



AUSTRALASIA
PROPERTY ADVISORY
ASSOCIATION



Urban Land
Institute

APAA & ULI Melbourne

We will start from 6:30 pm



CBRE



PITCHER
PARTNERS

Sentinel 

Acknowledgement

We would like to acknowledge the Wurundjeri people who are the Traditional Custodians of this Land. We pay our respects to Elders past, present and emerging.



About ULI

The Urban Land Institute (ULI) is a non-profit research and education organisation supported by its members. Founded in 1936, ULI has over 45,000 members worldwide representing the entire spectrum of land use and real estate development disciplines, working in private enterprise and public service.

As a multidisciplinary real estate forum, ULI facilitates an open exchange of ideas, information and experience among industry leaders and policy makers dedicated to creating better places.

The extraordinary impact that the ULI has on land use decision making around the world is based on its members sharing expertise and best practice on the plethora of factors that affect the built environment.



OUR MISSION

The mission of the Urban Land Institute is to shape the future of the built environment for transformative impact in communities worldwide.





We are a not-for-profit organisation creating a community for property developers and multidisciplinary leaders that operate across the entire development lifecycle.

Annual Sponsors



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2023 Event Partners





AUSTRALASIA
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Urban Land
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Our Guests



Host: Trevor Du
ULI Melbourne District
Council Member &
Vice President | APAA



Simon Lee
State Manager - Victoria
Bridge42

Presenter & Panelist



Craig Whatman
Partner/Executive Director
Pitcher Partners

Presenter & Panelist



Keith Lucas
Managing Director
Sentinel

Presenter & Panelist



Steph Harper
Director, Living Sectors,
Valuation & Advisory Services
CBRE

Panelist Only

Build-to-rent in Australia: Making it Stack Up

Simon Lee | State Manager – Victoria

PRESENTATION

22 February 2024



Contents

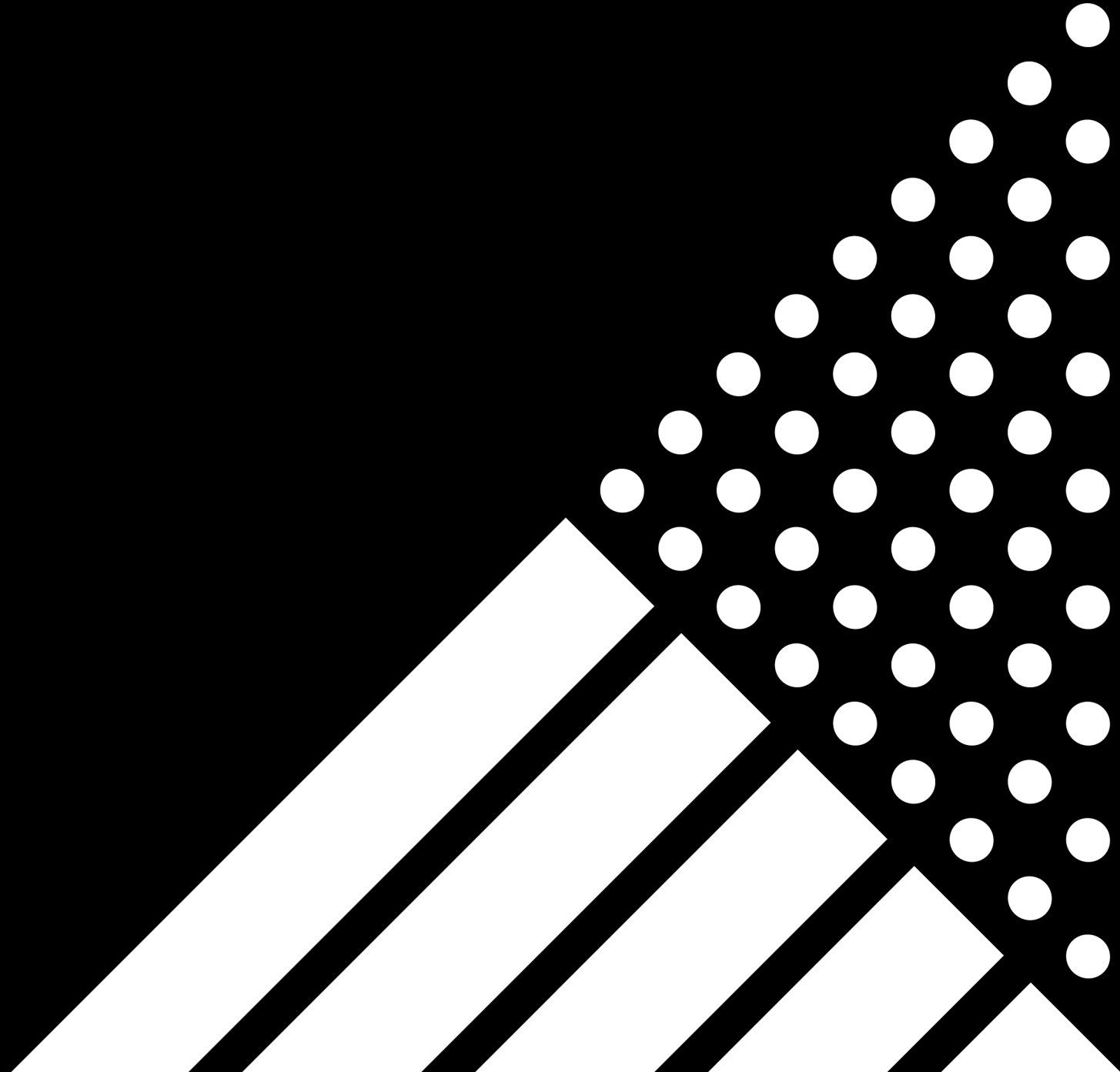
01 Bridge42 Overview

**02 Residential Development
Context**

03 BTR Success Factors

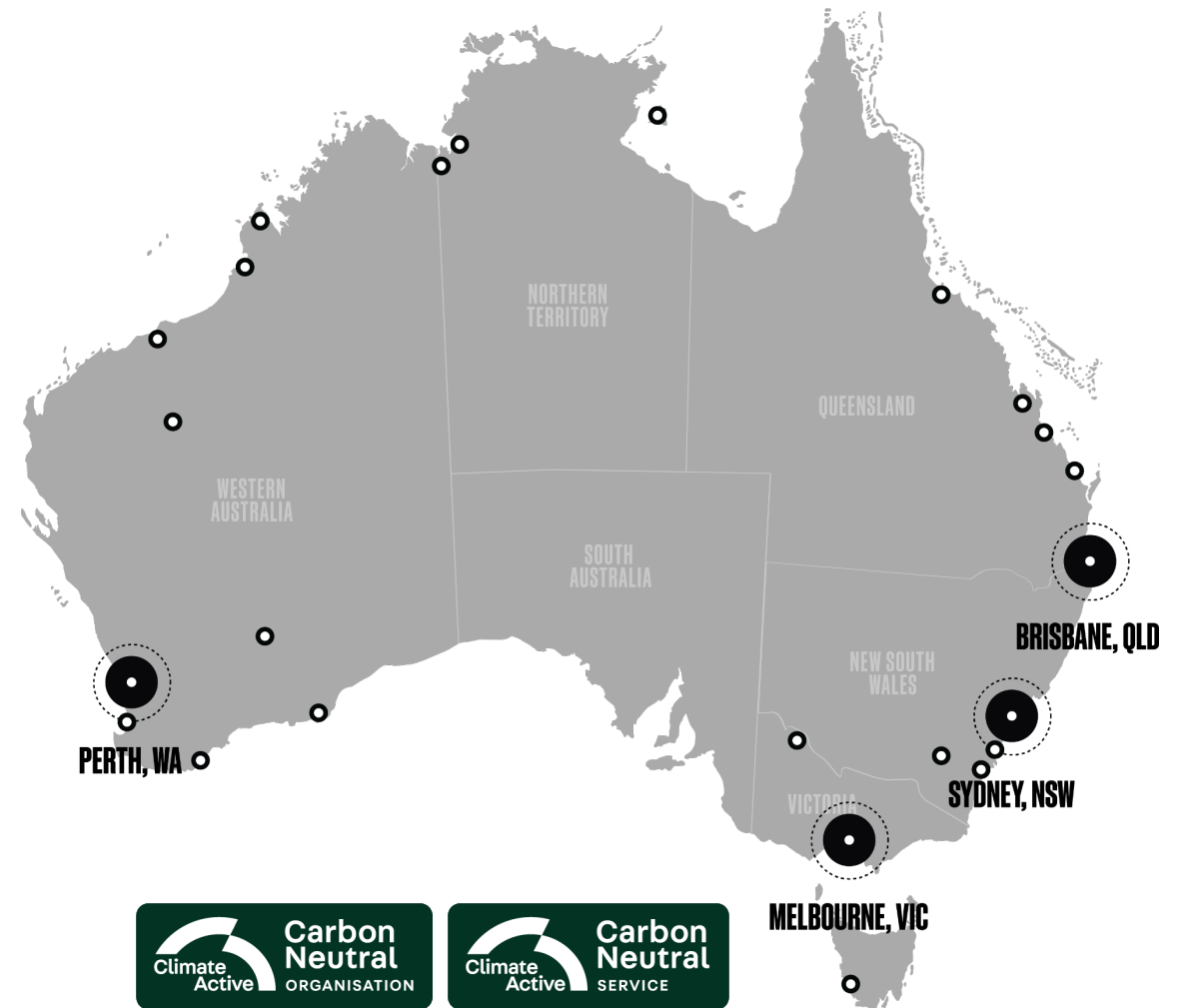
01

Bridge42 Overview



Company Introduction

- Bridge42's purpose: to reveal the promise of Australia's emerging future'.
- Australian, independent national management consulting firm established in 2003.
- Property advisory, development and project management services – managing a portfolio of ~\$10b in land, masterplanning and built form developments.
- Partner of choice for private, government and institutional clients.



Integrated, End-to-end Asset Lifecycle Capabilities



Emerging Futures

Leverage research, knowledge exchange and industry partnerships to help communities and cities realise their true potential.



Advisory

Evidence-based guidance across asset lifecycles to optimise performance and unlock value in ways that align with and amplify business aspirations.



Development Management

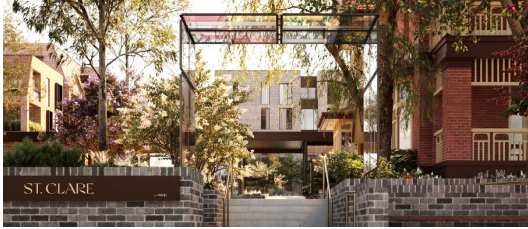
Harness expert planning, design and management skills across the total development lifecycle to realise capital returns for clients and maximise end-user benefits.



Project Management

Safe, effective and responsive leadership in all aspects of project delivery to achieve superior outcomes.

Living Sector Experience



St. Clare Retirement Village
Villa Maria Catholic Homes



Melior Apartments
Lechte Corporation



Belmont Park Redevelopment
Golden Group



165-169 Keilor Road Apartments
Lechte Corporation



Liv Apartments
Defence Housing Australia



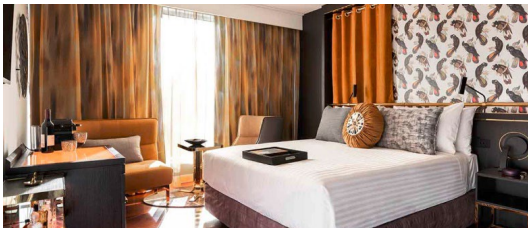
8 Parker Apartments
8 Parker Street



88 Mill Point Road Apartments
Peakstone



The Islands Apartments
Stockland



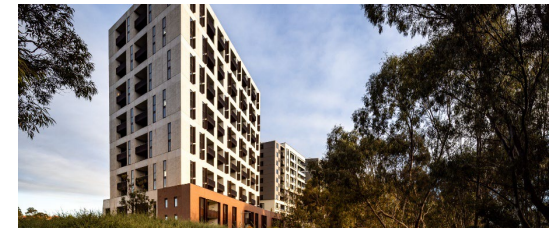
QT Hotel
Event Hospitality & Management



Curtin Exchange Precinct
Curtin University



Australis at Rossmoyne Waters
Adventist Care



Parkville Gardens
HousingFirst

02

Residential Development Context



Current Environment

Development feasibilities increasingly harder to stack up:

- Escalated construction costs up to 30%
- Projects taking longer to construct – extending development cycle
- Escalated holding costs (e.g. land tax)
- Increasing cost of finance by at least three percentage points
- Labour shortages and delays in procurement
- Weak consumer confidence affecting apartment pre-sales



Market Supply and Demand Imbalance Under Stress...

SUPPLY SIDE DYNAMICS

- Short-term rentals drying up stock for longer-term rentals
 - Reduced number of apartment developments proceeding
- Low amount of new housing supply coming off a position of long-term under-supply

DEMAND SIDE DYNAMICS

- Increasing net migration, international students and overall population
- Demand for owner-occupier product still strong
 - Demand for investment product weakening

What are Developers Doing with their Projects?

1. Apartment mix review and adjustment?
2. Social and affordable housing solution in the mix?
3. Alternative land uses – hotels, serviced apartments, co-living?
4. Converting build-to-sell (BTS) apartments into a BTR typology?



Atria Green Square (Kingston, ACT) | Peet

Government Incentives Only Provide Certain Benefits...

- Increase in depreciation allowance
- Reduction in withholding tax for MIT
- 50% discount on land tax for BTR
- Removal of absentee owner land tax
 - FIRB application fee discount



Bridge42 analysis shows that these incentives provide marginal contribution to project feasibility.

The three key levers include:

1. **Assumed rental growth rate**
2. **Sustained occupancy rates via flexible product mixes**
3. **Terminal exit value / yield**



**Development
vs
Operational**

03

BTR Success Factors

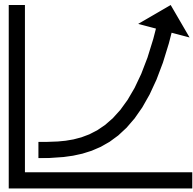


Development and Feasibility Stage



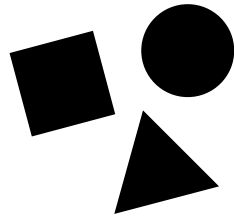
01

**Site selection
and market
demographic**



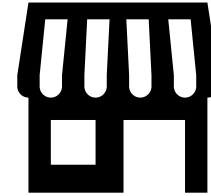
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Scale



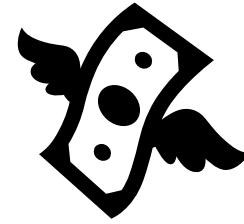
03

Product Mix



04

**Design and
service offering**



05

**Funding and
financing**



06

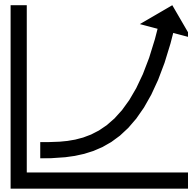
**Making up
your mind and
sticking with it!**

Operational Stage



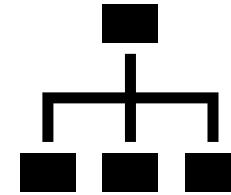
01

**Operational
flexibility**



02

**Rental growth
and occupancy**



03

**Operational asset
management**

Case Study

Project in Melbourne (Foreign Investor)

- Build to Sell Project
- 100 Apartments
- Premium downsizer apartments
- \$11,000/sqm selling price point
- Double Basement Car Park
- Ground Floor Retail Shops of around 500sqm
- Amenities - Gym



After Re-Cut

- Build to Rent Project
 - 138 Apartments
 - Reduced Apartment Size – Studio, 1 and 2 Beds
 - 15% premium to comparable rental market
 - Single Basement Car Park
 - Communal space on ground floor (Co-working hub/lounge) + leased café tenancy
- +
- MIT Fund costs
 - Outsourced Operational Model (low service model)
 - Reduced Land tax and withholding tax



Outcome

- Build and hold period increased
- IRR hurdles achieved
- Bankable deal but more equity required

Risks

- Exit mechanism as a boutique BTR still to be tested
- Operational capability and sustainability



Simon Lee

State Manager – Victoria

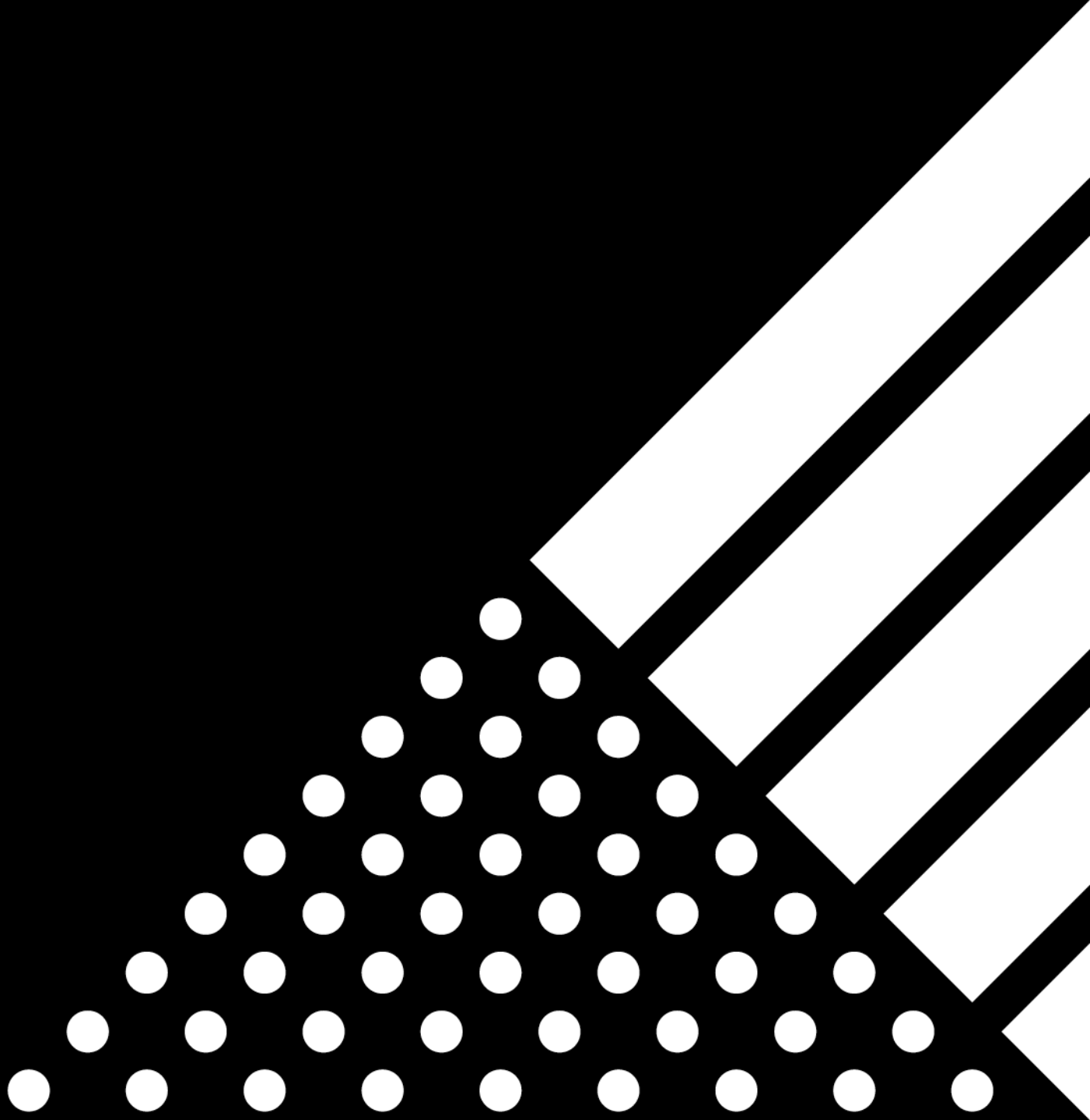
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Taxation of BTR Developments and Operations

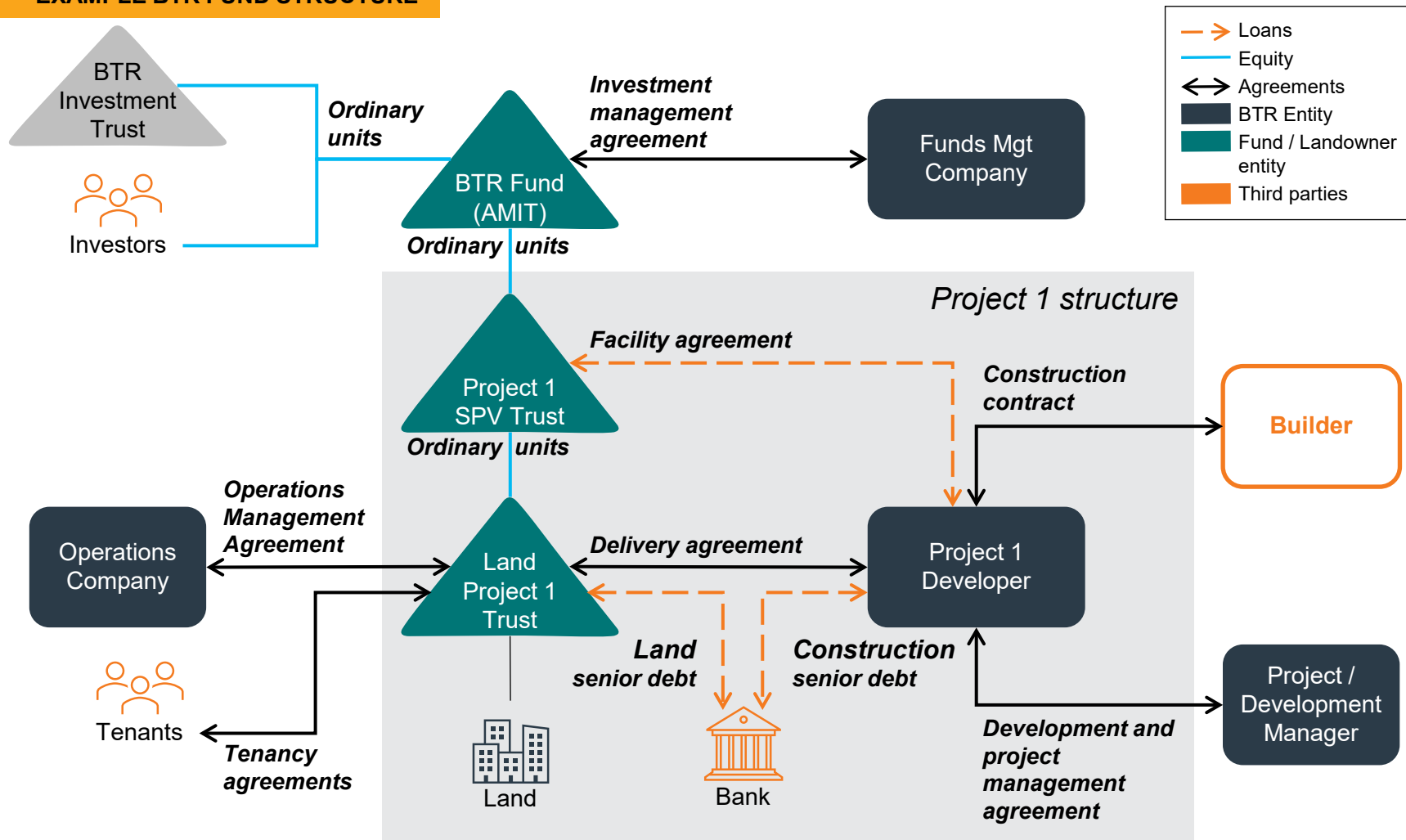
Craig Whatman | Partner

February 2024

Pitcher Partners Advisors Pty Ltd
ACN 052 920 206



EXAMPLE BTR FUND STRUCTURE



Managed Investment Trusts

Proposed changes to taxation of BTR developments

-
- 1 ▶ BTR currently non-concessional MIT income (unless affordable housing)

 - 2 ▶ Proposed changes in 2023 Budget for project construction post 9 May 2023

 - 3 ▶ Capital works (tax depreciation) deduction increased to 4% (from 2.5%)

 - 4 ▶ Withholding tax on eligible MIT fund payments reduced from 30% to 15%

 - 5 ▶ Must have 50 or more apartments or dwellings available for rent

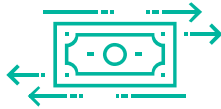
 - 6 ▶ Single ownership for at least 10 years

 - 7 ▶ Lease term of at least 3 years for each dwelling

 - 8 ▶ Consultation on minimum proportion of affordable housing
-

Key tax issues in BTR Structures

Income tax



Tax efficiency on profit and capital distributions

Including tax deferred returns from capital allowances, return of capital on refinancing, withholding tax on distributions to non-residents



Managed Investment Trust (MIT)

Whether any fund qualifies as a MIT is subject to a number of criteria

This allows the fund to make a capital account election and access AMIT benefits



Public Trading Trust

Important to managing potential Public Trading Trust risks where fund has greater than 50 investors

Key tax issues in BTR Structures

Indirect tax



GST

Supply of accommodation in BTR premises will generally be treated as an input taxed supply of accommodation in residential premises. Inability to claim input tax credits in respect of land acquisition, development costs and associated operating / management costs – GST leakage

Consider application of margin scheme to land acquisition or any opportunity to purchase land from unregistered vendor

Consider most efficient structure to minimise GST leakage, including possibility of a GST group in appropriate structures

Commercial residential premises and affordable housing may present opportunities to improve net GST position

Key tax issues in BTR Structures

Indirect tax



Stamp
duty

Transfer duty on land acquisition

Landholder duty on capital raises, including in fund structures where 20% threshold can apply in Victoria and NSW and no threshold in Queensland

Economic entitlements duty in Victoria in respect of certain agreements where fees are linked to profits, proceeds or capital growth

Key tax issues in BTR Structures

Land tax



50% discount regimes available
for BTR developments in
VIC, NSW, Qld and WA

Each regime has different criteria,
including in relation to tenancy terms
and proportion of affordable housing



Vacant Residential Land Tax
also needs to be considered in VIC

Key tax issues in BTR Structures

Foreign investor implications

In addition to complexities in structuring BTR Projects for foreign investment and FIRB requirements, the existence of foreign investors also **gives rise to additional income tax and state tax issues**, including



**Land tax
surcharge**
in some
jurisdictions



**Stamp duty
surcharge**



**Withholding tax
implications**



**Thin
capitalisation
application**
on underlying
interest deductions

Distinction between BTR developments

To develop and operate or to develop and sell

BTR developments to sell essentially treated like BTS developments



No capital allowances available



Asset treated as being on revenue account / trading stock



Input tax credits available for land acquisition and development costs

Option to use Fund Through Agreement

under which land transfers to BTR operator prior to development (can reduce duty cost) and BTR developer then constructs BTR asset for operator

Important information

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Developing and Operating Build to Rent Communities in Australia

22 FEBRUARY 2024

Sentinel 

*Sentinel acknowledges the Traditional
Owners of Country throughout Australia
and recognises their connections to lands, waters
and communities. We pay our respects to
Aboriginal and Torres Strait Islander cultures; and to
Elders past and present*

About Sentinel

Sentinel Overview

- Established in 1969, Sentinel Real Estate ("Sentinel") has A\$14.3 billion in assets under management
- Independent and privately held with its headquarters in New York
- Vertically integrated team with over 800 employees
- Over A\$33.0 billion of direct real estate investment acquired and managed since inception

Sentinel Australia's BTR Platform

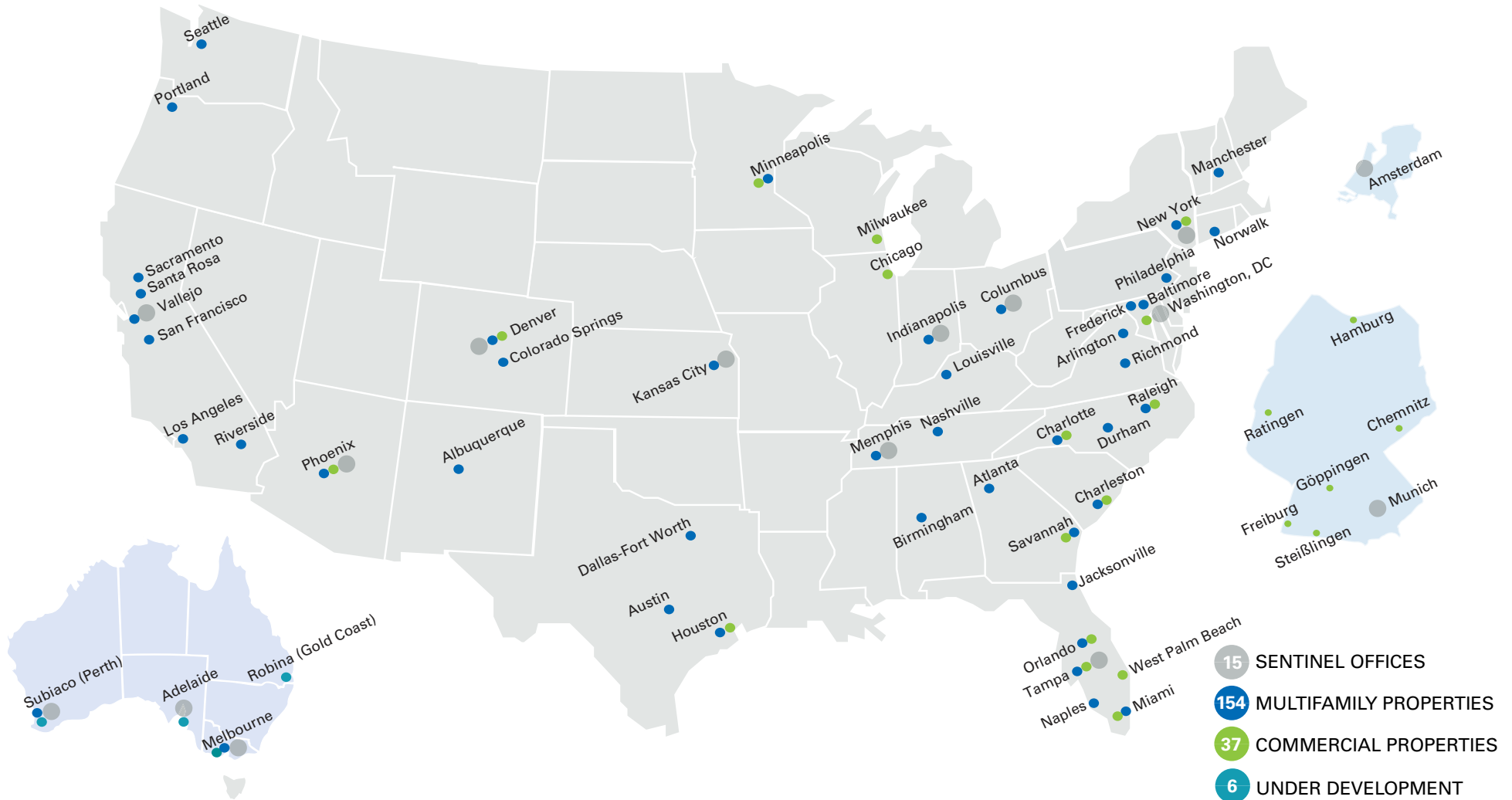
- Established in 2010, Sentinel Fund Manager Australia ("Sentinel Australia") has over 1,600 BTR units operating or in various stages of development
- Goal to grow portfolio to 5,000 units in the next five years
- Sites in: Melbourne, Perth, Gold Coast, Adelaide
- Local team of over 20 professionals across three offices with in-house property management and development capabilities
- Active member of industry organisations responsible for shaping government policies

Sentinel Australia's BTR Strategy

- Develop suburban, class A low- and mid-rise BTR communities
- Target high density locations, quality schools, access to employment and public transportation
- Deliver a high quality tenant experience via onsite property management
- Create an industry leading carbon neutral portfolio

Sentinel's Reach

With offices in 15 locations, Sentinel's real estate portfolio comprises 197 assets

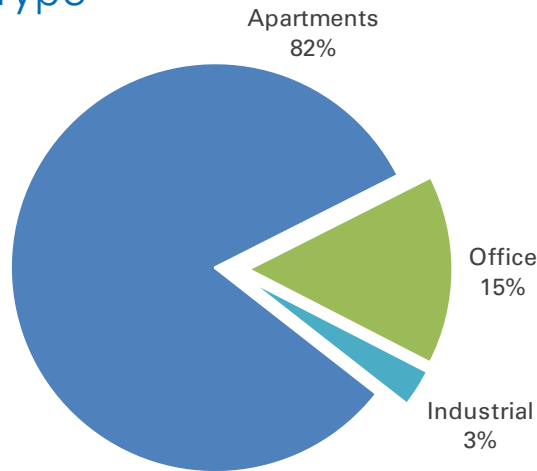


As of 12/31/2023

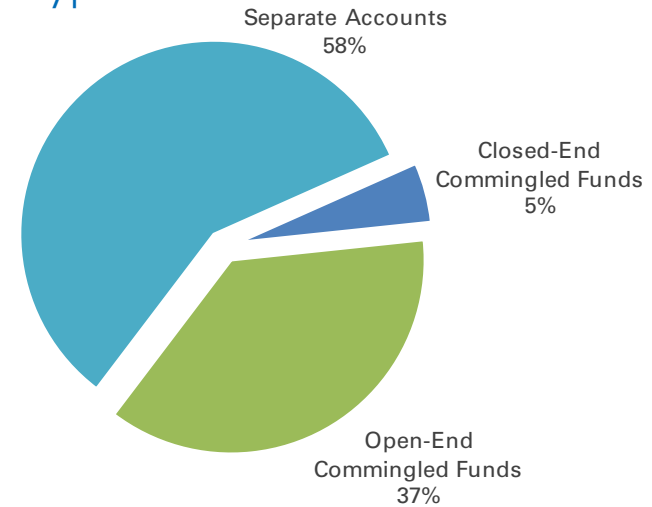
Assets Under Management

A\$14.3 billion in AUM on behalf of 122 domestic and international clients

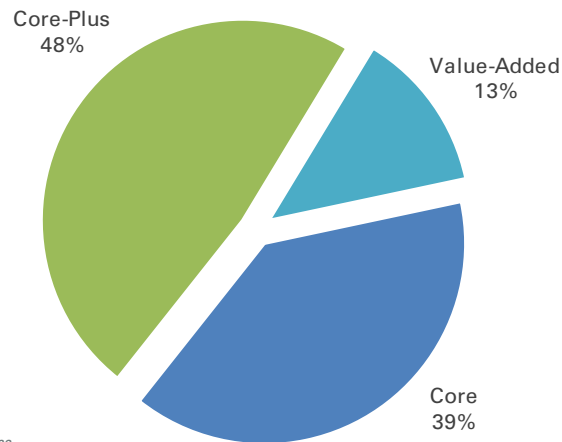
Property Type



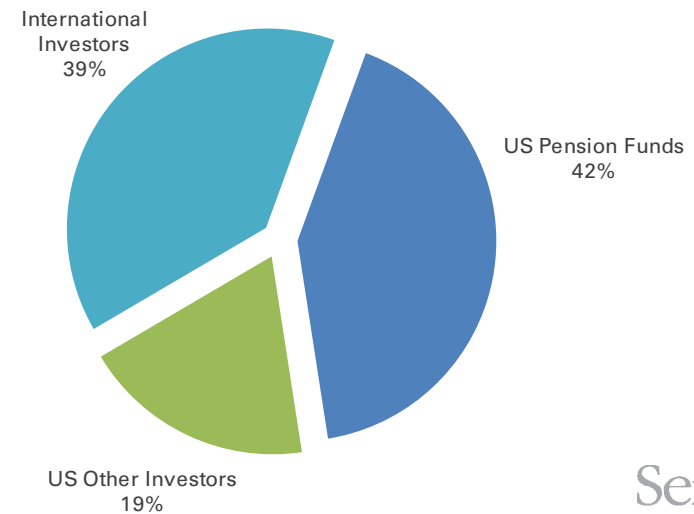
Vehicle Type



Investment Strategy



Investor Type



Note: All information as of 9/30/23

Sentinel Multifamily Strategies

Since 1969, Sentinel has owned and operated multifamily assets across the risk spectrum

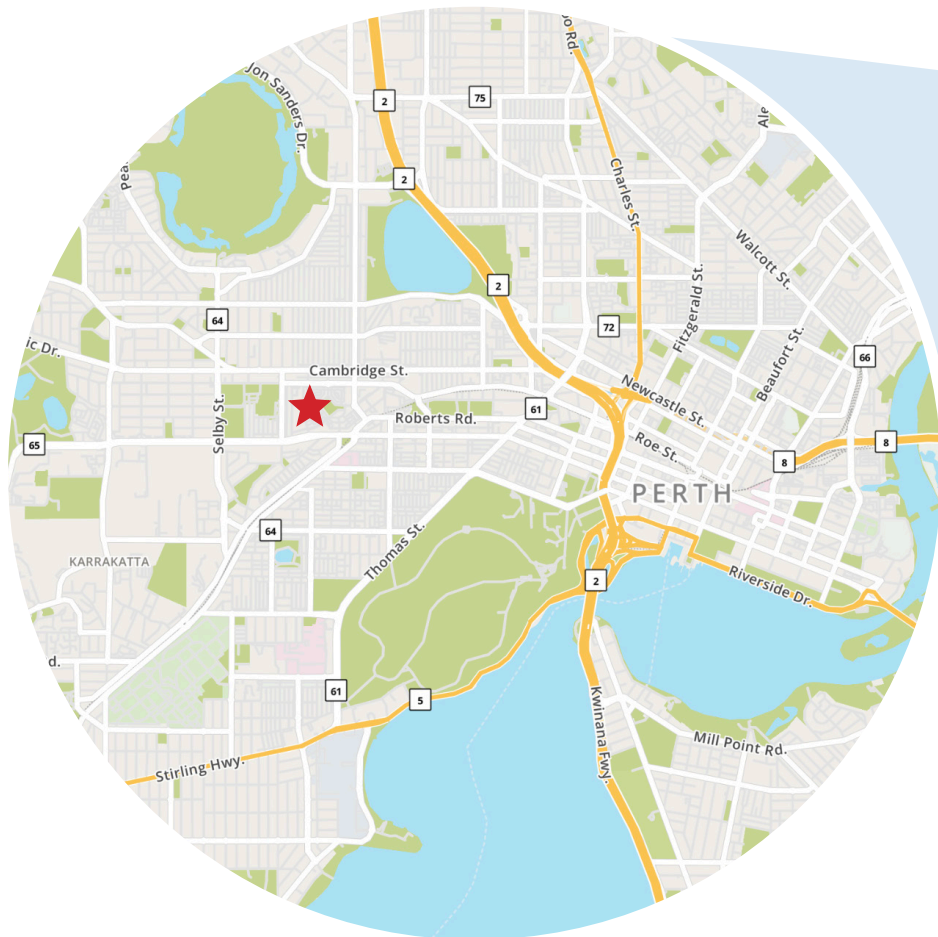
Fund Name	Sentinel Real Estate Fund	Sentinel US Core-Plus Multifamily Fund	Sentinel National Urban Residential Partners I	Sentinel Australia	US Separately Managed Accounts
Strategy Inception	1976	2019	2006	2012	1987
Fund Launched	1976	2019	2018	2018	Various
Investment Vehicle	Open-end	Open-end	Closed-end	Separate Accounts	Separate Accounts
Strategy	Stabilized, garden-style assets in desirable suburban locations in secondary markets throughout the US	Mix of core, value-added and development in high growth US cities and inner ring suburbs	Older vintage properties in select primary and secondary urban market locations throughout the US	Develop and operate a Class-A, carbon neutral portfolio of rental apartment communities throughout Australia's major markets	Bespoke
Return Profile	Core	Core-Plus	Value-Added	Opportunistic	Core through Opportunistic

1) This includes two separately managed accounts, the first with \$222 million in equity commitments and the second comprising two tranches of A\$365 million in equity commitments, with the second tranche being formally committed following the investment of at least 75% of the first tranche and final investor approval.

CASE STUDIES



The Elements



Location	72 Price Street, 12 Atkinson Road and 12 Wunderlich Road, Subiaco (Perth), Western Australia
Property Type	Mid-rise apartment community
Number of Buildings	Three individual buildings on three separate lots
Number of Units	264 units
Website	www.theelementssubiaco.com.au

The Elements

Development Summary

	PHASE I	PHASE II	PHASE III	TOTAL
Site Area	2,343 sqm	2,205 sqm	2,678 sqm	7,226 sqm
Residential Rentable Area	6,200 sqm	5,620 sqm	6,742 sqm	18,562 sqm
Retail Rentable Area	0 sqm	61 sqm	0 sqm	61 sqm
Gross Building Area	14,533 sqm	14,302 sqm	16,061 sqm	44,896 sqm
Parking Spaces	113	108	113	334
Average Unit Size	67 sqm	70 sqm	73 sqm	70 sqm
Number of Units				
Studio	5	3	9	17
One-Bedroom	47	47	34	128
Two-Bedroom	33	19	34	86
Three-Bedroom	8	11	14	33
Total Units	93	80	91	264

Development Timeframe

- Phase I was completed in April 2019 and is currently 100% leased
- Phase II was completed in March 2022 and is currently 100% leased
- Phase III is expected to start construction in 2024 and be completed in 2026/2027



Phase I



Phase II



Phase III (rendering)

The Elements

The Site & Location

- Subiaco is located 4km from the Perth CBD and 7km from Perth's beaches
- Subiaco has a median income of A\$111,000¹ and a median single-family home price of A\$1.53² million, making it one of Perth's most affluent neighbourhoods
- Sentinel acquired a substantial land holding in the Australian Fine China Precinct, which was a porcelain manufacturing site until it closed in 2006
- To generate economies of scale, the three phases are designed to operate as a single community once complete
- In addition, Sentinel owns a fourth site in the precinct, Lot 202, which will accommodate approximately 110 units

Operations Update

As of September 30, 2023	PHASE I	PHASE II
Occupied %	95.6%	95.0%
Leased %	100.0%	100.0%



Australian Fine China Precinct

(1) Source: Australian Bureau of Statistics

(2) Source: realestate.com.au

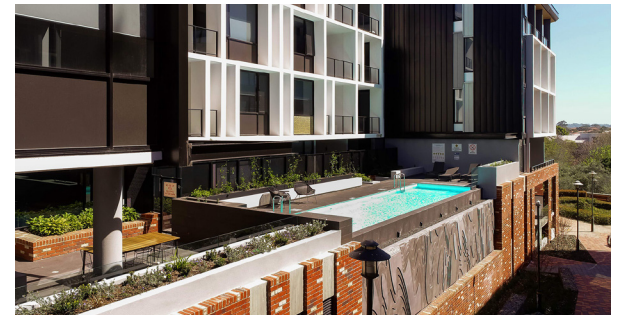
The Elements

Unit Features

- The Elements has been designed with a range of unit types to cater to a diverse set of tenants from individuals to families with children
- A select number of units have been designed as adaptable housing to allow tenants to make modifications as their needs change
- Apartments include refrigerators, microwaves, ovens, dishwashers, full-sized washer/dryers and stone benchtops

Common Amenities

- The Elements has been designed to incorporate a number of the same amenities and conveniences that exist in US multifamily communities, while at the same time catering to local lifestyle preferences
- Each of the three phases will have their own full suite of amenities that tenants are able to use regardless of which building they are living in
- Amenities include:
 - Fully-equipped fitness centres
 - Infinity edge pools and sun decks
 - Cabanas with barbeque stations
 - Rooftop lounges with native landscaping and panoramic city views
 - Media/social rooms
 - Electronic parcel locker systems
 - Artworks commissioned for public enjoyment
 - Dog wash room



The Elements

ESG Design Outcomes

- Phase I has been certified as the first carbon neutral residential apartment community in Australia and Phase II is expected to be certified after 12 months of operations
- Phase I and Phase II have been designed to achieve a 5-Star Green Star rating
- Phase I and Phase II have been certified with an 8.0 and an 8.4 NatHERS rating, respectively
- These ratings make the property one of the highest rated residential properties in Western Australia

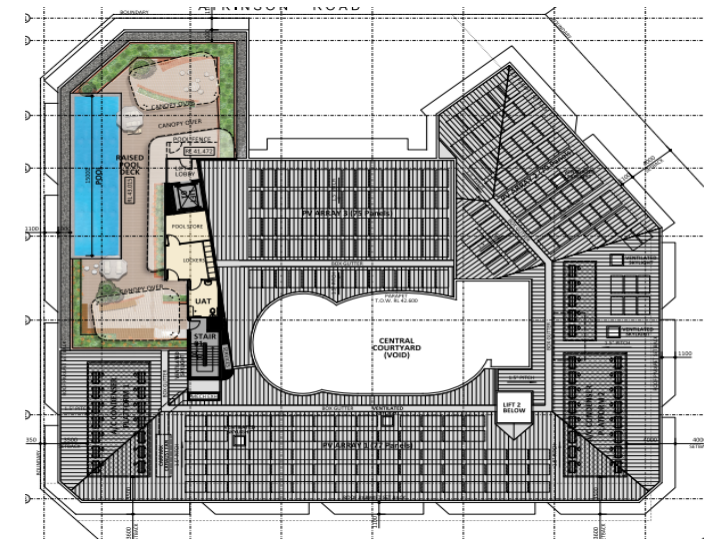
ESG Performance Summary Chart

	PHASE I	PHASE II	BCA STANDARD ¹
Energy Use (kWh/m ² .pa)	42	35	119
Global Warming Potential (Kg Co ₂ /m ² .pa)	25	26	110
Average NatHERS Ratings	8	8.4	6
Average Green Star Rating	5	5	N/A
% of Renewable Energy	20	20	0
% Lighting Reduction	75	75	0
Water Use (kL/person/annum)	29	20	41
Irrigation Water Source %	100	100	0

(1) Source: Building Code of Australia Standards

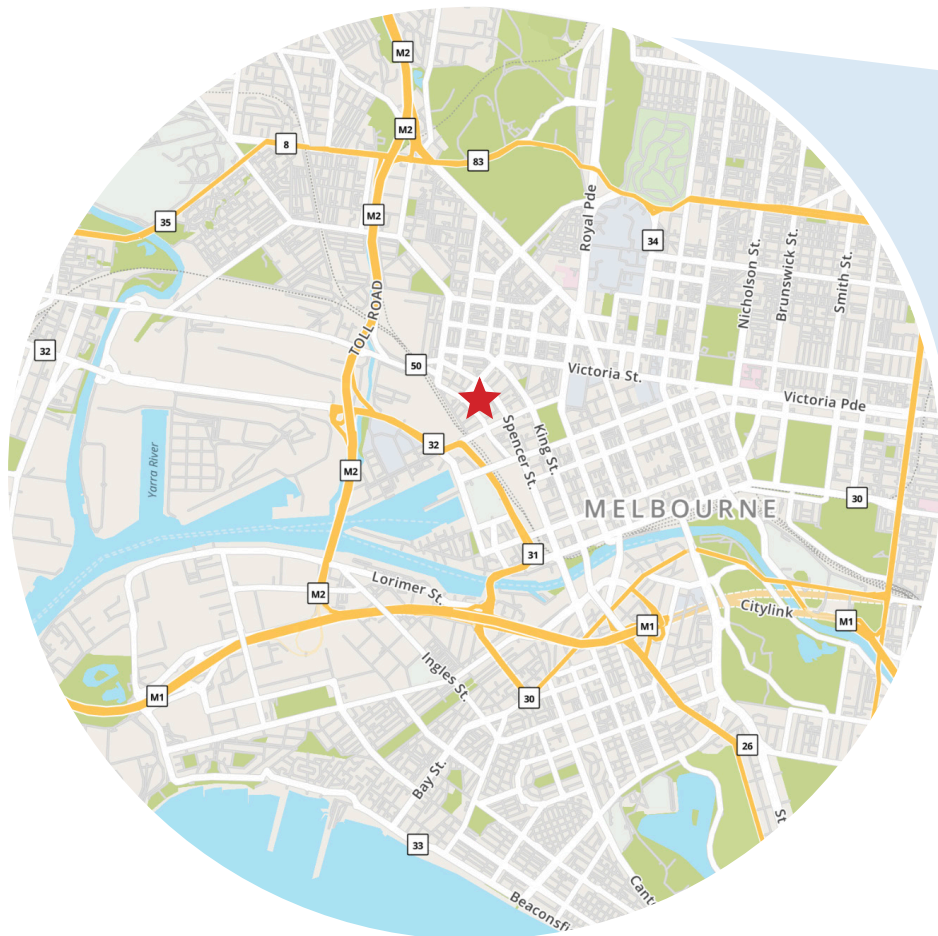


Phase I's 30kW photovoltaic system



Phase III's roof rendering highlighting its 70kW photovoltaic system

The Briscoe



Location	151 Hawke Street, West Melbourne, Victoria
Property Type	Mixed-use, mid-rise apartment community
Number of Buildings	One
Number of Units	172 units, 3 retail spaces
Website	www.thebriscoe.com.au

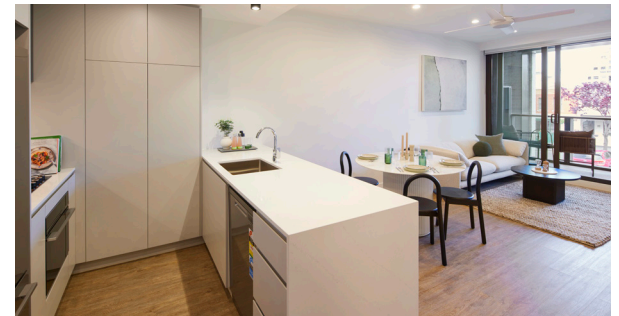
The Briscoe

Location

- West Melbourne is going through a dramatic transformation into a live/work/play neighbourhood given its immediate proximity to the Melbourne CBD
- Located 500 metres from the Melbourne CBD, the property has immediate access to employment yet still offers the benefit of a residential setting
- The site is 250 metres from the North Melbourne train station and is situated along a bike route that goes directly into the CBD
- The property has panoramic views towards the Melbourne CBD and throughout North Melbourne

ESG Design Outcomes

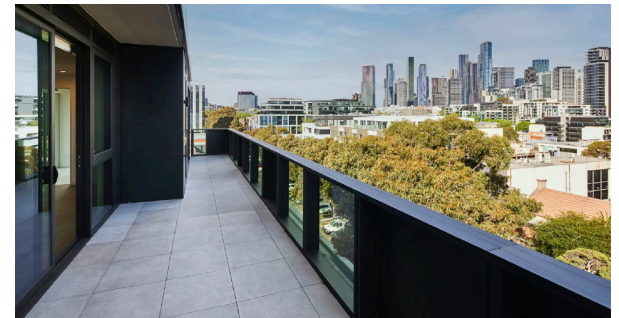
- The property is designed to achieve carbon neutral certification from Climate Active and a 5-Star Green Star rating from the Green Building Council of Australia.
- ESG design elements include:
 - Fossil fuel-free building operations (fully electric)
 - 15kW solar photovoltaic system on the roof to help offset common-area energy usage
 - Carbon neutral flooring (Cradle to Grave and Global Green Tag Certified)
 - Carbon neutral benchtops (Cradle to Grave Certified)
 - EV charging stations
- These design elements are projected to improve heating and cooling energy intensity by 16% and lighting power by 10%



The Briscoe

Development Summary

Site Area	3,642 sqm
Residential Rentable Area	12,156 sqm
Retail Rentable Area	465 sqm
Gross Building Area	25,721 sqm
Parking Spaces	188
Average Unit Size	71 sqm
Number of Units	
One-Bedroom	99
Two-Bedroom	59
Three-Bedroom	11
Duplex	3
<hr/> Total Units	<hr/> 172



Development Timeframe and Strategy

- Settled on the purchase of the land on 2 October 2019
- The site was purchased with an approved development permit for 157 units, which was amended to include an additional 15 units as well as a range of design modifications to unit layouts and amenity spaces
- The site originally had two pre-war industrial buildings, which had their historic façades maintained and integrated into the overall design of the project
- The project received its Certificate of Occupancy in November 2023 and its first move-ins during December 2023

The Elements Property Photos



The Briscoe Property Photos



Thank You



KEITH LUCAS

Director of Development

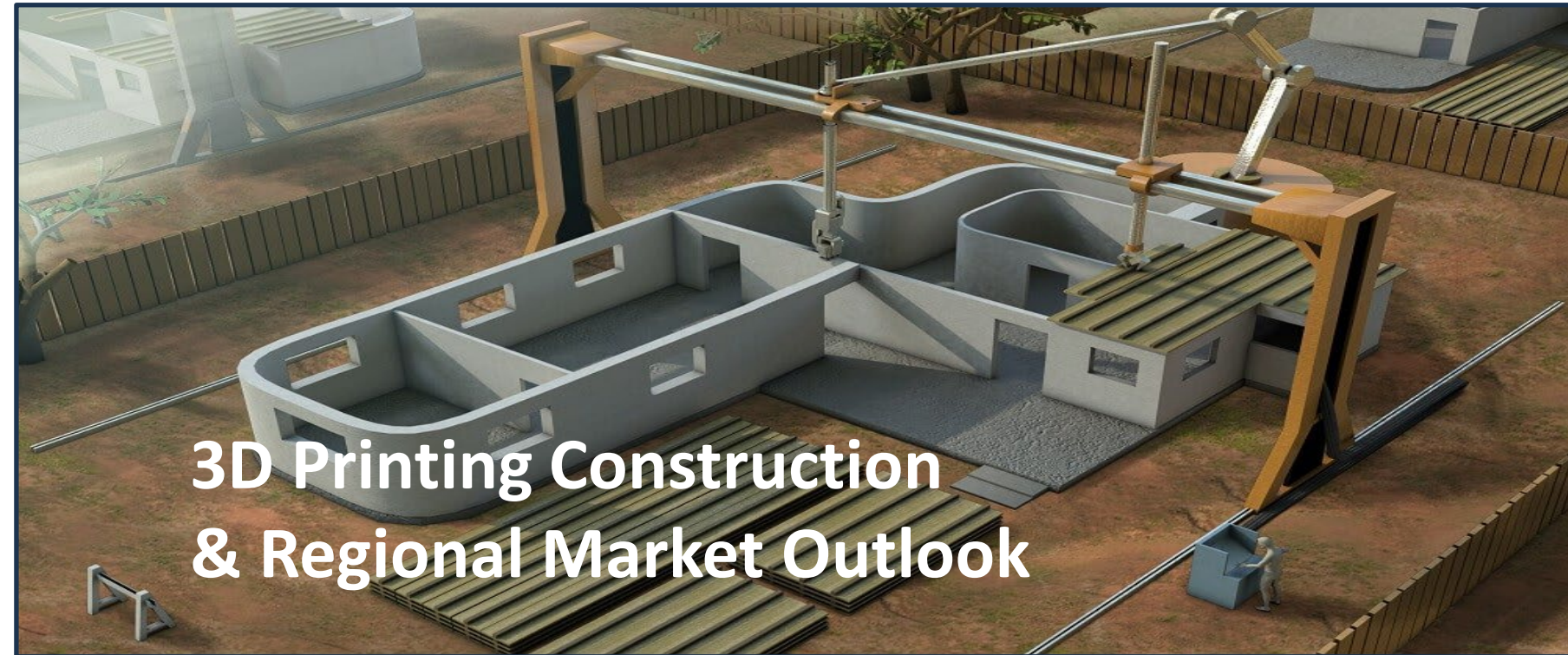
Sentinel Development Manager Pty Ltd

www.sentinel-australia.com.au

Questions to Sli.do



Or joining at [Slido.com](https://www.slido.com) with the
event code [#9405449](https://www.slido.com/join/9405449)



FOCAL GROUP DETAILS

Date: Wednesday 27 March 2024

Time: 6:00 pm – 7:30 pm

Location: Curago, Level 1 / 50-56 York Street, South Melbourne



EVENT DETAILS

Date: Tuesday 26 March 2024

Time: 7:45 am - 9:00 am

Location: Ratio Consultants, 8 Gwynne Street, Cremorne

