



**ACT**  
Government

# Build-to-Rent Investment Prospectus

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### **Acknowledgement of Country**



The ACT Government acknowledges the Traditional Custodians of the land, the Ngunnawal people. We acknowledge and respect their continuing culture and contribution to the life of this city and region.



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## Chief Minister's Message

The Build-to-Rent model offers quality homes that are designed to meet the needs of renters, offering a great place to live, longer rental periods and greater security. It also adds to the supply of diverse housing options, including more affordable options, and increases housing supply.

Canberra offers a unique opportunity for investors interested in Build-to-Rent as these projects can deliver long-term and reliable returns.

The ACT Government is committed to supporting delivery of Build-to-Rent models that include an affordable component, to contribute to our commitments in the Parliamentary and Governing Agreement and the ACT Housing Strategy.

The ACT tax settings are favourable with lower land tax and general rates, due to unit titling arrangements available to Build-to-Rent models in the ACT.

As outlined in this document, the Government is continuing to progress land release opportunities for Build-to-Rent and will release a premium Turner site on the light rail corridor for Build-to-Rent with affordable rental in 2022-23.

We will invite and consider proposals for Government assistance for Build-to-Rent projects with affordable rental where investors already have a site.

We have a stable workforce with higher-than-average incomes. This provides ideal conditions for investment in Build-to-Rent increasing housing choices and supply for Canberrans.

This document sets out the opportunities for Build-to-Rent investment in Canberra, possible Government assistance and processes. For more information and updates on Build-to-Rent, visit [treasury.act.gov.au/build-to-rent](https://treasury.act.gov.au/build-to-rent).

# What does Build-to-Rent look like for the ACT?

- > A multi-unit development where the residential dwellings are retained by one owner and rented out long-term (preferably at least 15 to 20 years) rather than being sold.
- > Designed with functional common spaces and homes plus extra services for residents, to encourage homes to be rented quickly and occupied for longer, to support long-term income generation for the project and security/certainty for tenants.
- > As the dwellings are not intended to be individually sold, the individual dwellings are not required to be unit titled. **Having a single title for all residential properties in a Build-to-Rent development significantly reduces annual properties tax liabilities (including land tax), supporting viability and long-term rental operation of any Build-to-Rent development in the ACT.** This is unique in comparison to other jurisdictions that are required to provide significant additional financial support in the absence of favourable tax settings.
- > The Build-to-Rent model has the potential to provide long lasting community benefits, with greater housing choice for tenants by expanding access to high-quality dwellings in a stable rental environment.
- > Genuine Build-to-Rent provides increased rental security, along with wider social and economic benefits as tenants are better able to establish themselves in a community.
- > To qualify for any direct Government financial assistance, a Build-to-Rent development would need to have an affordable rental component and could not sell any of the individual dwellings for the life of the assistance. The Government has a strong preference for developments where there is no unit titling of the residential dwellings so that the individual dwellings are retained in a true long-term rental model.





# Benefits of investing in long-term Build-to-Rent in the ACT

Why invest in long-term Build-to-Rent in the ACT?

- > Canberra has high rental yields, low vacancy rates, high median rents, high weekly household incomes, and a stable workforce – which combined make it the perfect city for Build-to-Rent.
- > The ACT tax system is supportive of Build-to-Rent developments where there is no unit titling of the individual dwellings through substantially reduced land tax and general rates.
  - A single title across a residential development with 250 dwellings would reduce annual tax liability by approximately 70 per cent with a saving of \$546,000 each year.
- > A range of other financial incentives will be considered for projects that include **at least** 15 per cent affordable rental.
- > The Government is also considering what planning changes might be necessary and appropriate to encourage appropriate Build-to-Rent development in the ACT, to be informed by further community and market engagement.
- > There are additional benefits for eligible projects that include registered community housing providers seeking to deliver affordable rental through the Build-to-Rent model, including a land tax exemption and Lease Variation Charge (LVC) remission.

# The ACT Government's commitment

The Build-to-Rent model has the potential to improve the rental market by delivering a large number of rental properties and more housing options for residents of the ACT.

The ACT Government is committed to Build-to-Rent as part of the housing options in the Territory. Build-to-Rent is identified in the ACT Housing Strategy as a mechanism which could be available to improve rental supply and affordability and to provide more housing alternatives with long-term security for tenants.

The market sounding process was the first step in bringing Build-to-Rent with affordable rental to Canberra. Through the Suburban Land Agency, the ACT Government sought feedback from key stakeholders including community housing providers, industry experts, project proponents and investors. Information about the market sounding including a Listening Report on the feedback received is available here:

**[suburbanland.act.gov.au/en/build-to-rent](https://suburbanland.act.gov.au/en/build-to-rent)**

By bringing Build-to-Rent to Canberra, the ACT Government is looking to:

- > increase the number of private rental properties in the ACT, particularly for the more affordable end of the rental market
- > grow the number of affordable rental options available at less than market rent, predominantly targeted at households in the second income quintile (as defined by the ACT Housing Strategy)
- > increase choice and housing diversity for renters, with homes that are specifically designed to meet renters' needs
- > offer opportunities for long-term tenure arrangements, tenants can establish themselves as part of a community and personalise their homes

The Government will release Block 3 Section 57 in Turner in 2022-23 as a site to pilot Build-to-Rent with a mandatory minimum affordable rental component. This site was considered favourable during the market sounding due to its size and proximity to the light rail and the CBD.

The ACT Government is aware of different approaches to facilitating Build-to-Rent developments in other jurisdictions (both commercial and affordable Build-to-Rent), as well as ideas such as changes to plot ratio requirements or allowing reduced car parking. The release of the Turner site and evaluation of this pilot will be useful to inform future policy considerations.

The Government also committed to an affordable Build-to-Rent facility co-located on the Gungahlin Common Ground site under the Parliament and Governing Agreement. The development has the potential to be an on-the-ground example of the above aspirations for Build-to-Rent, in particular the provision of affordable rental options.

The Build-to-Rent model is just one of the many ways we are working to meet the Territory's diverse and changing housing needs now and into the future.

# Lease variation charge discount and support for Build-to-Rent community housing projects

The Government will provide a time limited Lease Variation Charge (LVC) discount to eligible Build-to-Rent developments that include a minimum of 15 per cent of dwellings as affordable rental.

Projects with 50 per cent or more dwellings as affordable rental could be eligible to pay no LVC across the development. The affordable rental dwellings must be owned or managed by a registered Community Housing Provider for a 15 year period.

Eligible affordable rental dwellings owned by a registered community housing provider can also receive a land tax exemption.



# Government initiated Build-to-Rent projects on nominated land release sites

The Government is supporting delivery of Build-to-Rent projects on nominated sites as part of the land release program.

- > Following the release of the identified site in Turner in 2022-23 for a pilot Build-to-Rent project with affordable rental, the Government will continue to explore the suitability of the release of additional sites to support more Build-to-Rent development in the ACT.
- > The crown lease will require any development to have no unit titling on the residential dwellings. This will significantly reduce ongoing property tax liability and support long-term rental operation of the residential dwellings.
- > Any direct concession or subsidy for the project will require an affordable rental component of at least 15 per cent of the development, where tenants meet eligibility criteria, e.g. lower income households with potential for further cohort targeting to vulnerable households and key workers.
  - The Government will take into account the complexities and specific circumstances relating to each site to decide the minimum proportion of affordable rental dwellings required, as well as the subsidy or concession that will be offered.
  - The Government will assess the merits of a subsidy delivered over-time, compared to assistance, to incentivise delivery of affordable rental over the long term.
  - The Government will consider the following financial incentives over the life of the program - a land tax concession, a deferral of payment of duty or land, or a direct subsidy that contributes to the opportunity cost of providing the affordable rental component
- The Government may also consider some upfront financial assistance such as a duty concession or grant to assist with construction or land costs, although this would be dependent on the project meeting delivery milestones and demonstrating the achievement of the Government's objectives and requirements over time.
- The Government will not consider providing assistance through a concession on General Rates or the Foreign Ownership Land Tax Surcharge.
- Information confirming the parameters of a financial concession or subsidy to support the affordable rental component will be provided as part of the sales process to support informed market participation.
- All dwellings will be required to be delivered to the same standard with services accessible to all tenants, so that any affordable rental tenants have access to the same quality housing, environmental quality features and amenities as market rent tenants.
- Properties being made available for affordable rental tenancies will need to include a variety of dwelling sizes (bedrooms) and types in line with what is available across the development.
- > Information on the land release initiatives for Build-to-Rent projects is here: **[suburbanland.act.gov.au/en/build-to-rent](https://suburbanland.act.gov.au/en/build-to-rent)**
- > You can register your interest in any future land sales, including Build-to-Rent projects by subscribing to the Suburban Land Agency mailing list here: **[suburbanland.act.gov.au/en/subscribe](https://suburbanland.act.gov.au/en/subscribe)**



# Market and community housing-initiated proposals seeking a Government incentive

The Government is also developing a process to invite and consider market and community housing proposals for Government assistance where the provider already has a site to deliver a Build-to-Rent development with an affordable rental component.

The Government intends to invite proposals for Government assistance on an annual basis. Each round would be finalised as part of the next year's budget process.

- > This process will be available for applicants that already have a site for the project. If you are interested in providing Build-to-Rent with affordable rental but do not have a site, see the Government's support for projects on nominated land release sites.
- > Interested providers will be invited to outline their proposal through a competitive Expression of Interest process.
- > Direct Government financial assistance will be based on the affordable rental component, where tenants meet eligibility criteria.
- > The Government will assess each market proposal for its individual merits and compare the proposals to what can be achieved through Government initiated projects in delivering on the following desired outcomes:
  - A development with no unit titling on the individual residential dwellings to support long-term rental operation.
  - An affordable rental component of at least 15 per cent of dwellings across the development.
  - All dwellings delivered to one standard, and services accessible to all tenants, so that affordable rental tenants have access to the same quality housing, environmental quality features and amenities as market rent tenants.
  - Affordable rental tenancies including a variety of dwelling sizes (bedrooms) and types, in line with what is available across the development.
  - Options for long-term secure tenancies.
  - A favourable location for higher density living, with good access to transport, work and study.



- > The Government will consider the following financial incentives over the life of the program – a land tax concession, a deferral of payment of a Lease Variation Charge (LVC), or a direct subsidy that contributes to the cost of providing the affordable rental component. Ongoing financial assistance will be preferred to ensure continued provision of the affordable rental.
- > The Government may also contemplate some upfront financial assistance such as an LVC concession, or a grant to assist with development costs, although this would be dependent on the project meeting delivery milestones and demonstrating the achievement of the Government’s objectives and requirements over time.
- > The Government will not consider a concession on General Rates or the Foreign Ownership Land Tax Surcharge.
- > There are additional benefits for projects that include a registered community housing provider and seek to deliver affordable rental. See **Page 4** for more information.

## Key contact and process

The first round will open in early November 2022 and close late January 2023. The Government may request additional information following the closure of the round. The round will be finalised as part of next year’s budget process.

The Government will consider proposals that are both pre-Development Application (DA) and post-DA, as long as there is a site attached. If there is already a DA in place, it is preferable that a proposal is received during the early stages of the DA to enable consultation and improved outcomes.

**If you are interested in making a proposal, you can request to be included on the mailing list by contacting [cmteddbuildtorent@act.gov.au](mailto:cmteddbuildtorent@act.gov.au).**

Interested parties on the mailing list will receive updates on timing, as well as information on the minimum requirements to be included in the proposals and evaluation methodology prior to commencement of the first round in November 2022.

**For any enquiries related to Build-to-Rent projects in the ACT, please contact [cmteddbuildtorent@act.gov.au](mailto:cmteddbuildtorent@act.gov.au)**



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