



HOUSING AUSTRALIANS – A SUPPLY AND SOCIAL CHALLENGE

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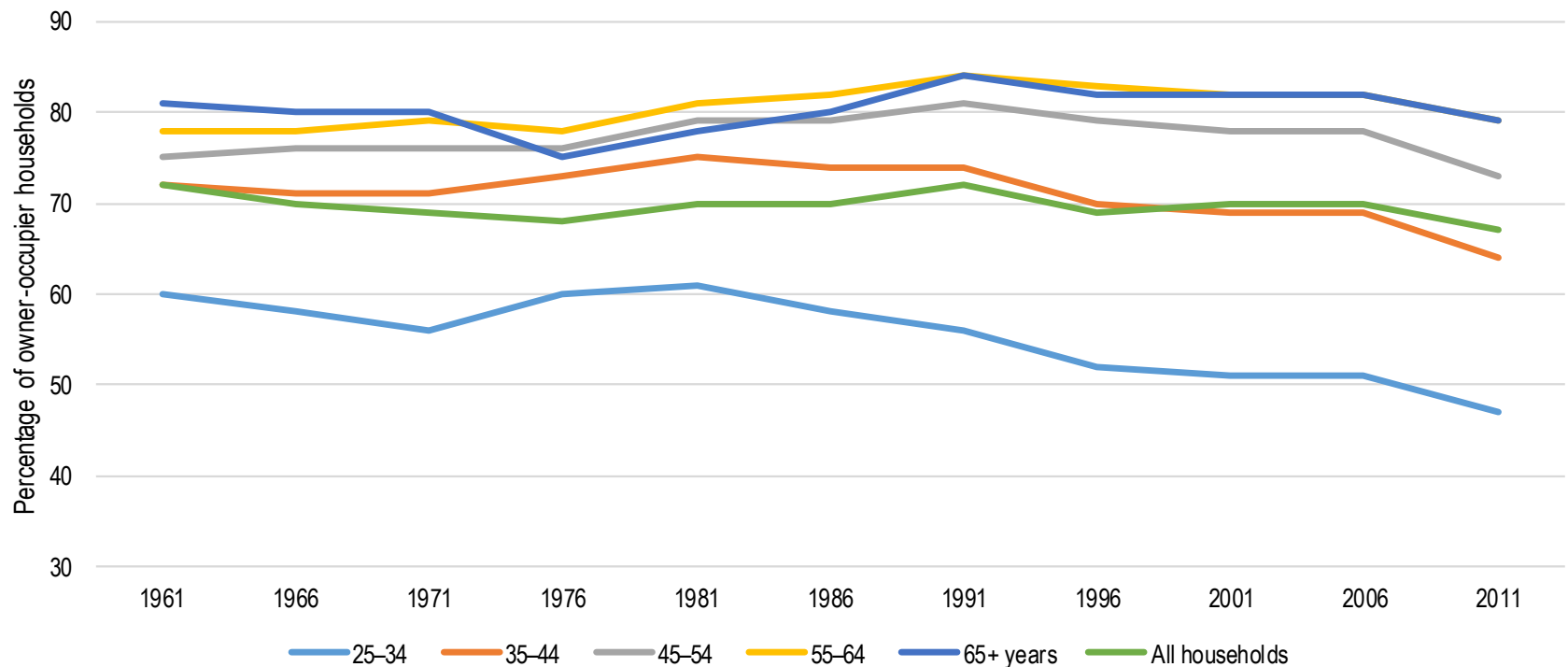
Housing in Australia

- Everyone has a right to housing – this is part of the social contract of living in Australia
- Differing housing types and housing tenures
- Historical under-supply
- Fast growing population
- Resulting supply/demand imbalance has put pressure on affordability, particularly for those on lower incomes

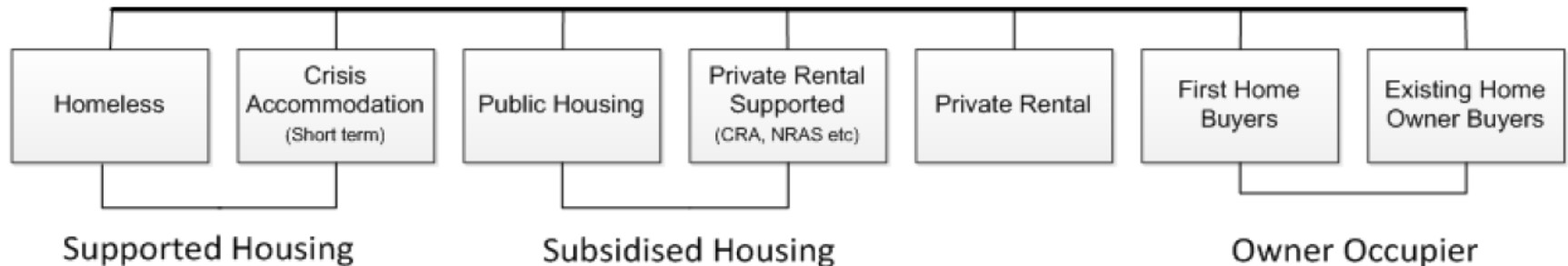
Home ownership rates in Australia have fallen

Home Ownership Rates by Age Group

Source: Derived from Australian census results



Housing Continuum

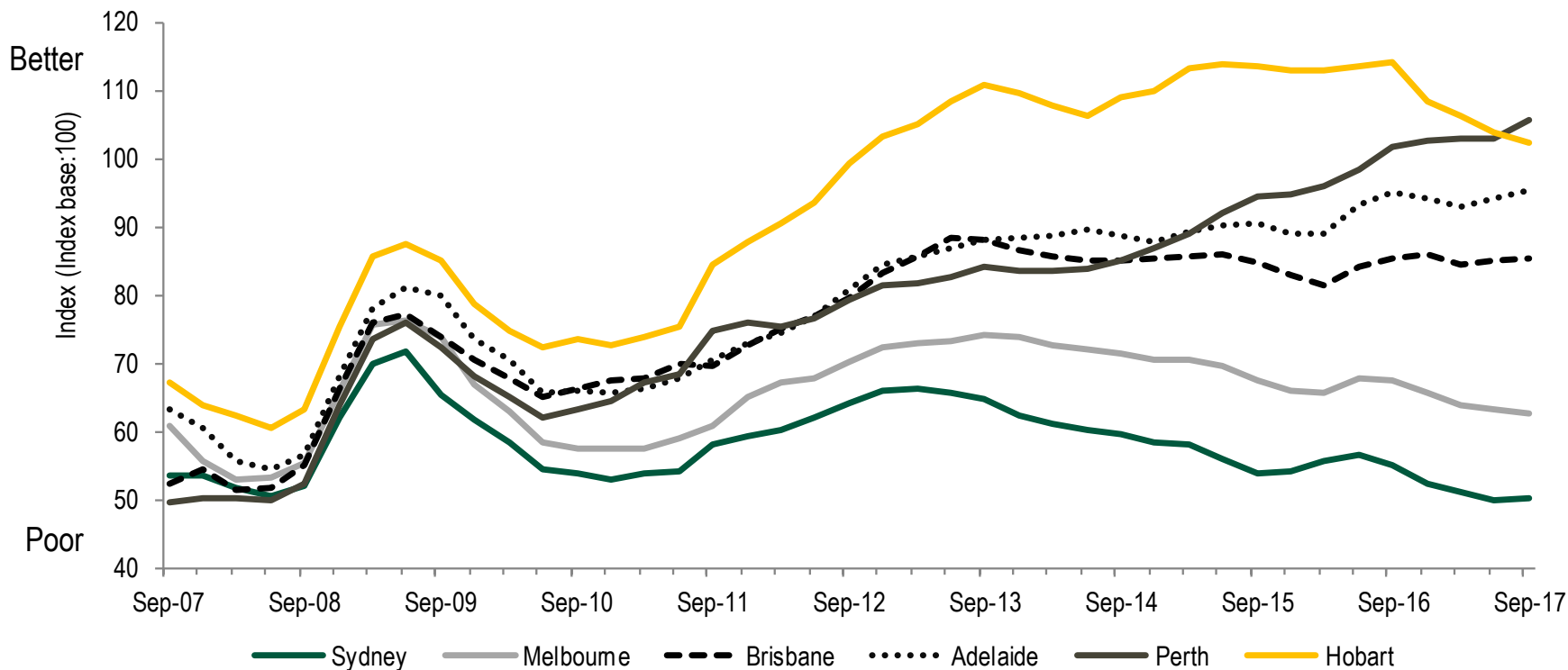


- Everyone has a right to housing
- Social and political desire to maintain a high level of owner-occupation
- Deteriorating housing affordability placing pressure on subsidized rental and those on lower incomes

Housing Affordability Index

HIA Housing Affordability Index - Selected capital cities

Source: HIA Economics



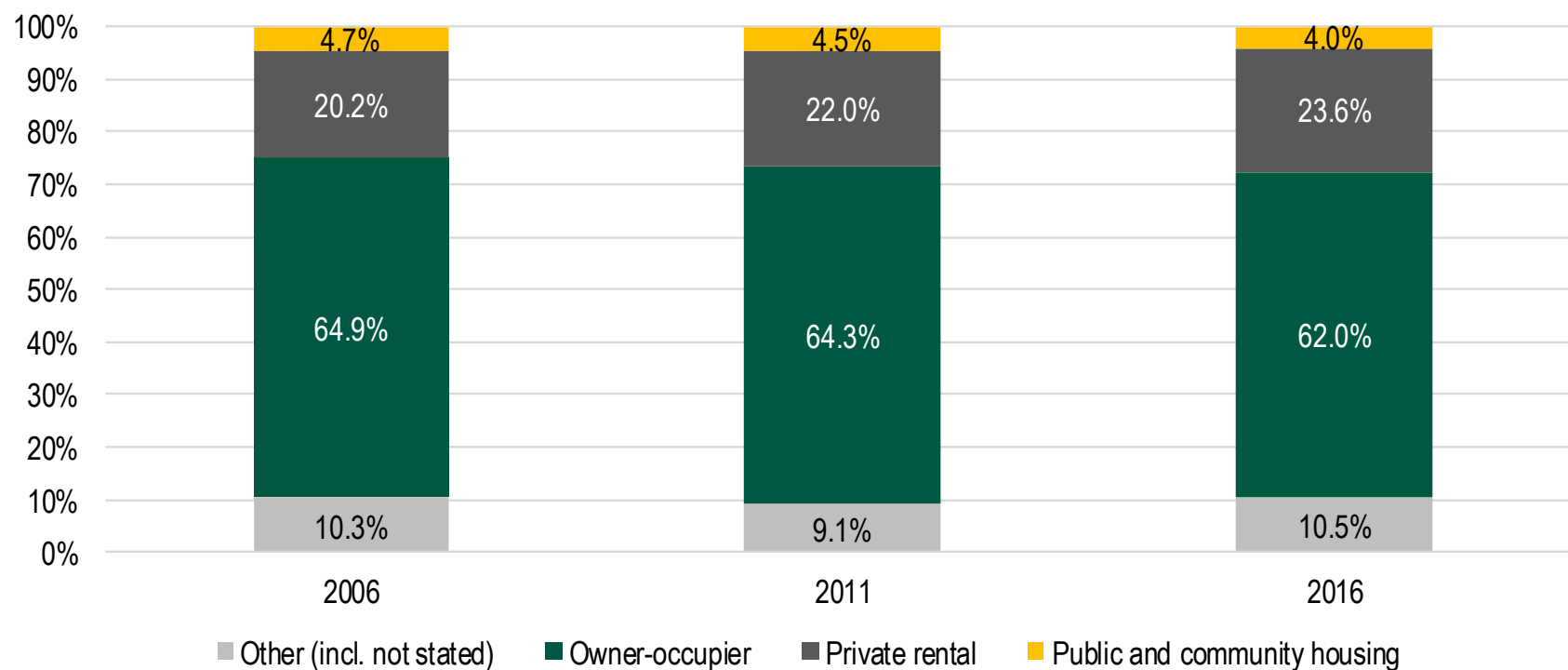
Barriers to housing affordability

- Tax on housing
 - 44% of house and land package is tax
- Land supply
 - Shortages remain due to zoning constraints and approval timeframes
 - High prices due to limited supply
- Infrastructure costs
- Economic climate impacts the ability to purchase
 - Population growth
 - Low wage growth
 - Economy growing at 1.8%
- Unaffordability gap bridged by households taking on larger mortgages or moving to rental housing

Changes in housing tenure

Australian Housing Tenure

Source: HIA Economics, ABS Census 2016



Housing composition

- Total dwelling stock – 9,901,500 homes of which 88% were occupied at 2016 census
 - Owner occupied housing is 5,490,346 or 62% of total dwellings
 - Around 30% of households are in social, supported or rental housing
- Public rental housing
 - 312,000 or 3.5% of total dwellings
 - Waiting list is 148,000 households
 - Annual cost \$5.8 billion
- Community Rental Housing
 - 72,500 or 0.8% of total dwellings
- Private investor rental housing
 - 2,219,500 or 23.6% of total dwellings

Public rental housing – international comparisons

- Australia 3.5%
- UK 50%
- France 46%
- Denmark 20%

But, around two out of three private rental tenants in Australia are subsidized by government

If you add in private investor rental housing, then Australia becomes 28% of all dwellings

Public (Social) housing in Australia

Who provides public housing?

- State and territory governments
- 'Not for profit' community/social housing providers

What does this look like?

- Historically, public housing estates and/or whole suburbs of sprawling detached houses and medium density townhouses/villas – poor social outcomes
- Recent move to mixed private/public developments in housing estates and 'high rise' apartment building – better social outcomes



Public (social) housing in Australia

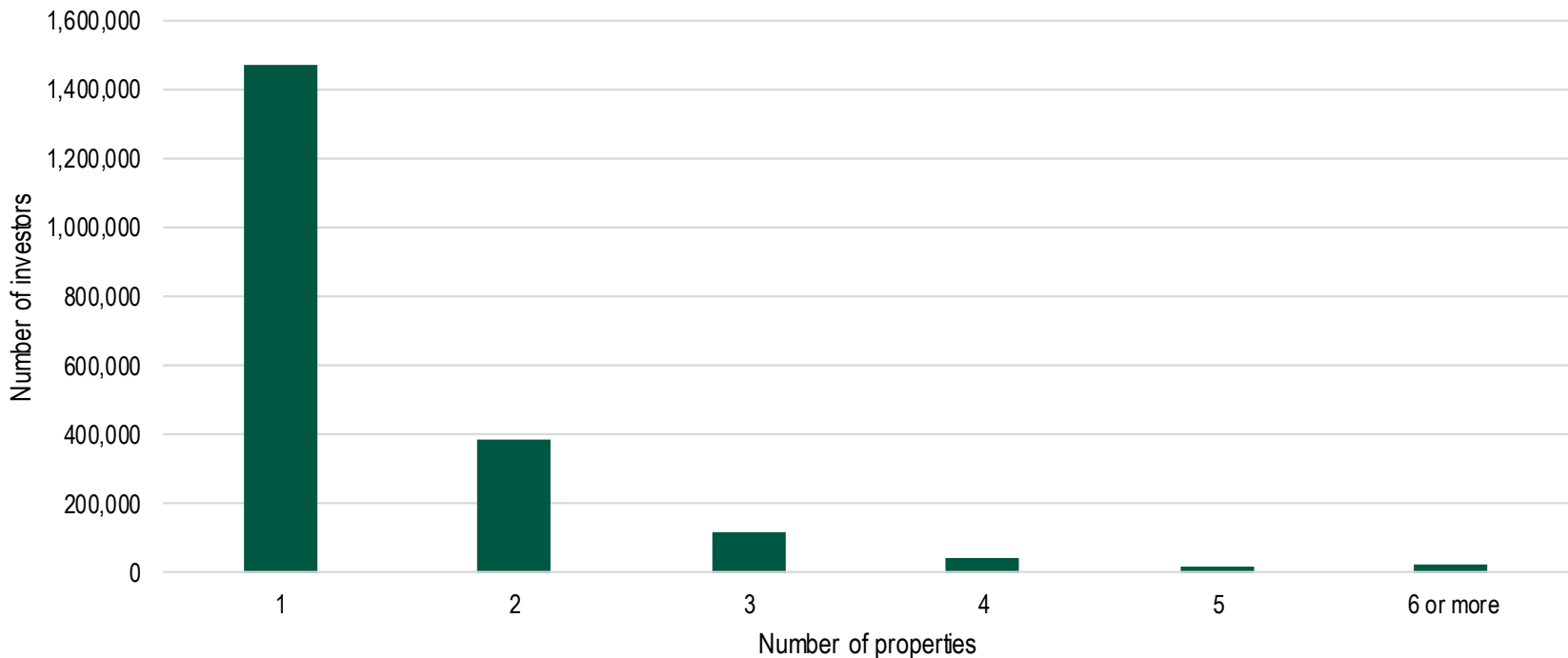
Who pays for public housing and access to private social housing?

- National Affordability Housing Agreement (NAHA) (federal/state government)
- Direct funding grants to the states/territories
- Commonwealth Rent Assistance - rental support to eligible tenants (which is means tested) to access private rental accommodation - \$4.5 billion annually

Private investor rental housing in Australia

Property investors by number of properties owned

Source: ATO Tax Stats 2014-15



Private investor rental housing in Australia

Who provides private investor rental housing?

- Around 2.05 million people reported receiving rental income in 2014/15
- Majority 'mum and dad' investors
 - 90% of property investors own one or two properties
 - Around 75% have a total income of less than \$100,000 per annum
- Small percentage by professional investors
- Institutional investment absent

Community and retirement living in Australia

- Range of options, some of which may be indirectly analogous to the Japanese trial
- Ownership models:
 - ‘Not for profit’ community organization or church affiliated organization
 - By the occupants
 - Directly (company share arrangement)
 - Indirectly (freehold strata or community title)
- Operational models:
 - Usually operated by a ‘not for profit’ community organization or church affiliated organization regardless of ownership structure

Community and retirement living in Australia

Types of tenure

- Leasehold (monthly rental)
- License to occupy (secured by a \$ bond)
- Direct ownership (purchase a freehold strata or unit)
- Indirect ownership (acquire shares in facility's ownership company or purchase community title unit share)

Target market

- Over 50s 'independent living'
- Empty nesters/downsizers
- Assisted living
- High care

Community living – Ageing in place

An example

Goodwin Village, Canberra

- ‘Not for profit’ community housing and care provider
- Profitable with \$0.5 billion in assets
- 4 integrated locations
- Multi-faceted retirement living comprising:
 - 500 independent living units (freehold/leasehold apartments and townhouses)
 - 330 shared residential – communal and/or assisted living
 - Nursing home accommodation – low care
 - High care specialist accommodation

Attraction is being able to progress from seniors independent living in your own unit to eventual assisted care whilst remaining in your unit and eventually moving into high care without leaving the overall facility

How are government promoting investment?

Taxation and transfers

- Allowing deduction of investment expenses (ie negative gearing)
- Capital gains tax concession
- National Rental Affordability Scheme
- Concessional tax for 'not for profit' and charitable organisations
- Supporting Commonwealth Rent Assistance
- Stamp duty concessions
- Grants to first home buyers

How are government promoting investment?

Planning

- Infrastructure investment (eg Housing Affordability Fund and National Housing Infrastructure Fund)
- Creation of a database of under-utilized government land
- Inclusionary zoning (affordable housing quotas)
- Developer engagement (eg the Ivanhoe Estate redevelopment)

Financing

- Creation of the National Housing Finance Investment Corporation (bond aggregator to provide funding for community housing providers)
- State government owned finance company (eg Keystart)
 - Low deposit mortgages
 - Shared equity

How are government promoting investment?

Future Direction

- 'Build to rent' schemes (will attract institutional investors as they currently build to sell)
- Value capture to provide infrastructure to support densification
- Smart Cities program to kick-start city plans by funding critical infrastructure

Public Private Partnership

An example

Ivanhoe Estate, Sydney metro

- Joint venture between
 - Builder/developer
 - State government
 - Community housing provider
- Recycled public housing estate
- Increased density – 259 to 3,000 new dwellings
- Improved quality – modern energy efficient design
- 950 dwellings allocated to community housing provided for social housing tenants
- Ongoing management by the community housing provider
- Balance of housing sold to private investors or owner/occupiers



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