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EMERGING OPPORTUNITIES IN AUSTRALIA'S RESIDENTIAL LIVING SECTOR INSIGHT

OCTOBER 2025

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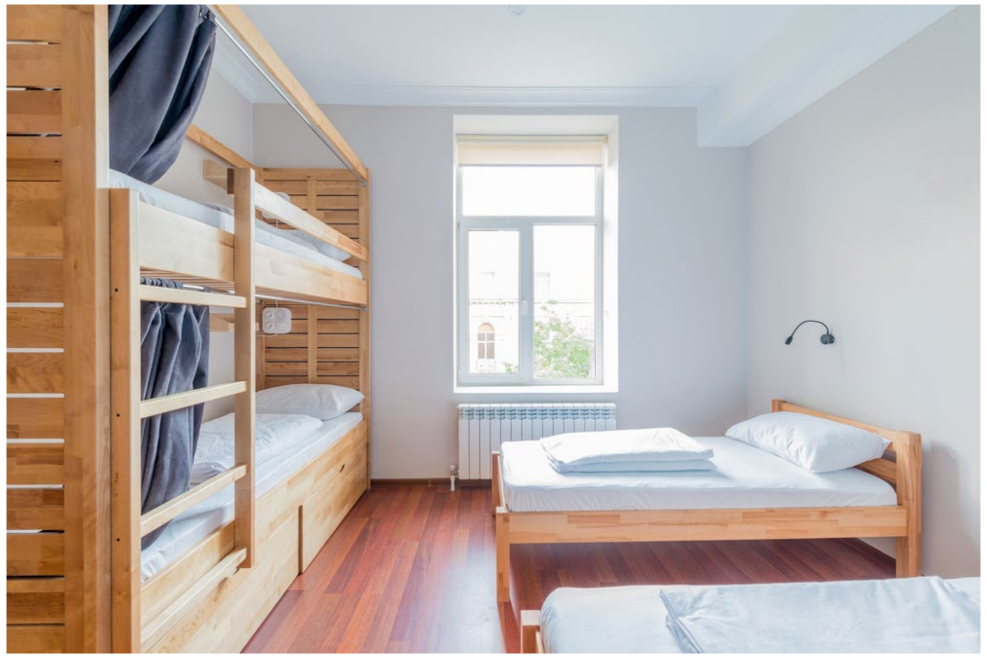


OVERVIEW

Australia's residential living sector, while still in its early stages compared to other global markets such as Europe or the United States, is undergoing a transformation. Unlike traditional strata-titled housing, this sector comprises developments containing multiple dwellings held on an en-bloc basis and professionally managed and leased. The category spans a range of sub-sectors including build-to-rent (BTR), co-living, new generation boarding houses, purpose-built student accommodation (PBSA), manufactured housing estates (MHE), and affordable housing. Together, these sub-sectors are helping to reshape the housing landscape in response to affordability challenges, shifting demographics, and evolving lifestyle trends.

AUSTRALIA'S RESIDENTIAL LIVING SECTOR IS AT A PIVOTAL STAGE. DRIVEN BY WORSENING HOUSING AFFORDABILITY, DEMOGRAPHIC SHIFTS, AND EVOLVING LIFESTYLE NEEDS, NON-TRADITIONAL HOUSING IS BECOMING A VITAL PART OF THE NATIONAL PROPERTY LANDSCAPE.

KEY DEMAND DRIVERS

Housing Affordability and Vacancy Rates

Australia's ongoing housing affordability crisis is a primary catalyst for growth in the residential living sector. According to the HIA Affordability Index, all of Australia's capital cities are now considered unaffordable. This deterioration has been driven by strong price growth in recent years and is expected to continue. Consequently, demand is rising for more affordable alternatives such as BTR and co-living.

Meanwhile, residential vacancy rates remain well below the accepted equilibrium rate of 3.0%, indicating tight supply across all capital cities. This further fuels demand for innovative, professionally managed housing solutions.

Demographic Shifts

Two key demographic trends are influencing the rise of non-traditional housing. First, the median age of marriage has steadily increased, reaching 32.9 years for males and 31.2 years for females in 2023. This delay in household formation is supporting demand for co-living arrangements targeted at singles and young couples People between the ages of 25 and 44 comprise a significant 28.1% of the population. Many is this cohort are affected by the lack of affordable housing which ensures that the 25 to 44 age group is a key target market for BTR and co-living.

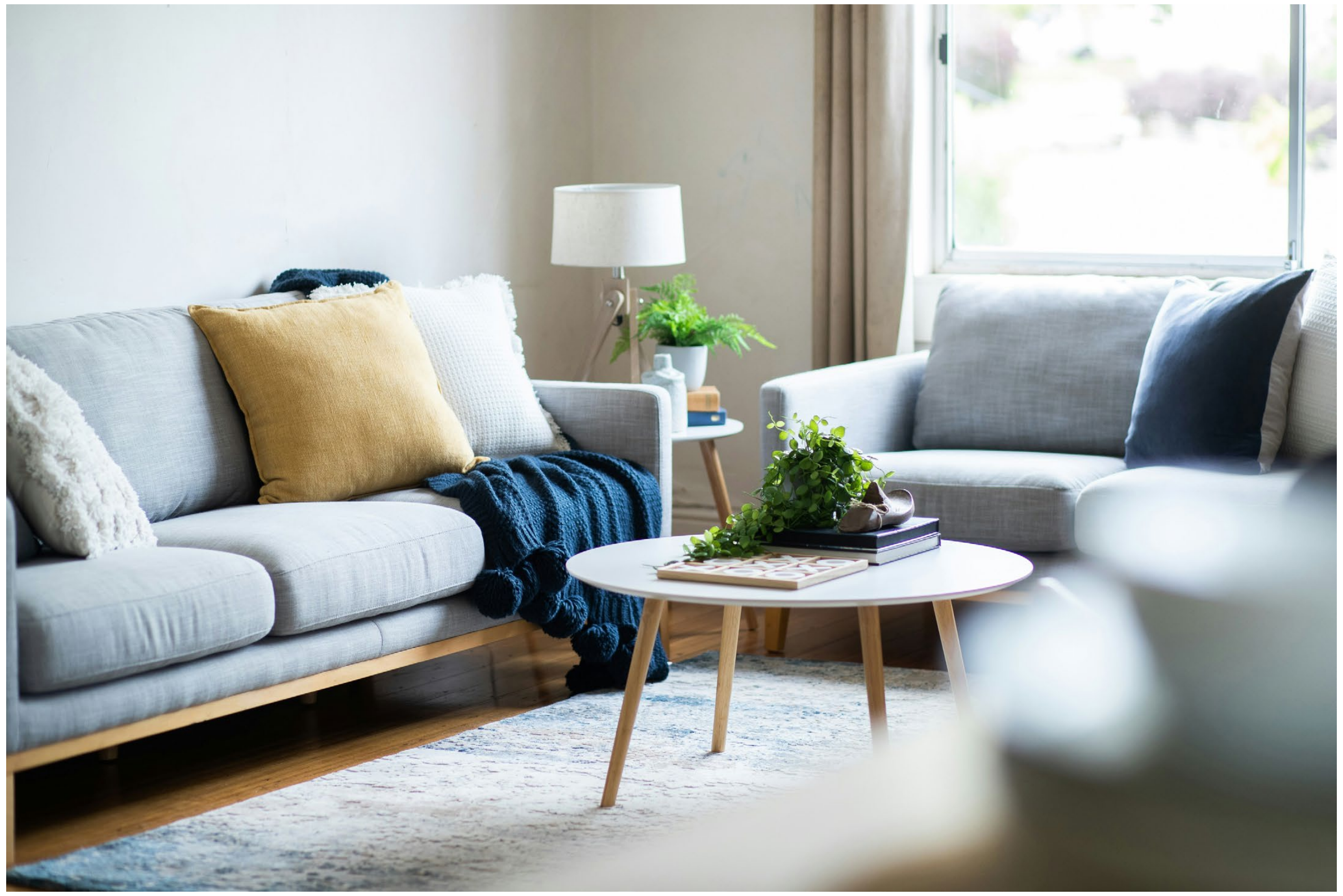
Secondly, the over-65 demographic is also a growing and significant cohort, and is the dominant consumer group for manufactured housing estates.

International Student Rebound

The international education sector has rebounded strongly following the COVID induced decline in numbers, with over 1.09 million international students enrolled as of December 2024 — up 13% year-on-year. This resurgence has revived demand for PBSA, a more mature sub-sector of the residential living market.

Wage Growth

While wage growth has historically lagged behind housing price growth, the pandemic briefly reversed this trend due to government stimulus payments. However, despite the improvements in the median wage, housing affordability continues to decline, reinforcing the need for affordable rental options.



SUB-SECTOR SNAPSHOTS

Build-to-Rent (BTR) Housing

Built-to-Rent (BTR) Housing can be defined as purpose built long-term residential accommodation which is owned, managed and operated by an institutional or private investor for a long-term investment period. Investors generate primary revenue from the rental of the dwellings with additional income generated from opt-in services such gym or pool access and retail facilities.

Developments generally comprise 300-400 apartments per project, with many located in the inner suburbs of the major cities aimed at inner-city professionals. However, there are also some smaller developments and there is also some expansion of BTR projects into suburban corridors where the rent would be more affordable.

There are currently around 10,000 BTR apartments across Australia, with around 65,000 in the pipeline. The largest number of BTR apartments (55%) are located in Melbourne, but there is also a growing demand for BTR projects in Sydney and Brisbane. There will be an estimated 5,900 BTR units completed by the end of 2025, with 61% of these in Victoria, followed by 21% in Queensland and 14% in New South Wales. By the end of 2025, there will be almost 16,000 BTR units operational across Australia. Of the BTR units in the pipeline, around 40% will be in Victoria, with 29% in NSW and 23% in Queensland. There are predictions that the total number of BTR units will increase to around 40,000 by the end of 2028.

The BTR sector in Australia is valued at an estimated $16.78 billion, which is around 0.2% of the total value of the residential housing sector. The sector is expected to grow in the coming years as demand for alternatives to the Build-to-Sell housing market and traditional rental housing increases. The BTR sector comprises around 5.4% of the total UK residential sector and 12% of the US residential sector. The sector has considerable growth potential in Australia in coming years.

Despite the momentum of recent years, several barriers still hinder growth: high construction and land costs, planning policy uncertainty, taxation issues, and financing challenges. For the sector to grow further, there will need to be support for institutional investors to invest in BTR developments, through supportive government legislation, streamlining of approval processes and tax incentives. One barrier for institutional investment until recently was high government taxation, which saw concessional final withholding tax as 30% on BTR developments. Government legislation effective from July 2024 has reduced the withholding tax to 15%, which makes investment in BTR developments more attractive. The various state governments have looked to streamline approval processes and reduce red tape. The New South Wales State Government in particular has taken a proactive stance to regulate the residential living sector and reduce red tape with the introduction of the State Environmental Planning Policy (Housing) 2021, or Housing SEPP. This policy consolidates previous regulations on affordable housing, manufactured home estates, group homes, and more. It introduces new housing types — notably co-living and independent living units — and aims to streamline planning and delivery for boarding houses, BTR housing, and seniors housing.

While the Victorian State Government has not introduced specific legislation to regulate or streamline the Residential Living Sector, various government policies to support the construction of affordable housing ensure that sector is well supported in the state.

The build-to-rent sector has seen significant institutional interest and a growing development pipeline, particularly in Melbourne. Key players include Mirvac (LIV), AustralianSuper (Assemble), GIC (HOME), Blackstone, Sentinel (Hermes), Aliro (Novus), Investa, Cedar Pacific and Greystar.

Built-to-Rent developments may still be in their infancy in Australia, but they offer large-scale housing developments in well-connected communities that are in locations close to transport and employment. As a result, they offer an accommodation solution to individuals and families who wish to live in locations they might otherwise not be able to afford.

Purpose-Built Student Accommodation

Purpose-Built Student Accommodation can be defined as buildings specifically built, designed and managed as accommodation for students. PBSA buildings include furnished rooms, communal areas, and support services and are located within close proximity of university campuses.

There are around 41,000 PBSA rooms available across the nation. This has increased from around 10,000 rooms in 2010, with the increase primarily due to the increased demand for Australian education from international students. The largest percentage of rooms in Australia is currently in Melbourne, which has 37% of the national stock, followed by Sydney at 25% and Brisbane at 20%.

The Australian Bureau of Statistics notes that NSW leads the way for proposed PBSA developments with the state accounting for 49.1% of all approved student accommodation rooms across the country, with a total of 4,791 rooms approved in the three years to June 2024. The next two highest contributors were Victoria with 1,735 rooms (17.8%) and WA with 1,706 rooms (17.5%).

The PBSA sub-sector is more mature than other parts of the Residential Living Sector, with most of the assets in the sector owned by universities or major institutional investors. The five main providers of rooms in the PBSA sub-sector are UniLodge, Scape, Campus Living Village, Iglu and Y Suites.

Manufactured Housing Estates

Manufactured Housing Estates – also known as the Land Lease Communities - are becoming increasingly popular in Australia as an alternative to traditional retirement villages. They are targeted primarily at the over-55 age group and involve residents owning their own manufactured home while leasing the land from the estate operator. Around 130,000 Australians live in these estates. Large institutional investors including Stockland and Mirvac have invested heavily in Manufactured Housing Estates.

Co-Living

Still in its infancy in Australia, co-living has gained traction in recent years. These dwellings typically consist of small private units with shared communal spaces and flexible, all-inclusive leases. Targeting young professionals aged 25–40, co-living offers an appealing alternative to traditional rentals. Each state has specific planning requirements such as minimum room sizes, communal space provision, 24/7 contactable managers, and restrictions against short-term use. The largest provider of co-living rooms in Australia is UKO, which specializes in apartments close to public transport. The vast majority of co-living dwellings are in Sydney, which has more than 90% of the national co-living supply.

Boarding Houses

Modern boarding houses provide affordable rental housing for five or more residents and must be managed by registered community housing providers.

INVESTMENT OUTLOOK

Australia's residential living sector remains less developed than its counterparts in the USA, Europe, and parts of Asia. Nonetheless, it presents a compelling investment case due to several converging factors:

- Chronic housing shortages and a lack of affordable supply;
- Demographic shifts such as delayed marriage and ageing populations;
- A surge in international student numbers post-pandemic; and
- An increasing trend toward long-term renting.

According to Real Capital Analytics (RCA), 2024 saw $1.45 billion in residential living transactions across 35 assets, predominantly in manufactured housing ($1.31 billion). This is a substantial decrease from the 2020 high of $2.84 billion, largely influenced by pandemic-driven sell-offs.

As of mid-2025, there have already been 11 transactions totalling $1.6 billion, suggesting a renewed investor appetite. Purpose-built student accommodation continues to attract strong demand due to its maturity and stability.

CONCLUSION

Australia's residential living sector is at a pivotal stage. Driven by worsening housing affordability, demographic shifts, and evolving lifestyle needs, non-traditional housing is becoming a vital part of the national property landscape. While there are structural hurdles to overcome — particularly around planning, finance, and taxation — the fundamentals underpinning demand remain strong.

As institutional investors seek more defensive and stable assets, the residential living sector offers a unique opportunity to align long-term investment with pressing societal needs. With strong growth expected across build-to-rent, co-living, student accommodation, and manufactured housing, this sector is poised to move from niche to mainstream in the coming years.

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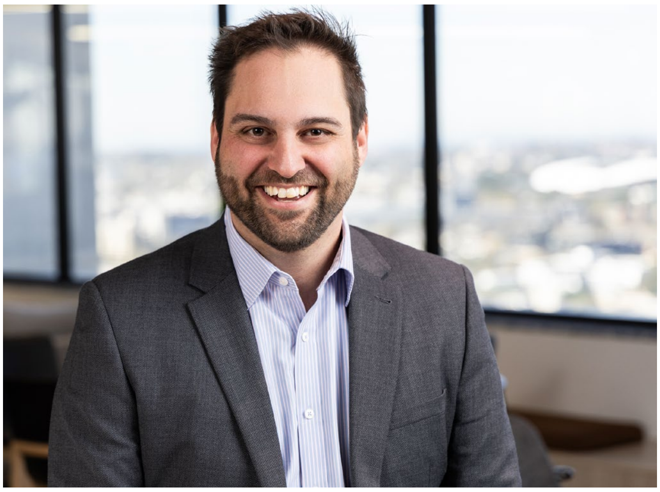

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