



2018 Annual Conference

Tuesday, 19 June 2018

Working the metrics, government and industry at large

What is required to stack up the investment case?

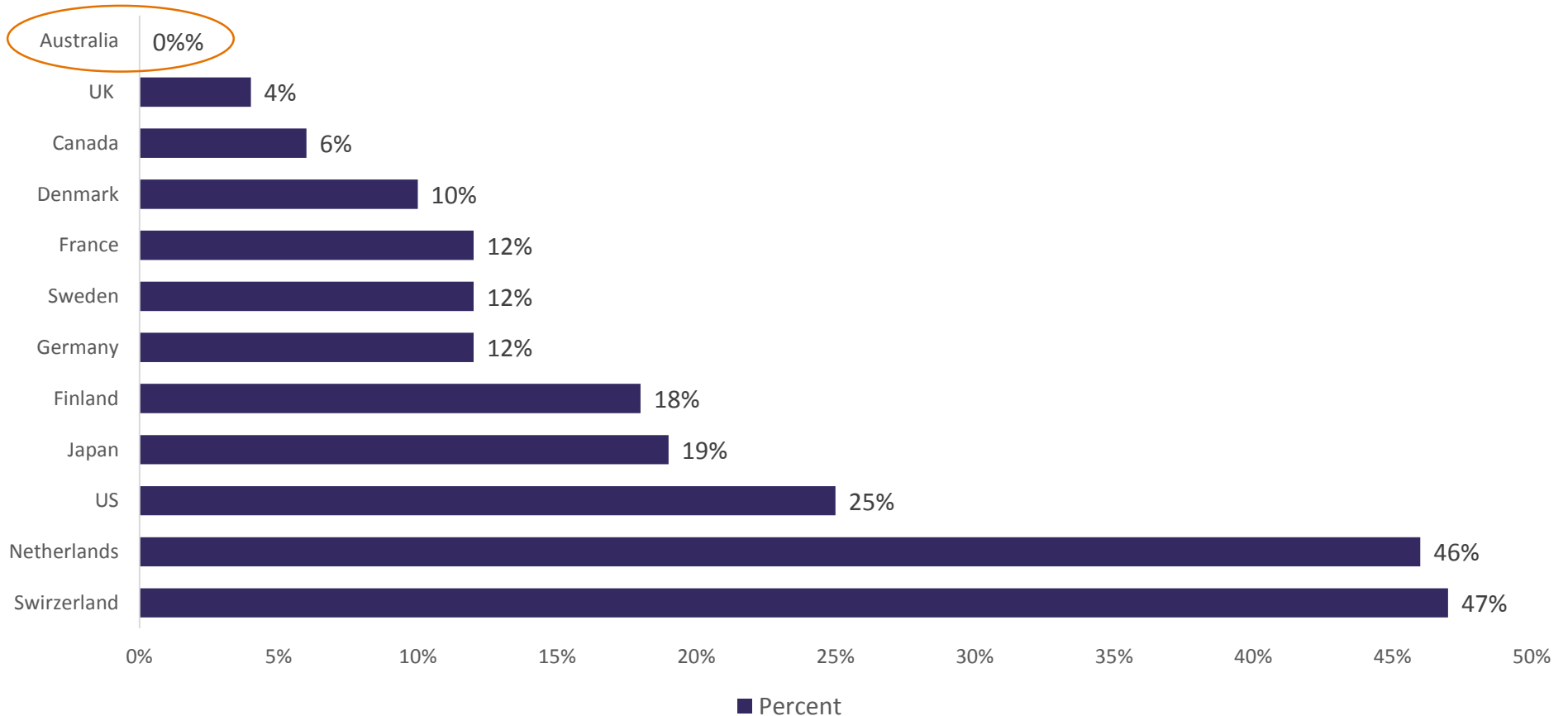
- Physical attributes, location, amenities.
Is brand important?
- Millennials v Seniors – is the housing decision vastly different?
- Service element
- Financial Metrics:
 - Yield on Cost (Gross v Net) v stabilized return. Spread differential between US and Australia – why?
 - Rental growth and ‘Premiums’
 - Operating costs and efficiencies
 - Development Profit - Trading Dev. Margin for Equity Multiples
 - Exit options

Other Key Issues

- Government in Partnership
- Regulatory cost drag on returns
 - Land tax, GST
 - Tax regime (MIT)
- Policy - Affordable Housing component
- Planning – design of BTR buildings v For Sale
 - Getting Planners, Valuers, etc., on board and educated on the sector

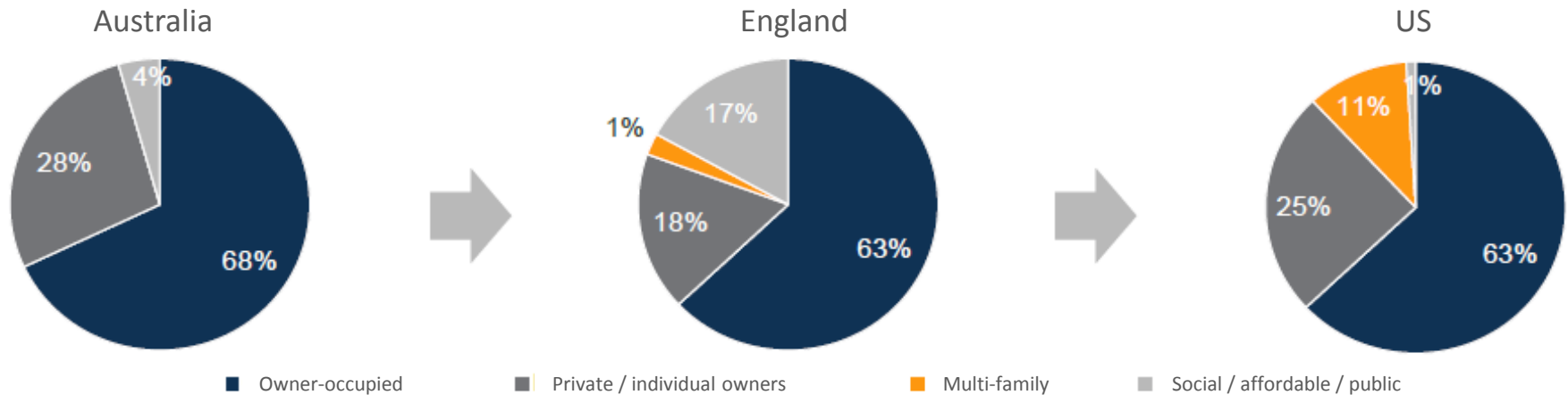
International returns and allocations

Residential as a % of global institutional portfolios



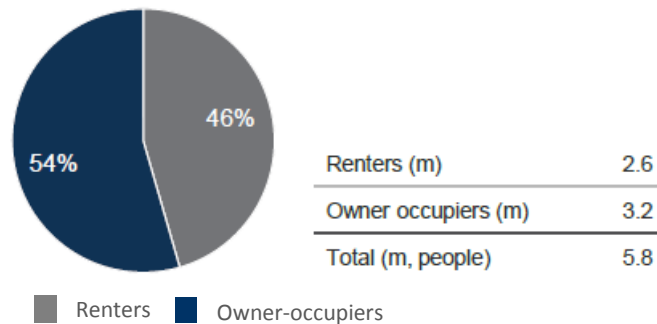
Source: IPD, NCREIF, LaSalle Investment Management, as at 2015

The opportunity set for Australia

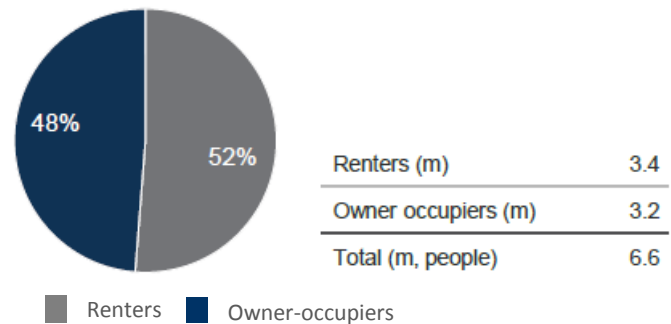


- Highly scaleable opportunity with estimated ~400,000 new rental premises required for addition ~800,000 20-39 age cohort over next 10 years

2016 (20-39 ages)



2026 (20-39 ages)



Source: HSBC, ABS, ONS, UK Department for Communities, United States Department of Housing and Urban Development, IPD (2014). Knight Frank. Opportunity of ~400,000 new rental premises in Australia based on forecasts extrapolating growth of proportion of renters from 2006-2016 to 2016-2026, and applying to population growth forecasts from ABS, and assuming 2.0 persons per unit.

Multi-family / build to rent: A new emerging sector in Australia?

US Apartment styles and characteristics



Garden style

- Suburban location
- 2-4 storey, wood frame construction
- Lower density
- Landscaped grounds
- Surface parking
- Walk-up or elevator
- Unit finishes vary depending on age
- Amenities may include pool, club house, business centre



Mid-rise

- More urban, higher density locations
- Typically 5 - 14 stories
- Structural frame construction
- Structured parking, often on lower floors or with units wrapped around garage
- May have retail on first floor
- Typically good access to transit
- Unit finishes typically include modern kitchens and hard surface flooring
- Amenities may include gym, pool, indoor/outdoor community space, dog wash, dog walk, bike storage/repair



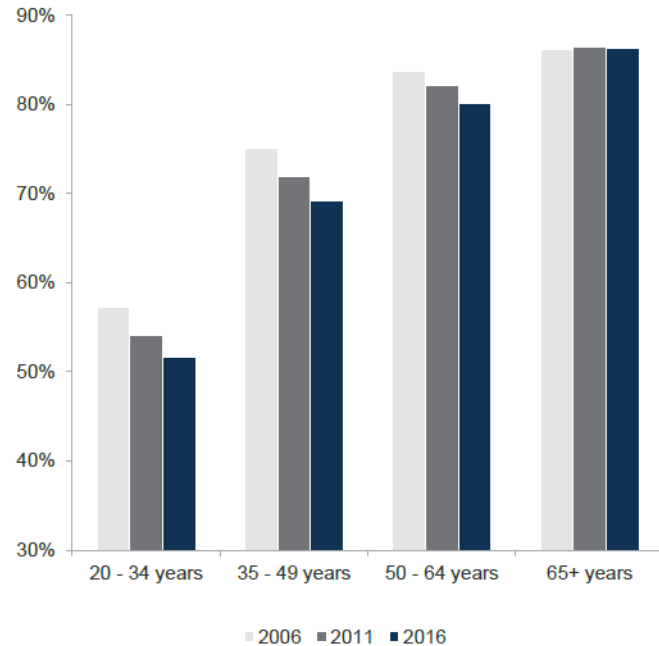
High-rise

- Urban core or primary nodes
- 15+ stories
- Structured parking-lower floors or adjacent
- High density
- May have retail on first floor
- Typically good access to transit
- Luxury unit finishes
- Amenities may include concierge, gym, pool, roof deck, dog wash, bike storage

Source: Invesco

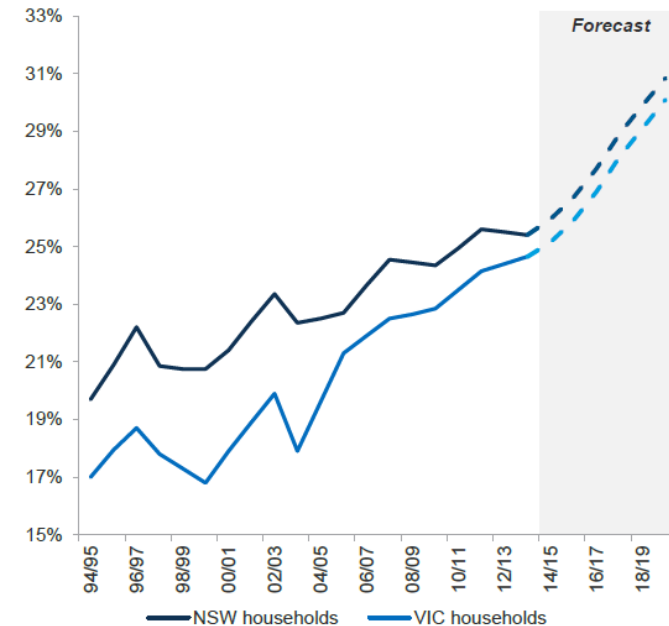
Structural change in Australian home ownership?

Australian home ownership by age



Source: ABS, Knight Frank

Private rented households



Source: ABS, Knight Frank

- Home ownership is in structural decline, especially among younger cohorts
- Proportion of population renting privately has grown strongly and is forecast to continue

Multi-family / build to rent: A new emerging sector in Australia?

*“ We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.
Don't let yourself be lulled into inaction.”*

Bill Gates

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