

Affordable Housing National Research Consortium

Intermediate Housing in Australia: Pressing Need, Effective Solution

www.consortium.asn.au

Chairman: Dr Kim Hawtrey

Affordable Housing National Research Consortium

A unique alliance

- Australian Council of Social Service
- Australian Council of Trade Unions
- Housing Industry Association
- Master Builders Australia Inc
- National Community Housing Forum
- Community Housing Federation of Australia
- Property Council of Australia
- Real Estate Institute of Australia
- Royal Australian Institute of Architects
- Royal Australian Planning Institute
- Urban Development Institute of Australia

Researchers:

- AHURI and Allen Consulting

The ‘intermediate’ housing sector

- Working households**
- Unable to qualify for public housing or rent assistance**
- Not able to benefit from First Home Owners Grant**
- Paying more than 30% on housing**

The supply shortfall

Overall

- 1/4 million households in stress nationwide (rising to 1 million by 2020)**
- A supply shortfall of 150,000 dwellings**
- Needing capital of \$27 billion (construction)**

Socio-economic effects of housing stress

- Household debt levels**
- Overcrowding and homelessness**
- Family instability and breakdown**
- Less effective labour market**
- Health costs and crime**
- Lower levels of educational attainment**

Barriers to institutional investment

- Low returns, high risks**
 - Hands-on management costs**
 - Illiquid assets**
 - Poor market information, lack of track record**
- ➡This points to the role of government**

Seeking a policy solution

- Tap into the capital market**
- Impact on the supply side**
- Learn from overseas models**
- Leave room for flexible delivery**
- Maximise dollar-for-dollar budget leverage**

Our Proposal

- **A new third pillar of national housing policy**
- **Working name:**
 - **“Commonwealth Affordable Housing Credit” (CAHC) Scheme**
- **How it works:**
 - **Raises finance for intermediate housing through the issue of a special purpose bond with guaranteed after-tax minimum return; the Commonwealth provides a return subsidy or risk guarantee to investors (probably around 2%); the funds are then distributed through CSHA to state housing authorities to ensure their use is targeted to intermediate housing; Commonwealth could use a tax concession or a budget outlay.**

Detailed Financial Modelling shows:

Every \$1 billion of capital raised from private investors would have a gross cost to the Commonwealth of \$220 million and would assist 7450 tenant households.

Our message

- Nationally, housing stress is huge and has hidden social costs.**
- Increasingly, existing Commonwealth housing assistance - while invaluable - is over stretched.**
- The proposed way forward is to introduce a new measure to mobilise private capital.**