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JPMorgan pours cold water on Australian multi-family sector



Ben Aiken: Multi-family returns in Japan are very compelling. **Supplied**



by Larry Schlesinger

JPMorgan has brought attention to the comparative investment risk for the [build-to-rent sector](#) — NEWS WEBSITE OF THE YEAR — the almost unbeatable returns on offer in Japan.

While ASX-listed heavyweight Mirvac and major [private developer Salta Properties](#) are among those eyeing build-to-rent projects, JPMorgan Asset Management portfolio manager Ben Aiken said the yield spread offered on the same such investments in Japan — where the official short-term interest rate is at minus 0.1 per cent — were "at an all-time high".

"The yield spreads we are getting on [multi-family] investments relative to 10-year government bonds in Japan are at an all-time high — 450 to 500 basis points," Mr Aiken told the Atchison Consultants Global Real Assets Forum in Melbourne on Thursday.

"It's very hard to find sectors that provide this type of spread with this quality of income. It's a stand-up sector from our perspective."

He said JPMorgan had acquired a number of build-to-rent properties in Tokyo and Osaka, after partnering with local developers, that were delivering "very attractive" initial yields of between 4 and 5 per cent.

Mr Aiken said tenants paid about \$US600 a month (\$778) — around 30 per cent of their income — which was "very affordable" with occupancy rates between 95 and 100 per cent.

"The banks have been very supportive, offering attractive interest rates on seven-year long-term debt. This has generated an average leveraged yield of about 6.5 per cent over a 10-year period. We think this is very compelling from a return perspective," he said.

Speaking at the same forum, JPMorgan Asset Management Australia and NZ real estate boss Daniel McDonald said while there was a "fair bit of press recently around

the multi-family space in Australia" the consensus was that "it's still a bit early".

"We have some developers with land banks looking to get into that space and we also have Greystar, one of the largest multi-family developers, starting in Australia.

"But I think there are still a few headwinds from a government perspective with legislation being brought in recently to cool down the residential market, which by default affected the commercial market from a land tax perspective.

"So I think there are few headwinds and it's very early days, but it is a sector we are looking at," Mr McDonald said.