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Pallas: 'Be creative' with CBD stock

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Developers of thousands of unsold apartments in the Melbourne CBD should think "more creatively" about ways to dispose of that stock, such as by converting it to build-to-rent housing, the Victorian Treasurer says.

Tim Pallas told an Urban Development Institute of Australia audience yesterday afternoon he was concerned about the effect of the pandemic on the economy of central Melbourne and was looking to help developers in the CBD "make a transition" to different types of housing product.

"We've got some fantastic quality building going on in the CBD, we need to make sure it's fit for purpose and we need to recognise there's not just one formula for construction – that is, own your own house or apartment," Mr Pallas said. "We have to start thinking a



Go into BTR, says Victorian Treasurer Tim Pallas. PHOTO: PENNY STEPHENS

bit more creatively about alternatives with regard to whether it's build-to-rent or other variants on that theme ... In terms of what more we might be able to do for those inner-city apartments, I'm open to a discussion about what we could do, but I can't rule in or out any particular initiative."

It's not just build-to-rent. At his last state budget in November, Mr Pallas

announced a \$5.3 billion push to build 9300 social housing dwellings and 2900 low-cost homes, and some community housing organisations also see an opportunity to acquire existing housing stock – if it suits their needs – as a way to help meet their own plans to increase stock.

Branching out into commercial build-to-rent or even social housing could give developers a way to not only sell unsold stock – which industry figures put at between 5000 and 10,000 apartments – but could also help them start new projects without waiting for the return of mum-and-dad investors.

There are hurdles for many developers, however.

"Only a small portion of the industry thinks BTR is viable in the medium-to-long term," said Ashley Williams, the managing director of Melbourne-based Evolve Development and presi-

dent of the UDIA's Victorian chapter.

"In my case, BTR is not really an outcome [option]. I don't have access to wholesale funding at a cost base that makes it viable."

There was also a likely mismatch between the high-end BTR product Melbourne's private developers were already likely to have experience in and the social housing product that was the likely focus on the Victorian government, Mr Williams said.

Mr Pallas said he was willing to work with apartment developers, but was quick to rule out extending the state's temporary 50 per cent discount on stamp duty levied on home purchases worth up to \$1 million, saying it could help overheat the market. He also said further stamp duty reform was "on the back burner" and ruled out easing the state's foreign buyer surcharge or its tax on vacant residential property.

Inside

American dream PGIM on the hunt in Australia p34

Space race Big self-storage owner lifts guidance p35

Housing Nightingale swoops on SA market p36

Skyline shift Parramatta \$300m project tops out p39

Property snapshot