St, South Brisbane QLD*	Arklife	H1 2025	780	1,300	1,600
The Gladstone / 15-85 Gladstone St, South Melbourne VIC	The Gladstone	H2 2024	735	895	1,240
Indi Sydney / 298 Pitt St, Sydney NSW	Indi	H2 2024	1,094	1,499	2,299
Liv Anura / 60 Skyring Terrace, Newstead QLD	LIV	H2 2025	700	990	N/A

Starting rent based on the availability on the market

*Furnished

Improving macro-economic environment

DEBT MARKET MORE FAVOURABLE TO THE BTR SECTOR AS THE MARKET MATURES

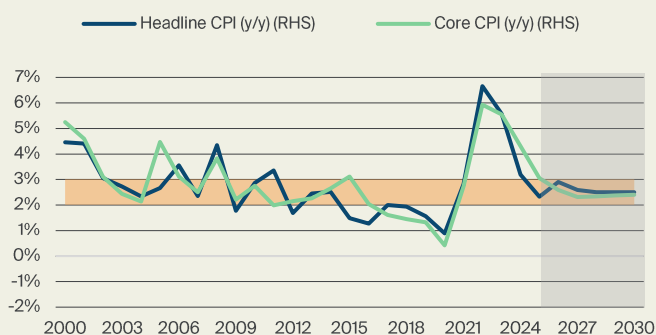
Geopolitical events aside, a relatively stable environment has emerged this year which is providing a more favourable backdrop for BTR investment activity – a welcome change from the volatility seen over the last few years.

Firstly, construction costs have stabilised since its peak in 2022 of 17.3%, now below 2%; providing increasing certainty for developers and easing pressure on development feasibilities. Build cost inflation is expected to remain at more manageable levels moving forward.

In addition, the debt landscape continues to improve following the start of the long-awaited rate cutting cycle in February 2025. This will encourage core and core+ money, which is better matched to the lower risk return profile of BTR, back into the market.

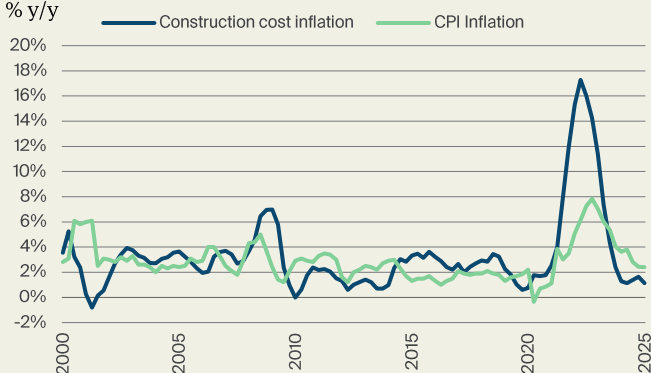
Core inflation now in RBA target band

Annual and quarterly growth (%)



CPI vs construction cost inflation

% y/y



CREDIT MARKET

Sentiment in the Australian real estate credit market remains positive. Both bank and non-bank lenders remain very well capitalised and eager to lend against high quality assets and projects. Within the core stabilised investment market, banks remain the most competitive with margin pricing in the low 100's achievable for best-in-class assets at sub-50% LVR across a wide range of sectors. Separately, bank appetite for leverage has improved in the past 12 months, with terms achievable up to 60%-65% LVR where income metrics allow.

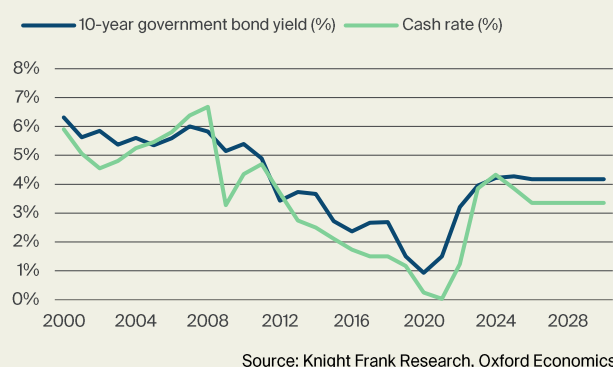
Non-bank lenders continue to scale up and gain market share as fund managers attract fresh capital for development and value-add strategies. The build-to-sell residential sector remains their main focus, but competitive terms are increasingly available for build-to-rent construction facilities as that market matures, and a growing data set supports rental and capital-value assumptions.



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RBA Cash Rate and 10-year bond yield

Historic and forecast rates



Supportive Government policy

NSW GOVERNMENT ANNOUNCES LAND TAX EXEMPTION

Government policy has seemingly turned a corner with consistent messaging and support for BTR at both state and federal levels. The PCA continues to champion the sector and coordinate advocacy efforts. This has led to a better understanding of the product at government levels, supported by the success of real-life examples in key Australian cities, which is helping policymakers bring forward further legislative change.

In June, the NSW Government announced the decision to make the 50 per cent land tax exemption for BTR developments permanent. This provides exactly what institutional investors in BTR are looking for – long-term certainty. A supportive and stable policy environment will help to unlock more investment and accelerate the delivery of new supply.

The improving stability in the sector is already beginning to bear fruit with several opportunities out in the market at present and expected to close in the second half of the year. This includes a handful of assets brought to market on a forward sale basis that have been de-risked from a development perspective and are closing in on completion, providing investors access to turnkey apartments and immediate cashflow.

REPOSITIONING OPPORTUNITIES FOR LANDLORDS OF UNDERUTILISED OFFICE BUILDINGS

The land market also remains active as BTR groups look to consolidate their pipeline, especially in Sydney where site availability has been more constrained compared to Melbourne. Landowners of traditional commercial assets in BTR-permissible zones are continuing to explore repositioning opportunities which has helped bolster the pipeline across a number of locations. This is especially true in suburban office markets where occupier demand has diminished and the outlook for secondary assets is less favourable.

On the fund-through side, the market was subdued last year, however we are observing a ramp up in activity as market conditions improve. Despite their more complex nature, this deal structure represents a critical route to scale for many investors and crucially provides them with tax efficiencies and access to a higher return profile given the exposure to development risk, albeit on a contained basis. For developers, it is a way to secure a de-risked exit and get their schemes off the ground.

On the valuation side, capitalisation rates remain steady, generally falling within the 4.25%-4.50% band for prime institutional-grade schemes across the big three cities. This is supported by a growing body of transactional evidence, providing added confidence to the market.

Major Developments

Property	Units	Status	Owner	Est. Completion
LIV Albert Fields / 395-411 Albert St, Brunswick, VIC	498	Under Construction	Mirvac JV CEFC & Mitsubishi Estate	H2 2025
Indi Footscray / 3 McNab Ave, Footscray VIC	702	Under Construction	Investa JV Oxford Properties	H2 2025
LIV Anura / 60 Skyring Terrace, Newstead, QLD	396	Complete	Mirvac JV CEFC & Mitsubishi Estate	H2 2025
Home Parramatta / 5-7 Charles St, Parramatta NSW	435	Under Construction	GIC	H2 2025
Melbourne Quarter / 646-666 Flinders St, Docklands VIC	797	Under Construction	Lendlease JV Daiwa House	H1 2026

Recent significant sales

Property	Price (A\$m)	Units	Completion / Est. completion	Purchaser	Vendor	Sale date
899 Collins St, Docklands, VIC (40%)	~200.0	499	2026	Nippon Steel Kowa RE	Lendlease	Q4-24
28 Robertson St, Fortitude Valley, QLD	c.350*	89	2021	Hines JV Ontario Teachers' Pension Plan	ADCO Constructions	Q4-24
13-17 Cordelia St, South Brisbane, QLD	c.350*	265	2025	Hines JV Ontario Teachers' Pension Plan	ADCO Constructions	Q4-24

*Portfolio sale

Market outlook

BTR POLICY KEY TO ACCELERATE HOUSING DELIVERY

In order to get anywhere close to the federal government's ambitious 1.2 million housing target by June 2029, a multi-tenure approach to housing delivery will be crucial. There has been a noticeable improvement in government support and speed of decision making as efforts are stepped up to boost supply.

However, whilst significant progress has been made on the policy front, there remains work to do. The BTR tax environment in Australia is hard to navigate and a more joined up, uniform approach across states would be beneficial. Taxes on foreign investors remain problematic and decreasing this burden for institutional investors from abroad will help to increase Australia's competitiveness with other countries, where the barriers to entry from a tax perspective are typically lower.

TRANSPORT-ORIENTED DEVELOPMENT PROVIDING AN OPPORTUNITY

Planning reform focused on increasing housing density around key transport projects and hubs continues to represent an opportunity for investors and developers in the BTR space across Australia. In Sydney we have seen the launch of the TOD program and accelerated precincts, notably around the new Metro stations. Melbourne is progressing its Activity Centres program which aims to encourage more than 300,000 new homes to be built around public transport, jobs and services by 2051.

With the Olympics on the horizon, Brisbane has been busy delivering improvements to its transport network, including Brisbane Metro and Cross River Rail, and the City Council has recently announced a review into low-to-medium density residential zoning to address the city's rising housing costs, with a focus on boosting density in areas with existing infrastructure.

BTR will be a vital tool in providing a diverse housing mix in TOD locations as more land is unlocked for medium and high density residential and mixed use development. The benefits are also there for investors, as TOD areas provide residents with access to transport, employment and amenity, all key factors in creating successful and sustainable BTR communities for the long term.

ROBUST PERFORMANCE TO ATTRACT MORE ENTRANTS

The first half of the year has seen new investors enter the BTR sector in Australia and we expect this trend to continue as global investors scale up their exposure to the living sectors. To date Pembroke has made its first foray into the sector in Australia with the purchase of a development site in Fitzroy, Melbourne. Scape has secured a \$700 million equity commitment from South Korea's National Pension Service (NPS), an existing investor in Scape's PBSA core fund, for a broader living sectors mandate including BTR. Whilst a new entrant domestically has emerged with Australian Ethical securing the closing investment of Cedar Pacific's Quay Street BTR project in Brisbane, joining incumbents Grosvenor, Moata Ventures and Sumitomo Forestry.

The proven performance of the market at an operational level, combined with the strong underlying fundamentals and attractive long-term risk adjusted returns, represents a compelling investment proposition which will draw in fresh capital as the year progresses.

RETURN OF CORE STRATEGIES

The period of macroeconomic turbulence and escalating interest rates observed over 2022/23 resulted in a retreat of core capital available in the market. This has been a significant impediment for BTR platforms and their expansion plans.

With the commencement of the rate cutting cycle earlier this year and further cuts anticipated shortly, the direction of travel is positive and this will see a gradual return of core strategies. This will be instrumental in driving the BTR sector's next phase of growth in Australia.



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