

Housing Matters:

Unlocking the supply of
social and affordable
housing at scale

May 2024

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Thank you for supporting the Housing Matters Report 2024



This is the first year Right Lane Consulting has researched trends impacting Australia’s housing industry. The Housing Matters Report 2024 (Report) draws on Right Lane’s research and insights from work with clients across the housing industry including institutional investors, Community Housing Providers (CHPs), government and developers. Chapter 4 was also informed by content from the 9th Affordable Housing Development and Investment Summit, hosted by the Community Housing Industry Association (CHIA) National.

In developing the Report, we chose to focus on the role of partnerships with institutional investors to provide social and affordable housing at scale. This Report builds on our extensive experience in superannuation and our annual report on the forces at work in superannuation.

We thank our foundational supporters for their desire for this new research and to our many clients and stakeholders mentioned in the Report for their helpful input. We have endeavoured to incorporate as much stakeholder feedback as possible into the Report, however, the final recommendations are those of Right Lane Consulting.

If you would like to discuss any aspect of this material or would like Right Lane to present it to your executive team or board, please contact Gemma Pinnell (gemma.pinnell@rightlane.com.au) or Cassandra Pace (cassandra.pace@rightlane.com.au) by email or on (03) 9428 5336.

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IFM Investors



IFM Investors



Community Housing
Industry Association
NSW



St George Community
Housing

We acknowledge the following organisation for its collaboration on Chapter 4:



Community Housing
Industry Association

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Editors' introduction to the Housing Matters Report 2024

Unlocking the supply of social and affordable housing at scale: Australia's housing crisis is escalating and requires new approaches to address systemic problems in the housing industry. We must increase and diversify the supply of housing to provide more homes that are affordable to low- and moderate-income earners. Achieving this outcome requires long-term financial support from the Commonwealth Government and action at all levels of government to simplify, streamline and strengthen the housing supply system.

About the Report

This Report focuses on social and affordable housing because we believe this is where the greatest need for targeted and purposeful action lies. It is also the part of the housing spectrum in which the housing industry stakeholders we most commonly work with – governments, CHPs and institutional investors – have a range of levers at their disposal to develop solutions to address the housing crisis. Some of these solutions are suggested on page 5.

While our primary audience for the Report is government, CHPs and institutional investors, we have chosen to make the Report publicly available in recognition of the broad range of stakeholders that have a role to play in addressing the housing crisis. We hope the Report provides useful context and we encourage you to share the Report with anyone wanting to build their understanding of the role of institutional investment in social and affordable housing.

Reading the Report

The Report contains 4 chapters. We suggest reading through the executive summary on the following 2 pages to pick the section/s you are most interested in reading.

Data accuracy

Every attempt has been made to use the most recent data available. Note the time periods covered by the data varies.

Please enjoy the Report.

Gemma Pinnell
Principal

Cassandra Pace
Engagement Manager

Chapter 1

Australia's housing crisis

Increasing demand for housing coupled with a chronic undersupply of appropriate housing that meets the needs of all Australians has created the housing crisis.

- Australia's housing crisis results from housing supply not matching demand.
- Housing insecurity is rising with an estimated 641,000 very low- and low-income Australians currently homeless or living in unaffordable housing.

Chapter 2

A new approach to housing

Recent government funding commitments are creating a wave of activity, but this alone will not provide the level of social and affordable housing required due to the scale of the housing crisis; new partnerships and affordable housing models are required.

- Governments are responding to the housing crisis, spurring activity across the country.
- The Housing Australia Future Fund (HAFF) will significantly boost supply but is insufficient to fully meet Australia's social and affordable housing needs.
- We need collaborative approaches to underpin the development of housing models that help fill the gap in the supply of social and affordable housing.

Chapter 3

Institutional investment

New partnership models are paving the way for institutional investment at scale in Australia; however, further government intervention is necessary to address barriers and get the policy settings right.

- Institutional investors have invested in social and affordable housing in Australia in the past, but experience is sporadic and lacks scale.
- Recent policy reforms and new partnerships have addressed some of the barriers to institutional investment, with examples of recent super fund commitments exceeding \$200m.
- Further intervention to get the settings right will unlock the potential of institutional investment in social and affordable housing.

Chapter 4

Build-to-rent (BTR)

A national housing framework, newly defined asset class for BTR, and financial and planning supports are needed to de-risk and enable institutional investment in BTR.

- BTR is an established asset class in international jurisdictions that provides unique benefits to tenants and investors.
- BTR's recent rapid growth in the United Kingdom (UK) provides lessons for the emerging Australian market.
- BTR is an emerging asset class in Australia with significant investment opportunities, but is hindered by national fragmentation and regulatory, financial and cultural barriers.

Right Lane recommends 6 actions for government to unlock the supply of social and affordable housing at scale



While we recognise the need for CHPs, institutional investors and other industry stakeholders to actively develop partnerships, innovate and build their capacity to deliver social and affordable housing at scale, action by other players will only be effective if the right government policy, planning and funding settings are in place. Our proposed actions therefore focus on government.

● Commonwealth Government ● Commonwealth and state governments ● Commonwealth, state and local governments

Proposed actions for government

Establish a national housing framework 1

Set consistent regulation and policy at the national level, including housing targets and a definition of affordable housing.

Encourage scale in social and affordable housing development 3

Housing Australia and state/territory governments should:

- aggregate social and affordable housing projects to facilitate expanded institutional investment
- support partnerships between CHPs and institutional investors to progress at-scale developments.

Expedite planning 5

Develop a nationally consistent model for a streamlined planning process to fast-track social and affordable housing projects.

Provide funding certainty for social and affordable housing development 2

- The Commonwealth Government should double funding and extend the capacity for the HAFF to enter new development commitments beyond its initial objective to underwrite 30,000 new social and affordable homes to encourage long-term investment and a development pipeline.
- State and territory governments should boost their funding of social and affordable housing.

Support capacity and capability building in the CHP sector 4

- Overhaul and strengthen the national regulatory scheme for community housing.
- Work with sector representatives to develop a national capacity-building strategy for the sector.

Unlock access to land 6

Identify available public and private land suitable for social and affordable housing development and remove barriers to utilisation.

Glossary

Definitions	
Affordable housing	Housing in which housing costs are intentionally set lower than the market rate; it is noted that there is no universal definition of ‘affordable housing’ in Australia. In the context of this Report, affordable housing primarily refers to affordable rental.
Social housing	Umbrella term for housing owned by the government or community organisations including public housing, community housing, Indigenous housing and Indigenous community housing; rented out at a cost affordable to very low-income households.
Affordable rental	Dwellings targeted at workers on low- to moderate-incomes and rented at a discount (usually 75-80% of the market rate) or at 30% of gross weekly household income where this is a lower value.
Market or private rental	Housing in which the household pays rent to a real estate agent or private landlord (related or not) who does not live in the property where rental prices are set by the market.
BTR	Built to be rented in perpetuity for rental returns, rather than sold for capital gains.
Affordable BTR	BTR dwellings where rental prices are discounted from the market rate.
Market BTR	BTR dwellings where rental prices are set by the market.
Build-to-rent-to-own	Built to be rented for a specified time period after which the tenant has the option to purchase.
Community Housing Provider	Typically, a not-for-profit organisation registered under the relevant regulatory framework(s) as a manager of social or affordable housing. We recognise that the term ‘Community Housing Provider’ has a specific meaning in the Victorian regulatory context but is used in this Report as it is a generic term used elsewhere in Australia.
Housing stress	When households in the lowest 40% of the income spectrum spend 30% or more of household income on housing costs.

Abbreviations	
AHURI	Australian Housing and Urban Research Institute
BTR	Build-to-rent
CHIA	Community Housing Industry Association
CHP	Community Housing Provider
ESG	Environment, social and governance
HAFF	Housing Australia Future Fund
NHFIC	National Housing Finance and Investment Corporation (now Housing Australia)
NRAS	National Rental Affordability Scheme
bn	Billion
m	Million
tn	Trillion
ACT	Australian Capital Territory
NSW	New South Wales
NT	Northern Territory
QLD	Queensland
SA	South Australia
TAS	Tasmania
UK	United Kingdom
US	United States
VIC	Victoria
WA	Western Australia

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Chapter 1:

Australia's housing crisis

Increasing demand for housing coupled with a chronic undersupply of appropriate housing that meets the needs of all Australians has created the housing crisis.



Australia's housing crisis results from housing supply not matching demand.

- Demand for housing is increasing due to population growth, migration and longer life expectancies.
- The profile of Australia's housing stock is shifting away from houses in line with an increasing proportion of single person households.
- House prices have increased faster than attached dwellings in every capital city for the past 10 years.
- Historic and ongoing constraints on residential construction have contributed to not enough homes being built to match demand.
- Australia is not building enough homes for those most in need, with social housing stock numbers static for the last decade.
- The private rental market is increasingly unable to provide housing for Australians on lower incomes.

Housing insecurity is rising with an estimated 641,000 very low- and low-income Australians currently homeless or living in unaffordable housing.

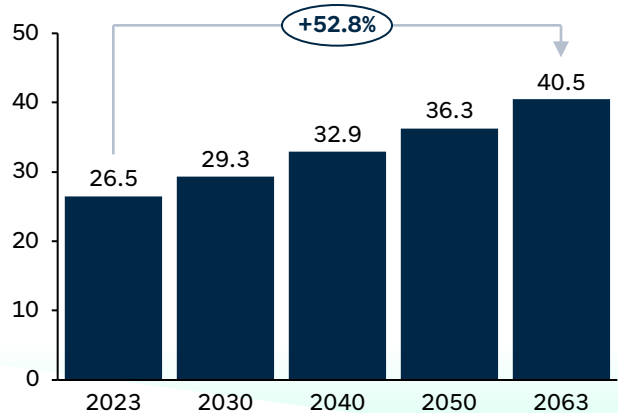
- Housing has become less secure for more Australians as fewer people own their home; home ownership has declined the most for people under 35-years-old.
- Housing costs are outpacing incomes and placing more households in housing stress.
- Housing insecurity and stress are pushing people back down the 'housing ladder', increasing the number of Australians seeking social housing or experiencing homelessness.
- Homelessness is disproportionately experienced by women and Aboriginal and Torres Strait Islander Australians.
- Research commissioned by the Community Housing Industry Association (CHIA) estimates 942,000 social and affordable homes need to be built over the next 20 years to meet current and future demand.

Demand for housing is increasing due to population growth, migration and longer life expectancies



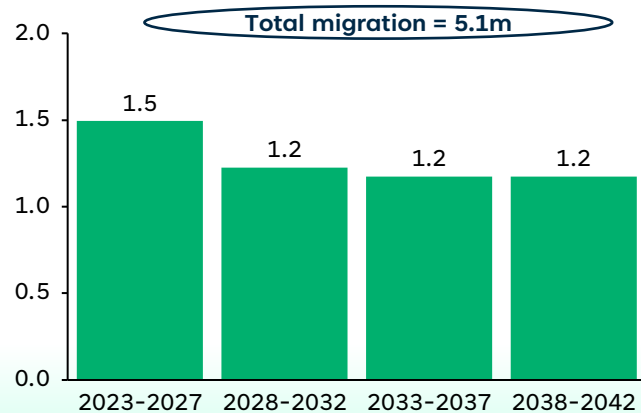
Australia's population is projected to grow to 40.5m by 2063; 52.8% more than 2023.

Projected Australian population (millions, 2023-2063)



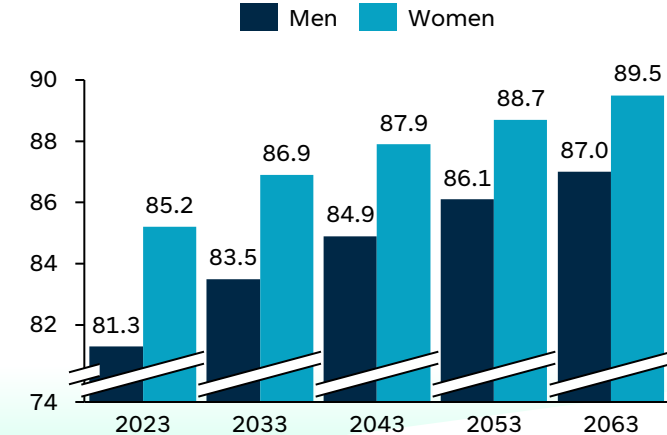
Migration will drive population growth; 5.1m more people will call Australia home in the next ~20 years.

Projected net overseas migration (millions, 2023-2042)



Australians are living for longer and life expectancy will increase from 81.3 to 87.0 for men and 85.2 to 89.5 for women in 2063.

Projected Australian life expectancy at birth (years, 2023-2063)



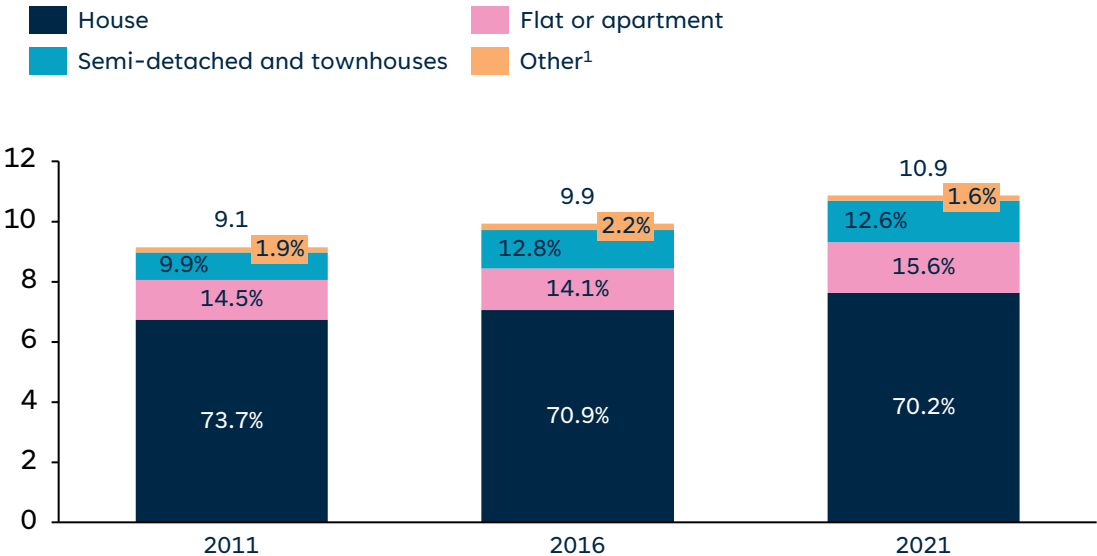
More demand for housing

The profile of Australia's housing stock is shifting away from houses in line with an increasing proportion of single person households



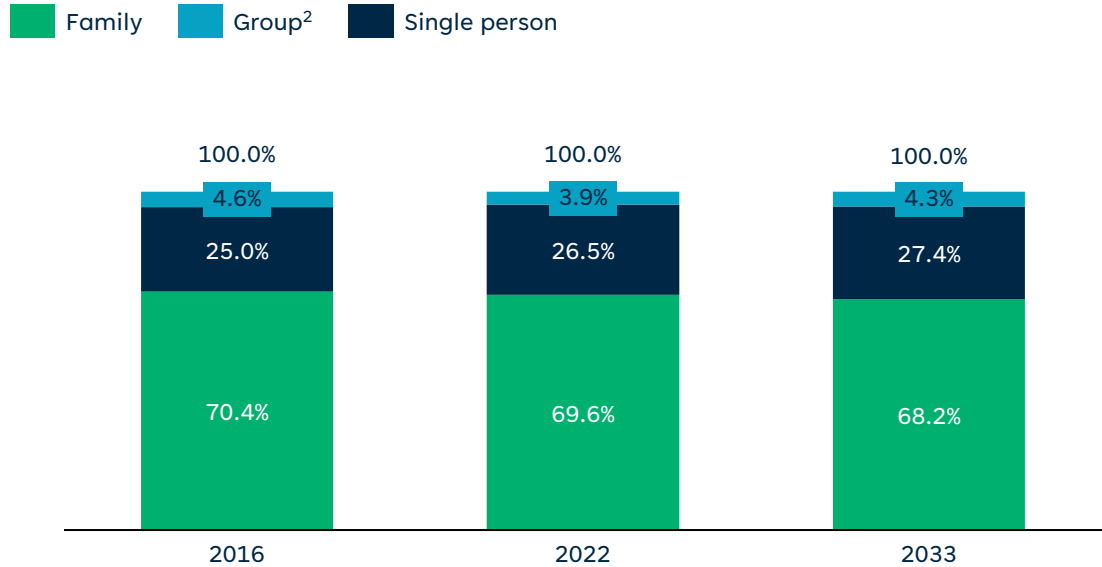
The proportion of dwellings that are not houses has increased from 26.3% to 29.8% of all dwellings.

Total dwellings in Australia (millions, 2011-2021)



The proportion of single person households is expected to increase by 2.4% from 2016 to 2033, as the proportion of family households decline.

Proportion of households in Australia (% , 2016-2033)



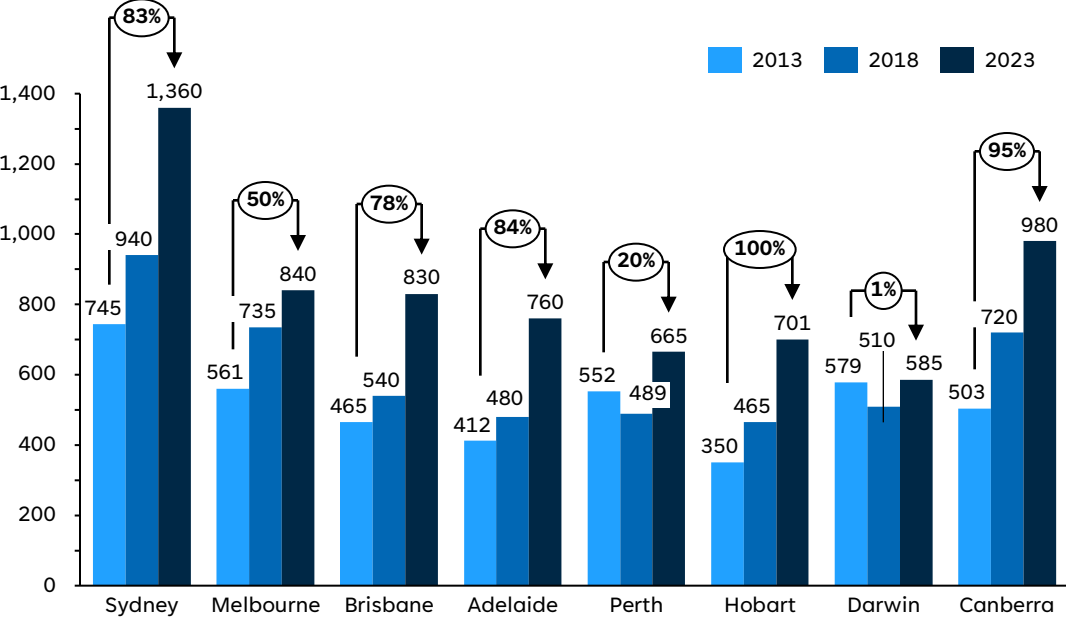
Notes: ¹ Other refers to caravans, cabins, houseboats, tents, sleepers out, house or flat attached to a shop, etc. ² Group households refer to a household consisting of two or more people where all persons are aged 15 years and over and are not related. ³ Totals may not add up to 100% due to rounding.
Sources: ABS. (2022, June 28). *Report on the quality of 2021 Census data: Statistical Independent Assurance Panel to the Australian Statistician.*; ABS. (2023, May 12). *Total value of dwellings.*; ABS. (2023, December 5). *Total value of dwellings*; NHFC. (2023). *State of the nation's housing 2022-23.*

House prices have increased faster than attached dwellings in every capital city for the past 10 years



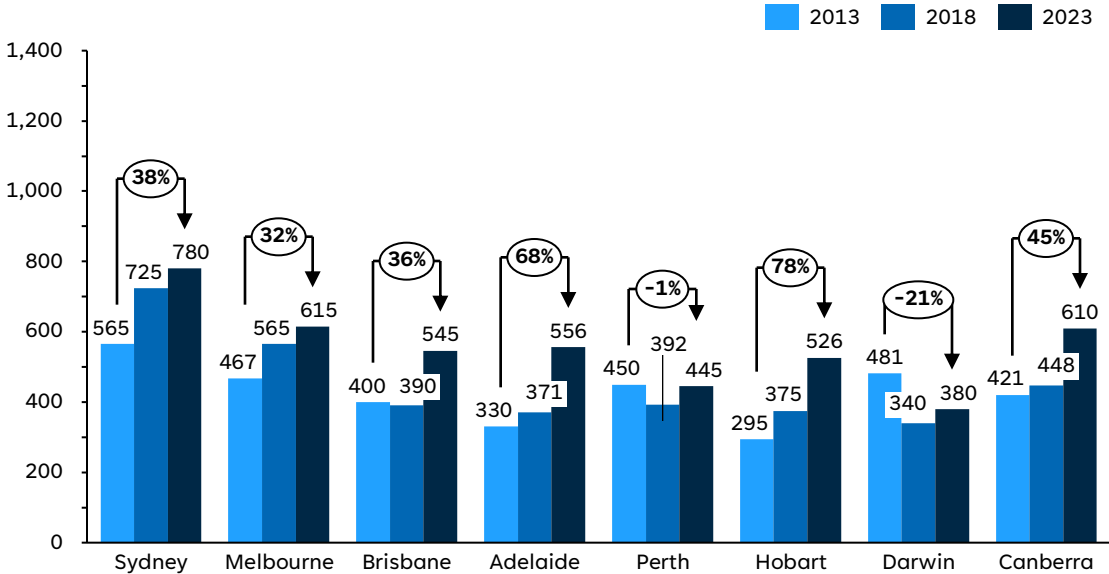
House¹ prices have increased significantly in all capital cities since 2013 with Hobart (100%), Canberra (95%), Adelaide (84%) and Sydney (83%) experiencing the highest increases.

Median house prices in Australia (\$'000, 2013-2023)



Attached dwelling² price growth has been slower than houses; Hobart experienced the highest increase of 78%, while prices declined in Darwin (-21%) and Perth (-1%).

Median attached dwelling prices in Australia (\$'000, 2013-2023)



Notes: ¹ A house is defined as a free standing, detached residential dwelling on its own block of land regardless of age. ² An attached dwelling is defined as a dwelling which shares a structural component with one or more other dwellings.

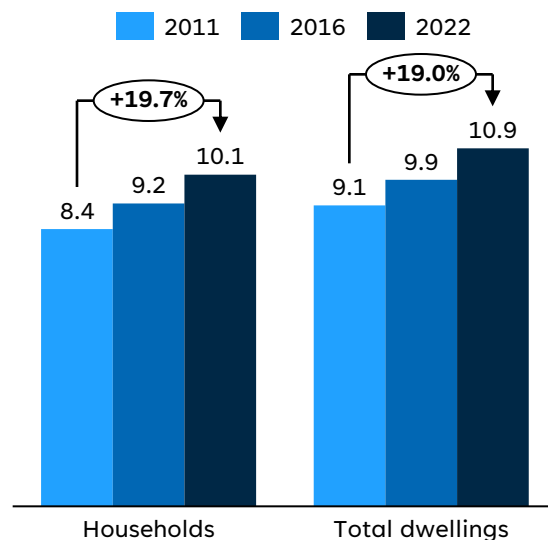
Source: ABS. (2024, March 12). Total value of dwellings.

Historic and ongoing constraints on residential construction have contributed to not enough homes being built to match demand



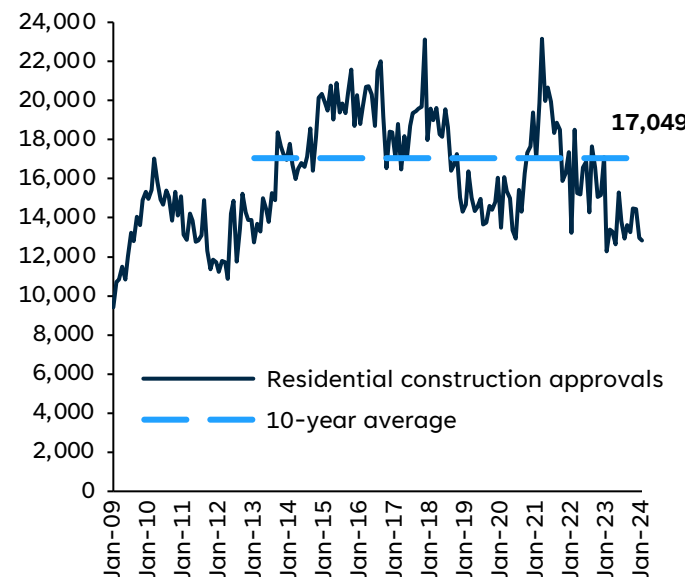
Residential construction has not kept pace with household growth; the number of Australian households has grown slightly faster than dwellings but the gap is wider as not all dwellings are occupied or permanent homes¹.

Australian household and housing stock (millions, 2011-2022)



Residential construction approvals continue to decline and were 24.6% below the 10-year average of 17,049 approvals per month in January 2024.

Residential construction approvals in Australia, (#, 2009-2024)



Labour shortages, rising costs and builder insolvencies will continue to limit and delay the supply of new housing.

Constraints on construction sector capacity

1. Shortage of skilled labour

- There were 27,900 job vacancies in the construction industry in February 2024.
- Significant public infrastructure projects are also constraining labour available for residential construction.

2. Rising costs

- Wages in the construction industry rose 4.2% and house construction prices rose 4.3% over the 12 months to March 2024.

3. Builder insolvencies

- Builder insolvencies rose by 43% from 2021 to 2023, reflecting the impact of COVID-19 on the construction industry.

Note: ¹ Dwellings may be used for secondary or holiday homes or short-term rentals.

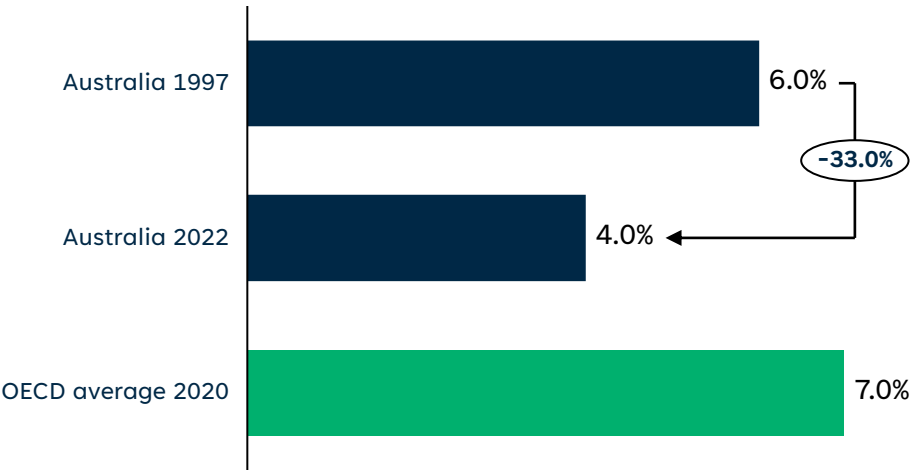
Sources: ABS. (2022, June 28). *Report on the quality of 2021 Census data: Statistical Independent Assurance Panel to the Australian Statistician*.; ABS. (2015, March 19). *Household and family projections, Australia, 2011 to 2036*.; ABS. (2019, March 14). *Household and family projections, Australia*.; ABS. (2022, October 31). *10.9 million dwellings in Australia in June 2022*.; ABS. (2024, March 4). *Building approvals, Australia*.; ABS. (2024, April 26). *Producer price indexes, Australia*.; ABS. (2024, March 28). *Job vacancies, Australia*.; ABS. (2024, May 14). *Wage price index, Australia*.; ASIC. (2023, December 20). *Insolvency statistics*.; Australian Government. (2023). *Intergenerational report 2023: Australia's future to 2063*.; Bleby, M. (2023, November 8). *Housing industry warns labour shortages will hit home-building targets*, *Financial Review*.

Australia is not building enough homes for those most in need, with social housing stock numbers static for the last decade



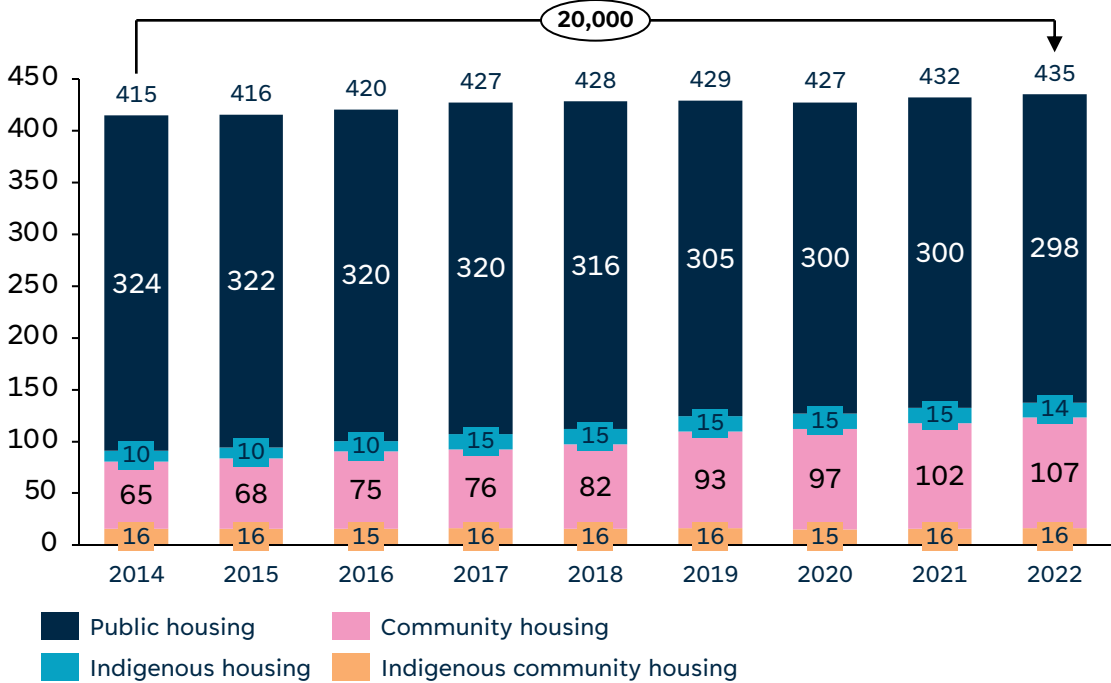
Social housing has declined as a proportion of Australia’s housing stock by a third over the last 25 years and is now 4.0%, below the OECD average of 7.0% in 2020.

Social housing dwellings as % of total housing stock¹



The number of social housing dwellings increased by only 20,000 homes from 2014 to 2022, with an increase in community housing stock offsetting the loss of public housing stock; an additional ~223,000 homes would have been needed to maintain the proportion of social housing stock at 6.0% in 2022.

Social housing stock in Australia (rounded) ('000s, 2014-2022)

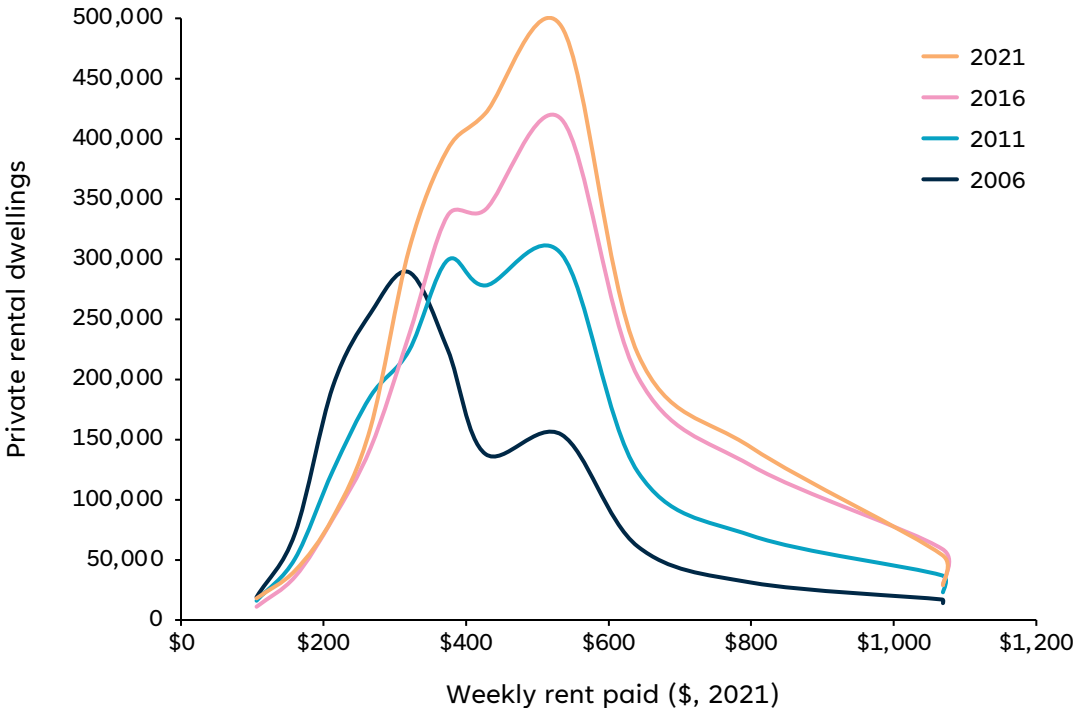


Note: ¹ The social housing dwellings as % of total of housing stock are calculated by dividing the ROGS number of social housing by the ABS number of total housing stock.
Sources: ABS. (2024, June 11). *Total value of dwellings*.; Australian Government. (2024). *Report on government services*.; OECD. (2020). *Social housing: A key part of past and future housing policy*.; Pawson, H., Milligan, V., & Yates, J. (2020). *Housing policy in Australia: A case for system reform*.

The private rental market is increasingly unable to provide housing for Australians on lower incomes

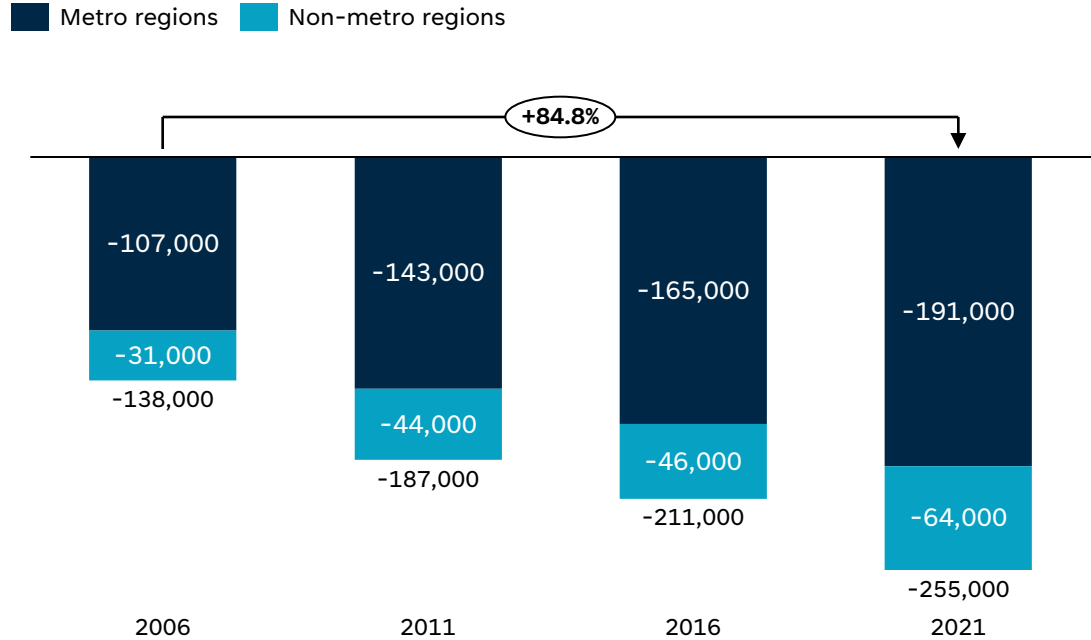
While the number of private rentals increased by 340,000 dwellings in the last 15 years, the proportion of low-rent¹ dwellings declined from 37% in 2006 to 13% in 2021.

Distribution of private rental dwellings by weekly rent paid in Australia (#, 2006-2021)



The shortage of private rental housing affordable for very low-income² tenants increased by 79% in metro regions and 107% in non-metro regions during the 15 years from 2006 to 2021.

Shortage of affordable housing stock in Australia for low-income² tenants ('000s, 2006-2021)



Note: ¹ Low-rent dwellings are those with rents up to \$266/week in 2021 prices. ² Very low-income tenants are defined as Q1 households with incomes in the lowest quintile.

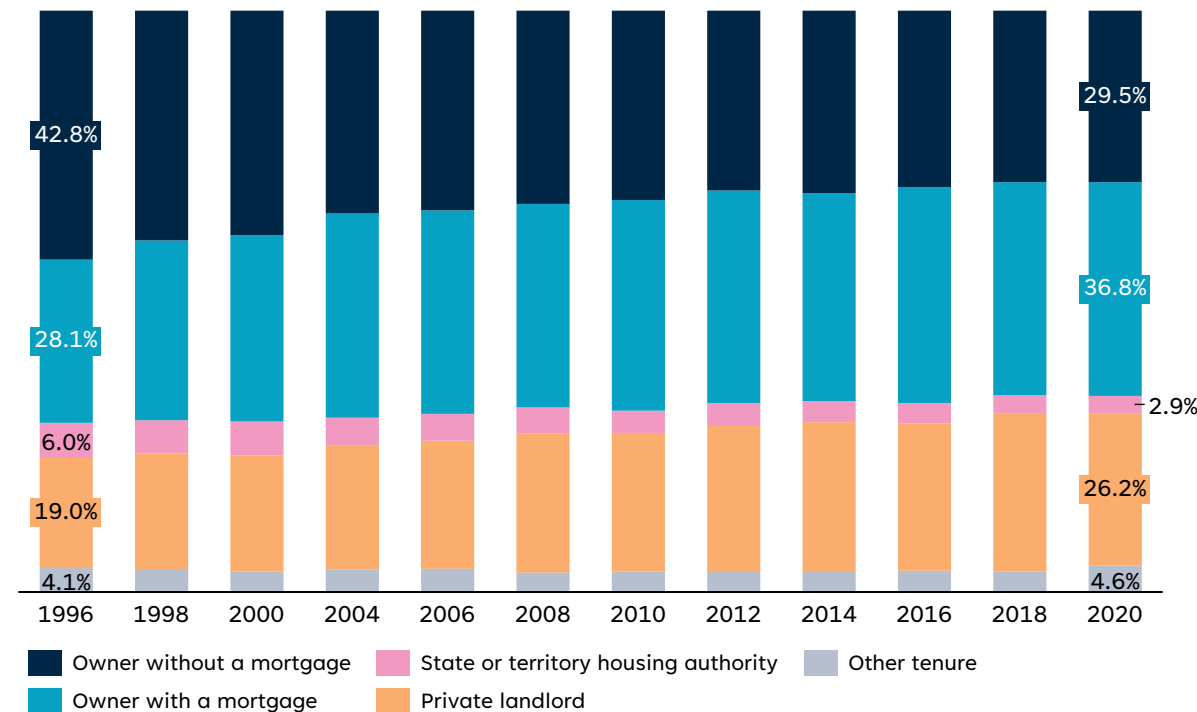
Source: Reynolds, M., Parkinson, S., De Vries, J., & Hulse, K. (2024). *Affordable private rental supply and demand: Short-term disruption (2016–21) and longer-term structural change (1996–2021)*, AHURI Final Report No. 416, Australian Housing and Urban Research Institute Limited, Melbourne.

Housing has become less secure for more Australians as fewer people own their home; home ownership has declined the most for people under 35-years-old



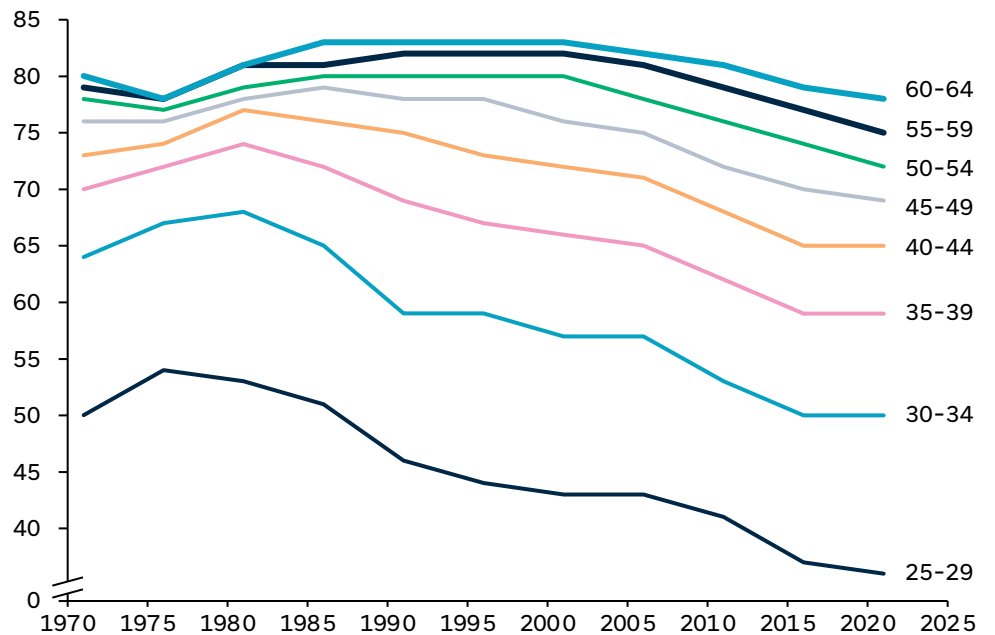
The proportion of Australian households that own their home outright decreased from 42.8% in 1996 to 29.5% in 2020, leaving more Australians vulnerable to housing insecurity.

Proportion of Australian households by tenure and landlord type (% , 1996-2020)



Home ownership rates have trended down for all age groups under 65 years old; in 2021 just 36% of 25–29-year-olds and 50% of 30–34-year-olds owned their own home compared to peaks of 54% and 68% respectively.

Home ownership rate by age group (% , 1970-2021)



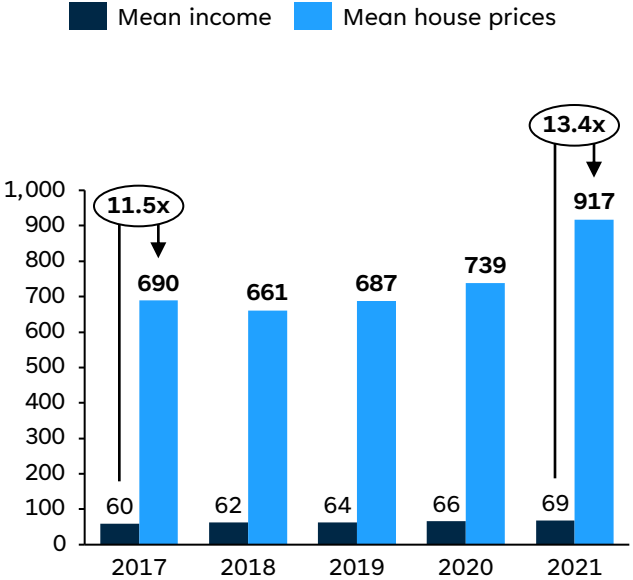
Note: Data on the proportion of Australian households in 2022 was not available.
Sources: ABS. (2022, May 25). *Housing occupancy and costs, Australia 2019-20.*; Australian Government and AIHW. (2022). *Home ownership: Home ownership by age group.*

Housing costs are outpacing incomes and placing more households in housing stress



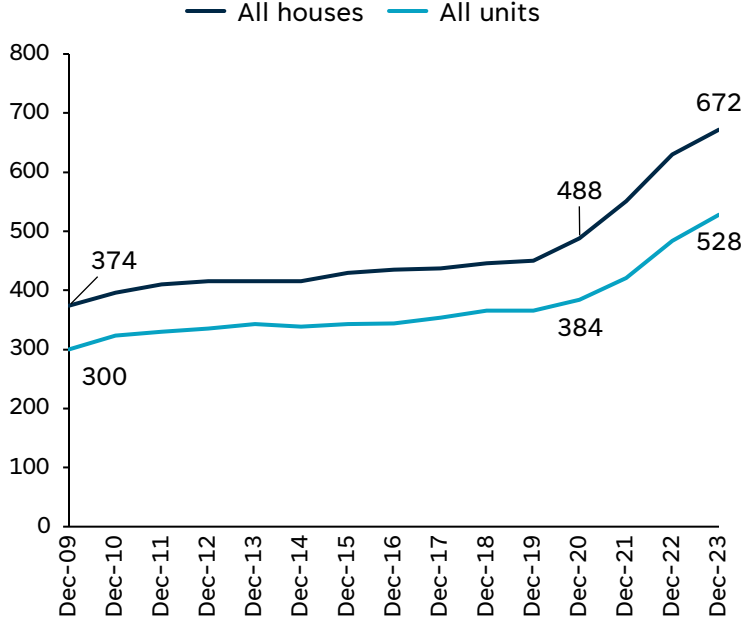
The average house price in 2021 was 13.4 times the average income, compared to 11.5 times in 2017.

Mean income and mean house prices in Australia (\$'000, 2017-2021)



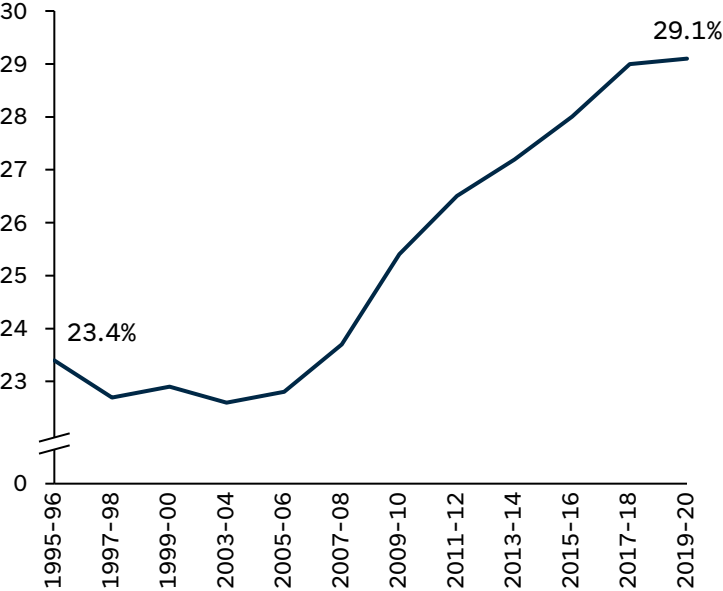
Weekly rent prices have increased substantially in recent years, up 37.7% for houses and 37.5% for units since 2020.

Weekly rent in Australia (\$, 2009-2023)



Rising from 23.4% in 1995-96, very low-income households¹ spent 29.1% of their gross household income on housing costs in 2019-20; continuation of this trend puts these households in housing stress.

Housing costs as a proportion of gross household income for very low-income households¹ (% , 1995-2020)



Note: ¹ Very low-income households are those in the lowest income quintile.

Sources: ABS. (2022, May 25). *Housing occupancy and costs, Australia, 2019-20*.; ABS. (2023, December 6). *Personal income in Australia*: Table 3.; ABS. (2024). *Total value of dwellings*.; SQM Research. (2024). *Weekly rents national*. <https://sqmresearch.com.au/weekly-rents.php?national=1&t=1>

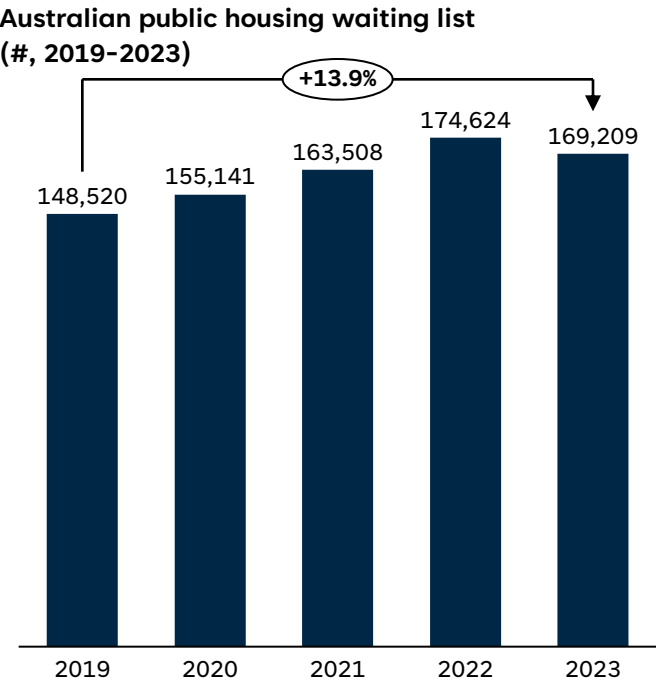
Housing insecurity and stress are pushing people back down the ‘housing ladder’, increasing the number of Australians seeking social housing or experiencing homelessness



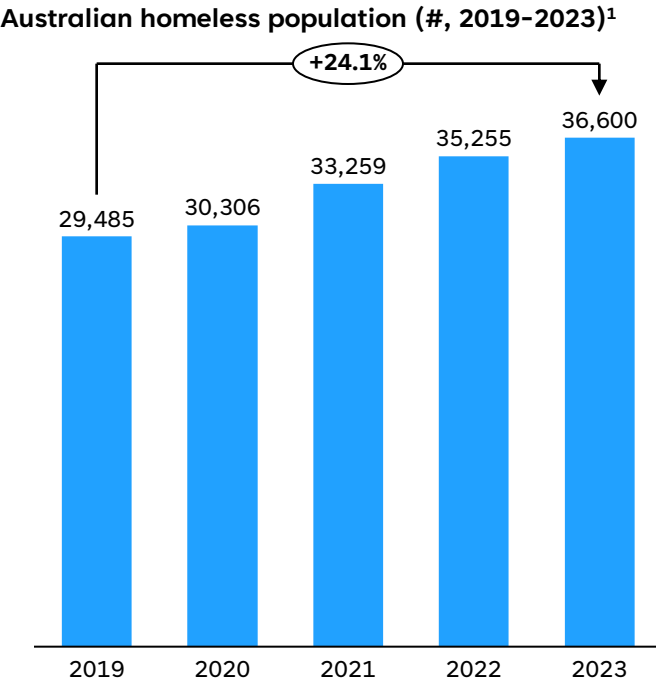
Australians are more likely to move down the ‘housing ladder’ than before.



Waitlists for public housing have trended upwards with a 13.9% increase over the last 5 years.



The number of people experiencing persistent homelessness has increased by 24.1% over the last 5 years.



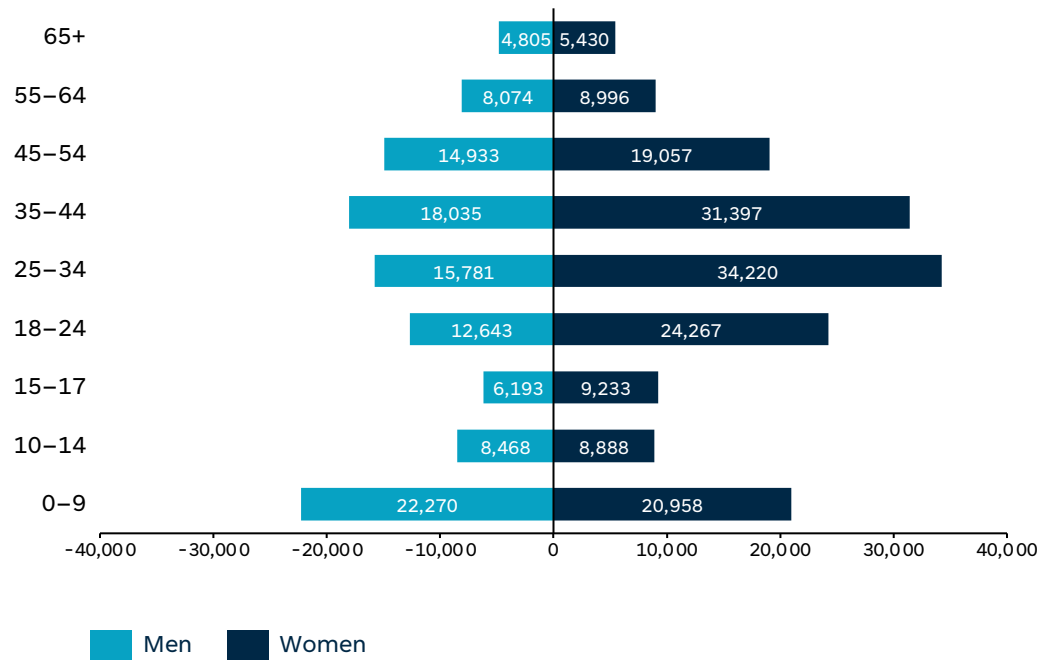
Note: ¹ The homeless population presented includes those who experience persistent homelessness, defined as individuals who experience homelessness for more than 7 months over a 24-month period.
Sources: Australian Government. (2024, January 22). *Report on government services 2024 Part G*, Section 18 Housing and Section 19 Homelessness services.

Homelessness is disproportionately experienced by women and Aboriginal and Torres Strait Islander Australians



Homelessness is highly gendered with women aged 15-54 years old almost twice as likely to be experiencing homelessness than men.

Number of people experiencing homelessness in Australia (#, 2022-23)



Aboriginal and Torres Strait Islander people are significantly more likely to be at risk of or experiencing homelessness.

Aboriginal and Torres Strait Islander people are:

	8.8 times more likely to experience homelessness
	3 times more likely to live in severely overcrowded dwellings
	4 times more likely to access Specialist Homelessness Services
	7 times more likely to live in social housing

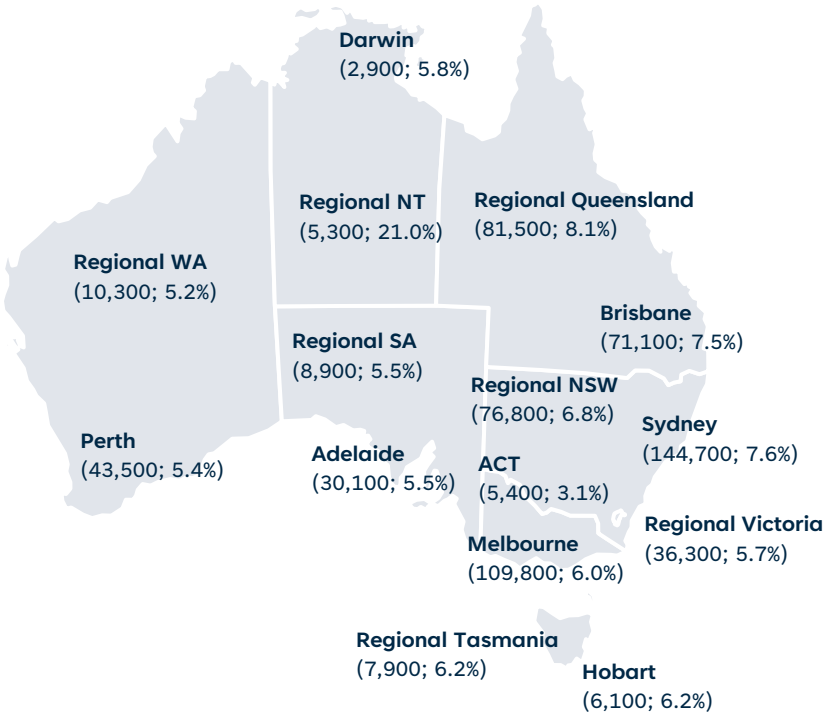
Sources: ABS. (2023 June 27). *Aboriginal and Torres Strait Islander peoples experiencing homelessness*.; Australian Institute of Health and Welfare. (2024, February 13). *Data from Specialist Homeless Services Collection*.; National Housing Supply and Affordability Council. (2024). *State of the housing system*.

Research commissioned by the Community Housing Industry Association (CHIA) estimates 942,000 social and affordable homes need to be built over the next 20 years to meet current and future demand



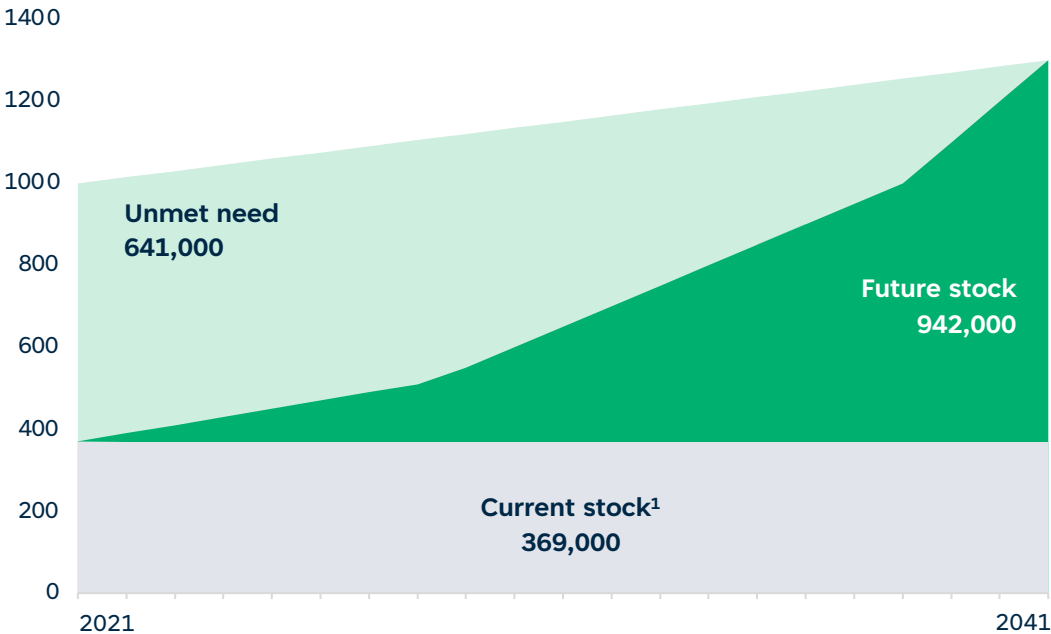
CHIA estimates 641,000 or 6.6% of Australian households are experiencing homelessness, live in overcrowded homes or spend 30% of their income on rent.

Estimated social and affordable housing need (#, %, 2021)



Unmet housing need is projected to rise to 942,000 by 2041, requiring an average of 47,000 homes to be built each year for the next 20 years.

Projected social and affordable housing need (#, 2021-2041)



Note: ¹ The current stock number differs from the social housing stock number reported earlier in the Report as different data sets have been used.

Source: van den Nouwelant, R., Troy, L., & Soundaraj, B. (2022). *Quantifying Australia's unmet housing need: A national snapshot*. Prepared for the Community Housing Industry Association.

Chapter 2:

A new approach to housing

Recent government funding commitments are creating a wave of activity, but this alone will not provide the level of social and affordable housing required due to the scale of the housing crisis; new partnerships and affordable housing models are required.



Chapter 2 summary

Governments are responding to the housing crisis, spurring activity across the country.

- The Commonwealth Government's recent funding commitments will boost the supply of social and affordable housing, but there is a history of sporadic investment and policies at the national level.
- Most state and territory governments have also announced new housing strategies and funding to help meet the need for more housing.

The Housing Australia Future Fund (HAFF) will significantly boost supply but is insufficient to fully meet Australia's social and affordable housing needs.

- The HAFF will play a key role in unlocking institutional investment and establishing a new asset class in affordable housing.
- The HAFF and other government commitments will meet less than half the demand for social and affordable housing over the next 5 years.

We need collaborative approaches to underpin the development of housing models that help fill the gap in the supply of social and affordable housing.

- Government alone cannot solve the housing crisis; other industry stakeholders must use their strengths and play their part to deliver more social and affordable housing.
- We need industry capacity and capability to increase in response to more ambitious deals required to build social and affordable housing at scale.
- The housing crisis is already spurring new collaborations with not-for-profit and for-profit stakeholders working together to create models targeted at affordable housing that deliver both social and financial outcomes.

The Commonwealth Government’s recent funding commitments will boost the supply of social and affordable housing, but there is a history of sporadic investment and policies at the national level



Timeline of key Commonwealth Government social and affordable housing commitments

Liberal Government	1996	Routine annual national public housing construction program effectively ceased.
Labor Government	2008	- Commonwealth-State Housing Agreement (CSHA) ceased. - National Rental Affordability Scheme (NRAS) established. - National Housing Supply Council established. - National Partnership Agreement on Social Housing agreed.
	2009	- National Affordable Housing Agreement (NAHA) established, replacing CSHA. - Social Housing Initiative established.
	2010	National Partnership Agreement on Remote Indigenous Housing agreed.
Liberal Government	2013	National Regulatory System for Community Housing established.
	2014	- Announced NRAS will cease in 2026. - National Housing Supply Council disbanded.
	2018	- National Housing and Homelessness Agreement established, replacing NAHA. - National Housing Finance and Investment Corporation (NHFIC) established.
Labor Government	2022	National Housing Accord agreed, with the Commonwealth and states/territories to build 1.2m new well-located homes over 5 years from mid-2024. Includes \$3bn in payments to state, territory and local governments to meet this target. Includes a \$1.75bn Affordable Rental Housing program, to subsidise the development of 10,000 affordable rental homes in 5 years.
	2023	\$10bn Housing Australia Future Fund (HAFF) announced, to subsidise the development of 20,000 social and 10,000 affordable homes nationally in 5 years. \$2bn Social Housing Accelerator Fund announced, to provide cash grants to state and territory governments to develop 4,000 social housing dwellings by 2028. - National Housing Supply and Affordability Council re-established, to deliver independent advice on housing supply and affordability. 15% increase in maximum Rent Assistance payable announced, at a cost of \$2.68bn over 4 years. - NHFIC renamed Housing Australia and given an expanded remit and investment mandate. - Extension of the Commonwealth guarantee of bonds issued under the Affordable Housing Bond Aggregator, to provide low-cost finance to CHPs for social and affordable housing projects. \$575m investment through the National Housing Infrastructure Facility announced, to provide loans and grants for critical infrastructure to unlock and accelerate new housing supply. - National Housing and Homelessness Plan in development, a 10-year strategy to help more Australians access safe and affordable housing.
	2024	- Funding for a new 5-year, \$9.3bn National Agreement on Social Housing and Homelessness with states and territories announced. - An additional \$1.9bn in concessional loans under the National Housing Accord and HAFF announced.

Notes: List is not exhaustive. Announcements in 2024 are as at May.

Sources: National Housing Supply and Affordability Council. (2024). *State of the housing system.*; Pawson, H. (2024). Housing policy. *Journal of Australian Political Economy*, No.92, pp.57-74.; Various government websites.

Most state and territory governments have also announced new housing strategies and funding to help meet the need for more housing

State and territory government activity

NT:

- Landmark joint Commonwealth-NT Government **\$4bn investment for housing in remote communities** across the NT to help close the gap between Indigenous and non-Indigenous Australians.
- **NT Housing Strategy 2020-2025** released, including \$1.1bn for remote housing.
- **NT Community Housing Growth Strategy 2022-2023** released.

QLD:

- **\$1bn Housing Investment Fund** announced, with an action plan to fast-track projects that increase the supply of social housing, including developing underutilised state land and delivering mixed-use developments.

NSW:

- **Social and Affordable Housing Fund** announced, awarding 9 contracts to secure over 3,400 additional social and affordable housing dwellings to be delivered by end of 2023.
- **Community Housing Innovation Fund** announced, comprising \$225m of funding to deliver social and affordable housing dwellings in collaboration with CHPs.
- **Homes NSW** established, bringing together the housing and homelessness services of the NSW Department of Communities and Justice, Land and Housing Corporation, the Aboriginal Housing Office.

WA:

- **WA Housing Strategy 2020-2025** released to connect 150,000 WA households to safe, stable and sustainable homes by 2030.
- **Social Housing Investment Fund** increased by \$450m to deliver 4,000 social housing dwellings.

TAS:

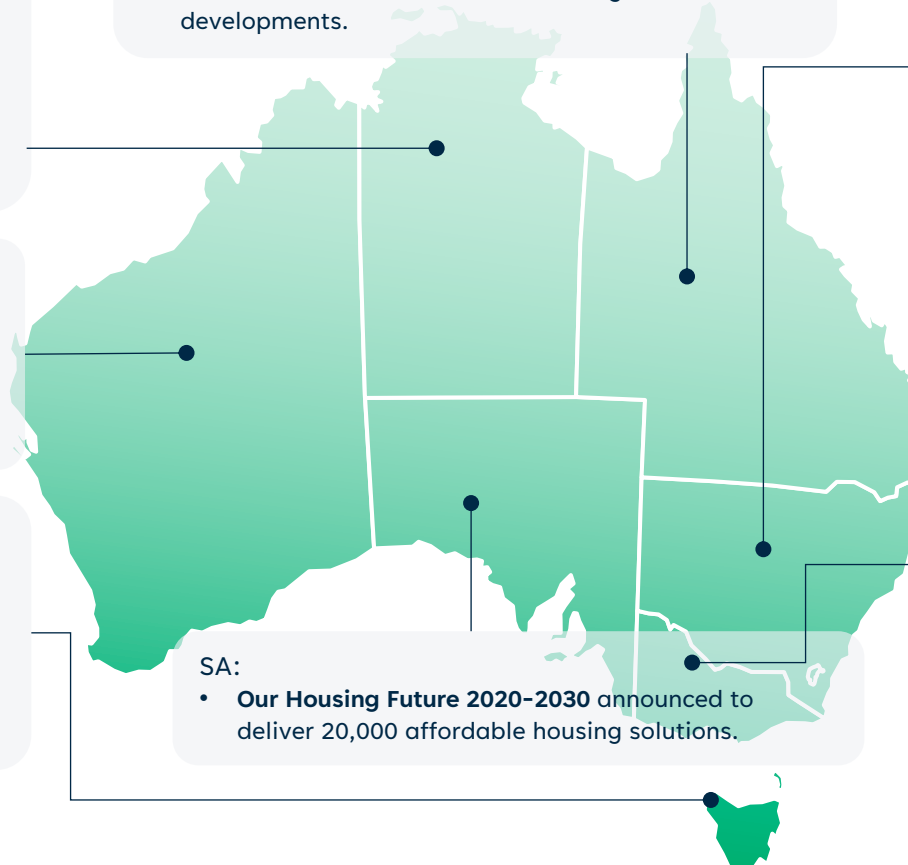
- **Homes Tasmania** established to deliver social and affordable housing.
- **Tasmanian Housing Strategy 2023-2043** and action plan released to deliver 10,000 social and affordable homes by 2032 and end homelessness by 2043.

SA:

- **Our Housing Future 2020-2030** announced to deliver 20,000 affordable housing solutions.

VIC:

- **\$5.3bn Big Housing Build** announced, with more than 12,000 new home commencements by 2025.
- **Homes Victoria** established with an expanded mandate to include affordable housing.
- Replacement of 44 Melbourne public housing tower blocks announced.
- **Victoria's Housing Statement 2024-2034** released, committing to building 800,000 homes in the next decade.



Note: List is not exhaustive.

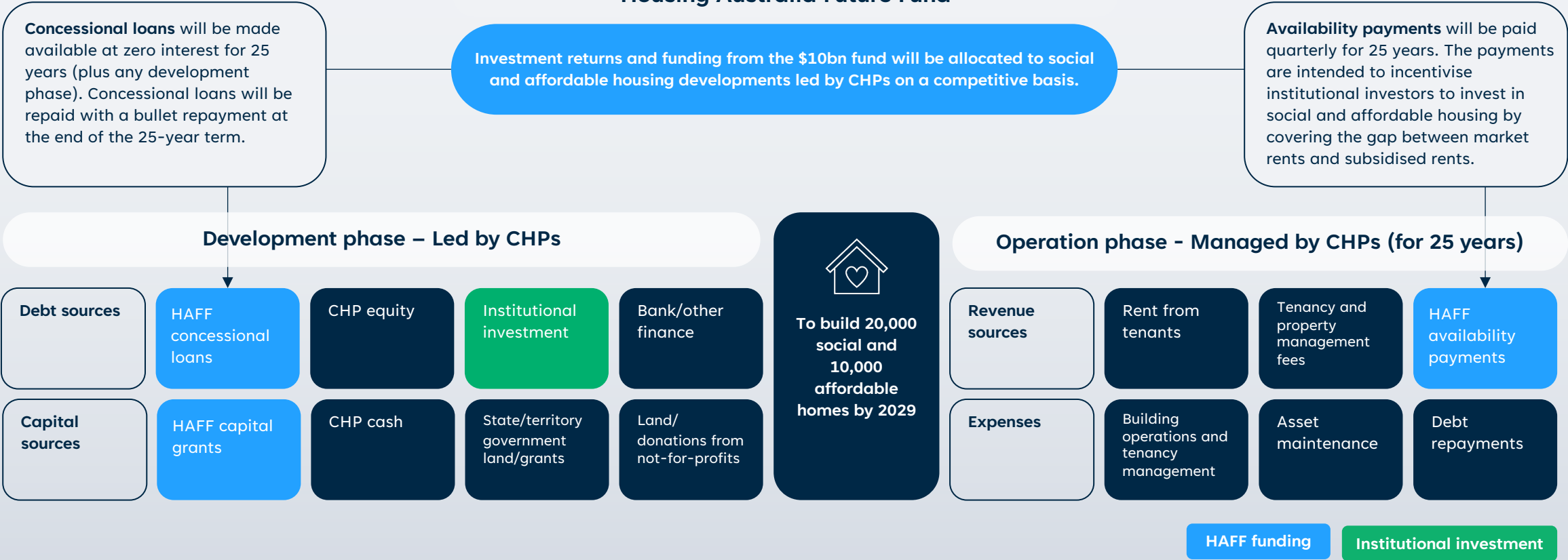
Source: Various government websites.

The HAFF will play a key role in unlocking institutional investment and establishing a new asset class in affordable housing



The HAFF will help bridge the gap between the level of rent from social and affordable housing and market rent. This will make investment opportunities more likely to ‘stack up’ for institutional investors to deliver a satisfactory risk-adjusted return.

Housing Australia Future Fund



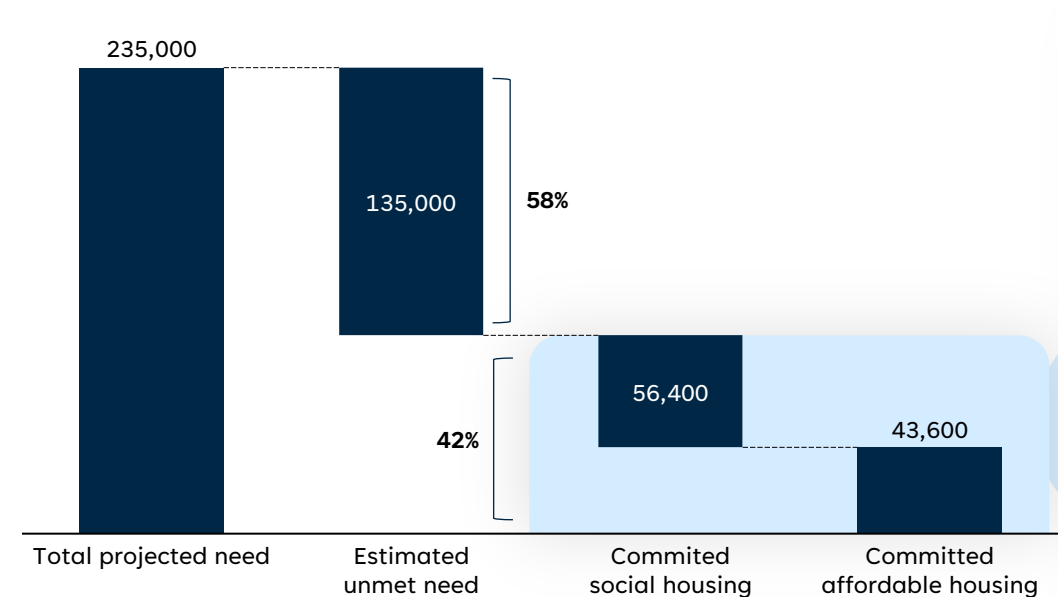
Source: Housing Australia. (2024). *Housing Australia Future Fund Facility and National Housing Accord Facility*, <https://www.housingaustralia.gov.au/housing-australia-future-fund-facility-and-national-housing-accord-facility>; Right Lane Consulting. (2024).

The HAFF and other government commitments will meet less than half of the demand for social and affordable housing over the next 5 years



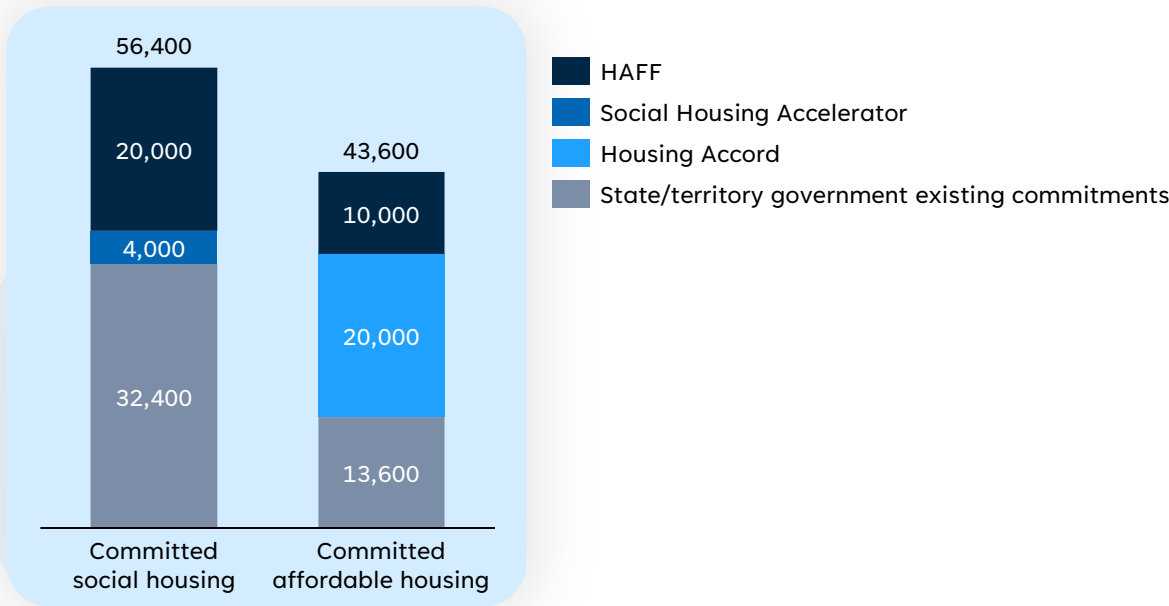
Commonwealth, state and territory governments have committed to building an estimated 100,000 social and affordable homes over the next 5 years, which will meet around 40% of the projected housing need for lower-income Australians¹.

Social and affordable housing projections (#, 2023–2028)



While recent Commonwealth Government funding will significantly boost social and affordable housing development, many state and territory governments have also made significant commitments to increase supply.

Breakdown of social and affordable housing commitments² (#, 2023–2028)



Notes: ¹ Existing social housing stock that will be refurbished has been excluded from the numbers. Total projected need has been calculated based on an average of 47,000 homes needing to be built each year for the next 20 years (see page 24), equating to 235,000 homes in the next 5 years. ² Existing commitments by state and territory governments are likely to be inaccurate due to incomplete data and other data limitations.

Sources: Australian Government. (2024). *Delivering the National Housing Accord*.; CHIA. (2024). *Productivity Commission 2024 Report on government services briefing*.; Various government websites.

Government alone cannot solve the housing crisis; other industry stakeholders must use their strengths and play their part to deliver more social and affordable housing



Industry stakeholder capabilities

	Funding 		Land 	Development 		Construction 		Operation 			Industry development 			
	Funding	Tax concessions	Land	Planning	Development	Construction	Workforce	Asset management	Tenancy management	Support services	Housing policy	Advocacy	Industry development	Best practice & innovation
Commonwealth Government														
State/territory governments														
Local governments														
CHPs														
Traditional developers														
Ethical developers ¹														
Banks														
Institutional investors														
Builders														
Unions														
Private land owners														
Faith based organisations														
Not-for-profits														
Social service providers														
Peak bodies														
Academia														

Note: ¹ Ethical developers is used to describe developers with a stated social purpose.
Source: Right Lane Consulting. (2024).

We need industry capacity and capability to increase in response to more ambitious deals required to build social and affordable housing at scale

Typical industry stakeholders involved in building social and affordable housing

Bold shows new stakeholders

	Funding 	Land 	Development 	Construction 	Operation 
Past	- Banks - Governments - Faith-based organisations	- Private land owners - Governments - Faith-based organisations - Not-for-profits	- Traditional developers - Governments (housing authorities) - Faith-based organisations	Builders	- Governments - CHPs
Present	- Banks - Governments - Faith-based organisations CHPs Institutional investors		- Traditional developers - Governments - Faith-based organisations Ethical developers CHPs		- Governments - CHPs - Faith-based organisations Ethical developers
Future	- Banks - Governments - Faith-based organisations - CHPs - Institutional investors Impact investors Not-for-profits		- Traditional developers - Governments - Faith-based organisations - Ethical developers - CHPs Institutional investors		- Governments - CHPs - Faith-based organisations - Ethical developers Private property managers Institutional investors (landlords)

The housing crisis is already spurring new collaborations with not-for-profit and for-profit stakeholders working together to create models targeted at affordable housing that deliver both social and financial outcomes



Not-for-profit, public stakeholders

- Governments
- CHPs
- Not-for-profits

Social outcomes

- Secure tenure
- Sustainable tenancies
- Quality homes
- More accessible homes



New affordable housing models e.g. build-to-rent, ground lease, shared equity



For-profit, private stakeholders

- Developers
- Institutional investors

Financial outcomes

- Profitable development
- Risk-adjusted returns

Chapter 3: Institutional investment

New partnership models are paving the way for institutional investment at scale in Australia; however, further government intervention is necessary to address barriers and get the policy settings right.



Chapter 3 summary

Institutional investors have invested in social and affordable housing in Australia in the past, but experience is sporadic and lacks scale.

- Large institutional investors are driving most of the increased investment in social and affordable housing in markets such as the UK and US.
- Australia's superannuation system contains nearly \$4tn on behalf of members, a significant source of domestic private capital.
- The track record of superannuation funds investing in social and affordable housing in Australia has been limited, lacked scale and taken place mostly through debt funding.
- Institutional investor appetite for social and affordable housing opportunities is growing, recognising the financial and economic potential of investments in what is now an emerging asset class.
- Superannuation funds need to be able to meet their fiduciary duties in investing in social and affordable housing.
- Investing in social and affordable housing must provide investors with a satisfactory long-term, risk-adjusted return.

Recent policy reforms and new partnerships have addressed some of the barriers to institutional investment, with examples of recent super fund commitments exceeding \$200m.

- New models for at-scale housing development in partnership with institutional investors are emerging in Australia.
- AustralianSuper has a 25% stake in Assemble and is investing 90% of the funds to build ~1,500 apartments across 5 build-to-rent-to-own sites in Melbourne.
- HESTA is expected to commit \$240m to Super Housing Partnerships, enabling an initial pipeline of ~1,600 mixed-tenure BTR apartments to be built at scale in partnership with Assemble and Housing Choices Australia.
- IFM Investors is collaborating with CareSuper, Cbus Super, Rest and other participating super funds to partner with CHPs and provide long-term debt.

Further intervention to get the settings right will unlock the potential of institutional investment for social and affordable housing.

- Streamlining planning, improving land access, and enabling a satisfactory risk-adjusted return would create a more conducive environment for institutional investment in social and affordable housing.
- A more sophisticated and consistent approach to both impact measurement and ESG reporting is also crucial, building on the recent ESG standard developed by CHIA with industry stakeholders.

Large institutional investors are driving most of the increased investment in social and affordable housing in markets such as the UK and US

Research by NHFIC (now Housing Australia) in March 2023 found that:

- private investment flowing into subsidised housing is larger and growing in markets such as the UK and the US relative to countries like Australia and Canada.
- large institutional investors are driving most of the increased investment, primarily through debt financing such as long-standing bond aggregators, government backed finance (including tax exempt housing bonds) and other policy levers.
- countries with prominent and growing institutional and private finance investment in social and affordable housing typically have long-standing government policies such as guarantees, enduring subsidies or public and private loan intermediation, which help reduce the funding gap.

In the UK:

- around **70% of capital to build affordable housing is currently sourced from private financing**, up from 30-40% in the 2000s.
- private finance to non-profit registered providers (similar to the community housing industry in Australia) stands at around £6bn, up from £1.8bn in the late 1990s.



Examples of institutional investor types, non-exhaustive

Domestic and international

Pension funds

Insurance funds

Endowments and foundations

Fund managers

Note: Housing Australia defines institutional investors as, broadly, entities through which investors collectively invest. They have large quantities of capital to deploy, invest for the long-term, and spread their funds across a diverse range of investments.

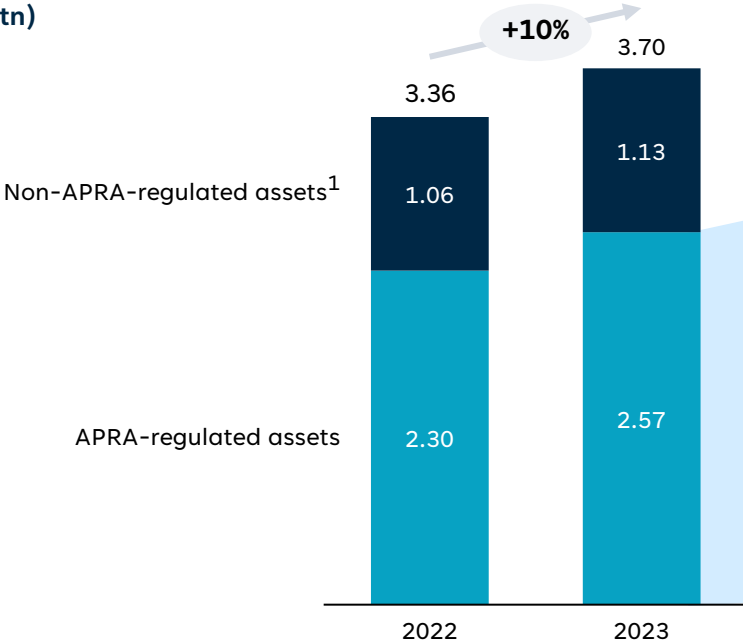
Sources: Housing Australia. (2023, March). *Media release: Analysis on international private finance and institutional investment to fund the delivery of social and affordable housing.*; Right Lane Consulting. (2024).

Australia's superannuation system contains nearly \$4tn on behalf of members, a significant source of domestic private capital



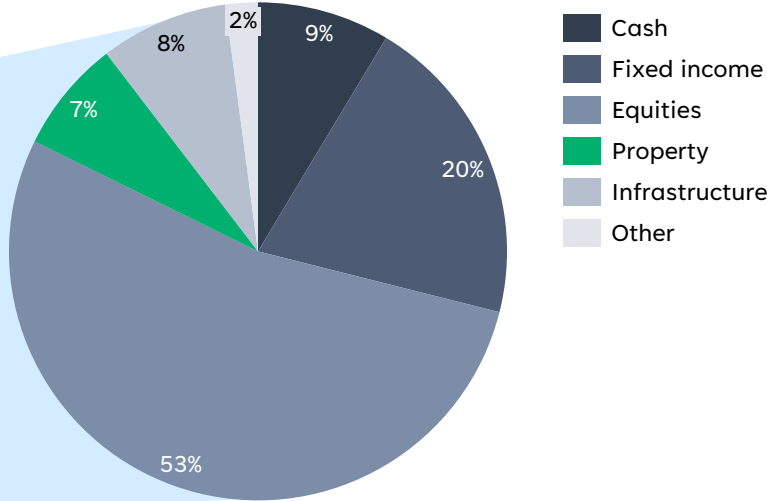
Australia's superannuation system reached nearly \$4tn in assets at the end of 2023, increasing by 10% from the end of 2022. 69% of superannuation assets are managed by APRA-regulated funds.

Total superannuation assets, 31 December 2022 and 2023 (AUD, tn)



APRA-regulated superannuation funds hold 7% of their total investments in property, made up of residential, retail, industrial and commercial real estate. One-third of this is invested in listed property assets (\$56bn) and two-thirds in unlisted property assets (\$113bn).

Proportion of investments for APRA-regulated assets², 30 September 2023 (%)



Notes: APRA is the Australian Prudential Regulation Authority, the prudential supervisor responsible for ensuring that Australia's financial system is stable, competitive and efficient. ¹ Non-APRA-regulated assets are the sum of self-managed super fund assets, exempt public sector superannuation scheme assets, and the balance of life office statutory fund assets. ² Includes corporate, industry, public sector and retail super fund entities with more than 6 members, which account for 99.9% of APRA-regulated assets. Totals may not sum to 100% due to rounding.

The track record of superannuation funds investing in social and affordable housing in Australia has been limited, lacked scale and taken place mostly through debt funding



Institutional investment in boosting housing supply has been sporadic, with a small number of superannuation funds leading investment to date. The investments that have taken place were mostly facilitated by social bonds issued through the National Housing Finance and Investment Corporation (now Housing Australia), and have generally not exceeded \$50m in capital commitment at a time.

Examples of social and affordable housing investments made by superannuation funds prior to 2020



Sources: Bleby, M. (2020, June 11). *AustralianSuper takes 25pc stake in build-to-rent platform.*; Douglas, T. (2019, November 20). *Cbus Super allocated \$30 million in NHFIC issuance.*; Douglas, T. (2020, June 24). *Cbus Super invests \$49 million in NHFIC issuance to support Community Housing Providers.*; Douglas, T. (2021, June 24). *Cbus Super social and affordable housing investment hits just under \$140 million.*; Johnston, P. (2019, August 6). *HESTA backs Nightingale Village project.*

Institutional investor appetite for social and affordable housing opportunities is growing, recognising the financial and economic potential of such investments



Institutional investors such as superannuation funds are showing growing interest in social and affordable housing opportunities, including the positive impact it can have for vulnerable Australians and key workers.

			
<i>‘AustralianSuper has already sought to address housing affordability challenges through our relationship with Assemble Communities and its innovative build-to-rent-to-own and resident financial coaching initiatives.’</i> <i>‘AustralianSuper is pleased to support the Accord and bring our experience and expertise to this important discussion. Finding solutions to housing affordability and supply issues is not something that can just be solved by the Commonwealth or investors alone.’</i> – AustralianSuper CEO	<i>‘We established our Essential Worker Housing Program in 2018, forming a part of our living portfolio on the Aware Real Estate Platform. As pioneers in Australia’s affordable housing sector, we have helped to generate stable, long-term returns for our members and also provide scalable solutions for affordable homes, catering to our nation’s frontline workers.’</i> – Aware Super CIO	<i>‘We provide investment funding to support social and affordable housing including the construction of new dwellings. This funding not only supports new home developments for vulnerable Australians but also supports the economy through job creation.’</i> <i>‘Not only are these issuances proving popular with investors, the NHFIC loans are making an impact on housing outcomes for Australia.’</i> – Cbus Super CEO	<i>‘As investors, we understand that a strong supply of well located, affordable housing can have positive impacts across the economy, improving workforce participation.’</i> <i>‘This milestone propels us closer to realising our vision for how we as a long-term responsible investor can create strong, stable returns for our members by meeting Australia’s huge need for affordable and secure housing.’</i> – HESTA CEO

Sources: Aubrey, J. (2023, September 14). Construction starts on HESTA and Super Housing Partnerships build-to-rent apartment project to help address Australia’s housing crisis.; Aware Super. (2024).; Cbus Super. (2024). Sustainability Investing responsibly.; HESTA. (2024). Sustainable cities and communities.; McMahon, S. (2022, October 26). AustralianSuper welcomes new Housing Accord.

Superannuation funds need to be able to meet their fiduciary duties in investing in social and affordable housing

Any investment opportunity in social and affordable housing will need to meet both:

- the legal and regulatory requirements imposed on super funds; and
- a fund's own internal targets and requirements, such as 'hurdle rates', risk profile and deal size.

Excerpts from legislative framework

The Superannuation Industry (Supervision) Act 1993 (SIS Act) makes provisions for the prudent management of super funds. This includes the **sole purpose test**, which requires trustees of regulated funds to ensure that decisions are made in the interests of members' retirement.

The SIS Act also sets out the **best financial interest duty** which requires the trustee to positively demonstrate that it has made decisions in the best financial interests of beneficiaries.

'We are confident that investments in the social and affordable housing sector have the potential to deliver stable long-term returns for our members, as well as construction industry jobs. Historically the barrier for institutional investors like Cbus to invest was the need to see that these investments are replicable and of a reasonable size. Cbus would like to invest up to \$500 million, but only if the settings are right.'



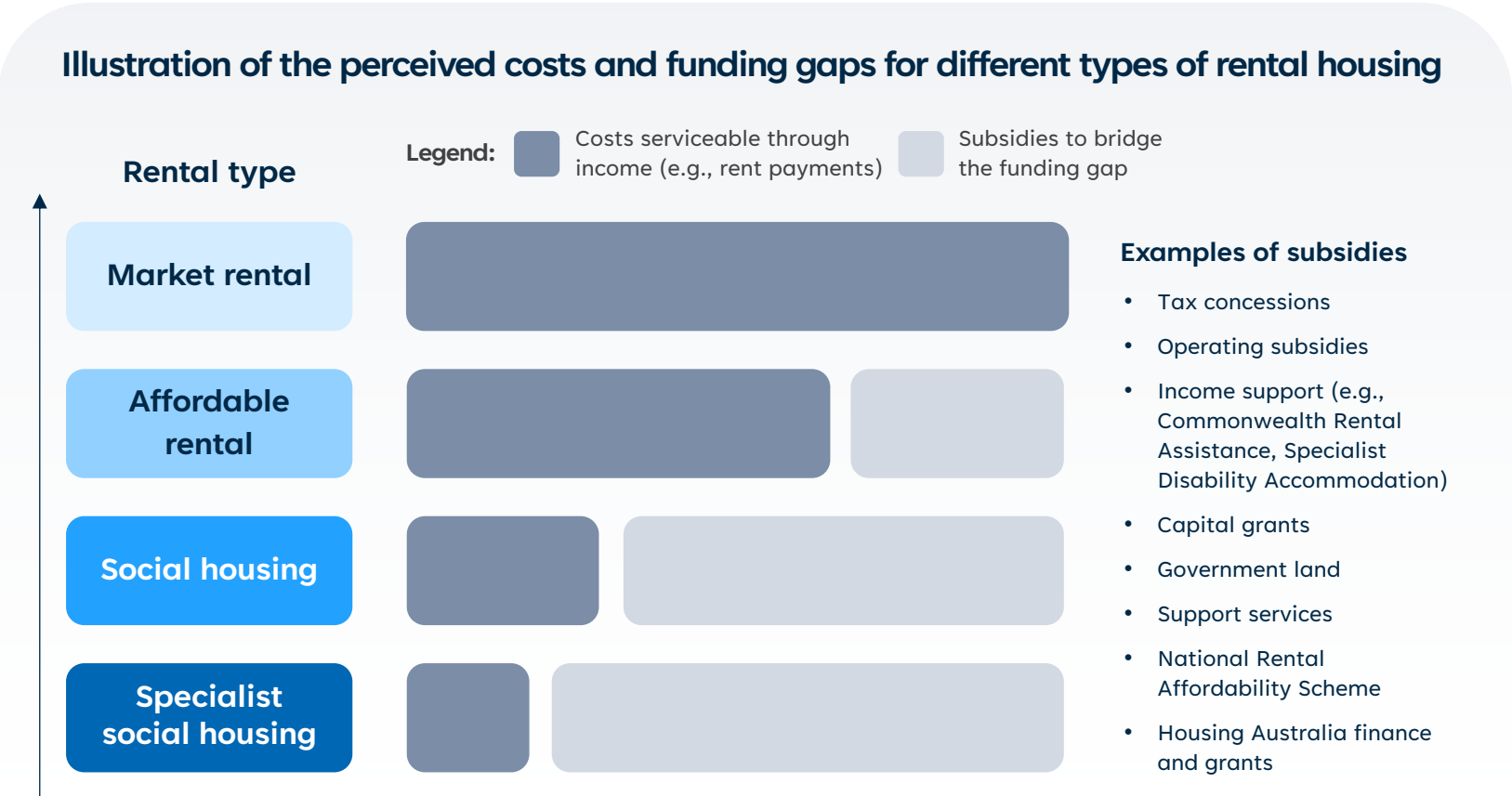
Hon Wayne Swan
Cbus Super Chair

'We don't have to take a lower return; we will take a risk-adjusted return. What we've had to become comfortable with is understanding the nature of the risks in this sector, which are different to standard property and build-to-sell [apartments]. It sits somewhere between property and social infrastructure, so it's its own asset class with its own risk and return characteristics.'



Cath Bowtell
Chair of Board, IFM

Investing in social and affordable housing must provide investors with a satisfactory long-term, risk-adjusted return



The interim National Housing Supply and Affordability Council’s view

In its inaugural report in July 2023, the Council found that most institutional investors perceive the current risk-adjusted return on institutional housing to be uncompetitive relative to alternative assets.

‘Empirical evidence shows that the income yield and expected total return on Australian housing is indeed low relative to similar investment options, such as commercial and industrial property.

But a key view of the Council is that risks are elevated due to the nascent state of the market and that the return-risk characteristics of a well-established and functioning market would be such that it is viable and self-sustaining.’ – National Housing Supply and Affordability Council

New models for at-scale housing development in partnership with institutional investors are emerging in Australia



Examples of new partnership models in practice

1

Assemble and AustralianSuper
Superannuation fund equity stake in build-to-rent-to-own housing developer



Equity stake acquired in 2020

2

Super Housing Partnerships, Assemble, Housing Choices Australia and HESTA
Specialist housing investment manager aggregating institutional capital



Partnership launched in 2022

3

IFM with CareSuper, Cbus Super, Rest and other funds
IFM-managed investment structure to provide long-term debt to CHPs



Collaboration announced in 2024



AustralianSuper is a co-owner of Assemble, and is the majority equity source for 5 build-to-rent-to-own developments, which will deliver 1,500 dwellings in inner Melbourne

Visual shows Fieldworks-designed project at Victoria Street, Brunswick, Melbourne

AustralianSuper is the major capital partner in the acquisition and development of 5 sites across the inner-ring Melbourne suburbs of Kensington, Brunswick, Coburg and Footscray.

Players and roles

- AustralianSuper: Equity investor with a majority stake.
- Assemble: Developer of build-to-rent-to-own apartments; operator of housing once built.
- Bank: Provider of commercial debt.

Types of housing

- Build-to-rent-to-own apartments in Melbourne (residents can purchase the property within 5 years).

Scale of housing

- Expected total of 1,500 build-to-rent-to-own apartments in Melbourne.

Current stage of investment

- June 2020 – AustralianSuper acquired a stake in Assemble and committed \$500m in the first 5 projects.
- October 2022 – Construction of first project commenced.

Funding

- Expected total of \$500m equity funding in the Melbourne portfolio.

Why it works

- *'We provide a sustainable and scalable solution (via our purchase pathway) that enables an appropriate return on AustralianSuper's members' retirement funds alongside a housing solution for working Australians (the profile of their members).'* – Assemble website

Sources: Assemble. (2024). *Our partners.*; Bleby, M. (2023, March). AustralianSuper to fund \$920 million build-to-rent Melbourne portfolio. *AFR.*; Sell, G. (2023, March). AustralianSuper funds \$920 million rent-to-own project in Melbourne. *Urban Living News.*; The Weekly Source. (2023, March). *AustralianSuper to fund Assemble's Build to Rent to Own pipeline.*; Urban.com.au. (2020, December). *AustralianSuper purchased 25% share in Assemble Communities.*



HESTA is expected to commit \$240m to Super Housing Partnerships, enabling an initial pipeline of ~1,600 mixed-tenure BTR apartments to be built at scale in partnership with Assemble and Housing Choices Australia

Visual shows Super Housing Partnerships affordable housing site at Macaulay Road, Kensington, Melbourne

Super Housing Partnerships (SHP), a specialist housing investment manager focused on increasing affordable housing supply, has successfully raised capital for their first housing fund through a partnership with HESTA. As a founding investment partner, HESTA will have access to equity investment in new BTR projects.

Players and roles

- **HESTA:** Founding equity investor of SHP's first housing fund.
- **SHP:** Aggregator platform to raise capital and manage funds from institutional investors into a diversified project portfolio via a development partnering approach; co-owner of registered housing provider SHP x HCA.
- **Assemble:** Developer and operator of BTR housing, including manager of affordable and market tenancies.
- **Housing Choices Australia (HCA):** Manager of the social housing and co-owner of registered housing provider SHP x HCA.

Types of housing

- BTR apartments with mixed tenure including 20% social housing.

Scale of housing

- Initial pipeline of 1,607 mixed tenure apartments across 5 projects, with a total of 322 social homes.
- Projects are located within 20km of the Melbourne CBD in Kensington, Coburg, Preston, Clayton and East Bentleigh.
- SHP and HCA are actively looking to expand their partnership to new projects in addition to the first 5 projects, demonstrating scale and capability.

Current stage of investment

- November 2022 – Announcement of HESTA and SHP's partnership.
- September 2023 – HESTA invested more than \$100m out of the expected \$240m total to the BTR project in Kensington; construction of the first project in Kensington starts delivering 362 BTR apartments.

Funding

- Expected commitment from HESTA of \$240m.

Why it works

- *'SHP will provide institutional investors with access to equity investment in new BTR housing projects, at scale through an aggregator-style platform.'* – HESTA media release

Sources: Aubrey, J. (2023, September 14). *Construction starts on HESTA and Super Housing Partnerships build-to-rent apartment project to help address Australia's housing crisis.*; Riley, S. (2022, November 24). *Specialist affordable housing fund manager Super Housing Partnerships (SHP) launches with \$240 million founding investment from HESTA.*



IFM Investors is collaborating with CareSuper, Cbus Super, Rest and other participating super funds to partner with CHPs and provide long-term debt

IFM Investors is a provider of investment services and is partnering with CareSuper, Cbus Super, Rest and other superannuation funds to provide long-term debt to CHPs through an IFM-managed investment structure. The debt financing will be arranged through the Commonwealth Government's HAFF and support HAFF's goal to build 30,000 new social and affordable homes in the first 5 years.

Players and roles

- IFM Investors: Manager of investment.
- CareSuper, Cbus Super, Rest and other super funds: Investors of capital.
- CHPs: Debtor/borrower of funds and manager of housing.

Types of housing

- No specifics as of now.

Scale of housing

- No specifics as of now.

Current stage of investment

- February 2024 - Announcement of interest to deploy capital into CHPs.

Funding

- No specifics as of now.

Why it works

- *'We believe this collaborative effort can deliver appropriate risk-adjusted returns for members, deliver capital at scale, and help to address housing affordability in Australia.'* – David Whiteley, IFM Investors, Global Head of External Relations

Sources: Bleby, M. (2024, February 24). Super funds housing investment 'not a subsidy', IFM says. *AFR*.; Bleby, M. (2024, March 25). First tender surge for housing future funds, *AFR*.; IFM Investors. (2024, February 26). *Super collaboration set to inject funds into affordable housing, delivering returns for members*.

Streamlining planning, improving land access, and enabling a satisfactory risk-adjusted return would create a more conducive environment for institutional investment in social and affordable housing

Government policy and implementation considerations		Commonwealth	State/territory	Local
Planning certainty and consistency	Inconsistency and uncertainty in planning processes in Australia are considered a significant risk by investors. A streamlined, national planning scheme is needed to reduce development times and costs.			
Land availability and subsidy	Access to land at a very low or no cost to develop it into affordable housing occurs in countries such as New Zealand, Germany and Canada. There could be opportunities to utilise surplus government-owned land to support social and affordable housing projects.			
Access to scale	Government needs to think about how they structure opportunities or promote aggregation in the housing industry to create the scale required by institutional investors (which NHFIC indicated is at least \$300m per deal).			
Favourable tax incentives	Other jurisdictions with greater institutional investment in social and affordable housing offer several tax incentives. In the US, for example, the low-income housing credit subsidises the acquisition and development of affordable housing.			
Protection against risk	In Australia, social and affordable housing is considered an unproven asset class. Rental risk and partnership risk with CHPs is likely to be priced in by investors but can be addressed through measures like head leasing and state guarantees.			

A more sophisticated and consistent approach to both impact measurement and ESG reporting is also crucial, building on the recent ESG standard developed by CHIA with industry stakeholders



Australia has followed in the footsteps of the UK, with the development of a new ESG reporting standard by CHIA.



The ESG reporting standard, derived loosely from the UK's Sustainability Reporting Standard (SRS), was crafted through extensive consultation with 28 CHPs and 20 finance and investment stakeholders.

Comprising 41 criteria spread across 12 thematic areas, the inaugural edition of the standard has been tailored to fit the Australian context.

Launched in mid-2023, the standard is slated for implementation throughout 2024. It is anticipated to become a mandatory component of the credit application process and will require external verification.

Over time, the standard will harmonise with other global sustainability frameworks to allow for cross-organisational comparative analysis, irrespective of sector or jurisdictional boundaries.

Number of criteria within CHIA's ESG reporting standard:



E: 12



S: 12



G: 17

Junction, a national CHP, is leading the industry in its ESG and impact reporting.



Junction is at the forefront of adopting the ESG standards. In addition to ESG reporting, Junction has recently transformed its annual report into an impact report, highlighting the outcomes on the wider social landscape. This report highlights several metrics and narratives aligned to the themes within the ESG standard.

As time progresses, it is anticipated that Junction and the sector will further align its reporting with the themes outlined in the ESG standard.

'Junction's new Road to Impact strategic document outlines the steps we are taking to make a measurable difference in the lives of the people we work with. In addition, we have committed to being an early adopter of an Environmental, Social and Governance (ESG) Strategy. The ESG Strategy will be based on the Community Housing Industry Association (CHIA) ESG industry specific reporting standard, which demonstrates how community housing drives improved economic and social outcomes.'



Maria Palumbo
Chief Executive Officer, Junction



Rob DiMonte
Chair, Junction

Looking abroad...



In the UK community housing sector, institutional investors are evaluating the impact of social and affordable housing investments on portfolio performance. While private investment may not suit all housing associations, investors must align with the sector's mission, prioritising fair risk apportionment and long-term, sustainable returns.

To facilitate such partnerships, clear and verifiable intentions are essential from the outset. The Sustainability Reporting Standard for Social Housing (SRS), launched in 2020, offers a framework for transparency and accountability, already adopted by 100 signatories, including major lenders.

Additionally, there's a growing interest in developing a Code of Practice for investors, aiming to ensure private capital contributes positively to addressing the housing crisis, building upon existing initiatives by organisations like Big Society Capital and the Good Economy.

Chapter 4:

Build-to-rent (BTR)

A national housing framework, newly defined asset class for BTR, and financial and planning supports are needed to de-risk and enable institutional investment in BTR.



Chapter 4 summary

BTR is an established asset class in international jurisdictions that provides unique benefits to tenants and investors.

- BTR occupies a unique place on the housing spectrum.
- BTR provides both secure and flexible housing for tenants as well as stable long-term returns to investors.
- BTR is an established asset class in international jurisdictions, comprising almost half of all rentals in the US and attracting capital at scale from Australian institutional investors.

BTR's recent rapid growth in the UK provides lessons for the emerging Australian market.

- Despite its relatively small scale, the UK's BTR sector grew by 31% per annum from 2016 to 2022 and attracted £4.5bn of investment in 2023.
- The UK's experience suggests that BTR can support middle-income tenants from a range of household types, and focus on professional management as well as amenities.

BTR is an emerging asset class in Australia with significant investment opportunities, but is hindered by national fragmentation and regulatory, financial and cultural barriers.

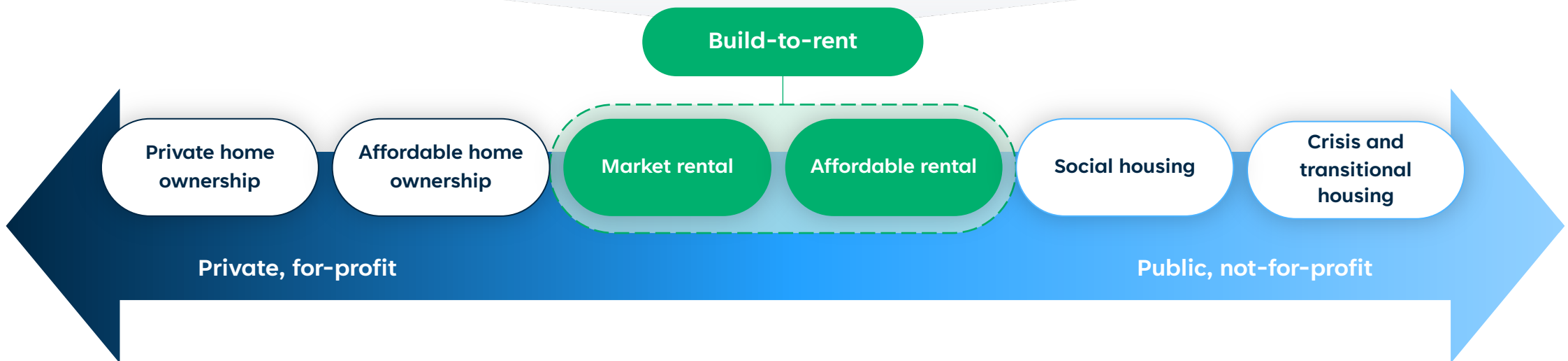
- Market BTR is an emerging asset class in Australia with significant potential to address the growing need for rental housing.
- CHPs are well-placed to play a pivotal role in developing both affordable and market BTR in Australia.
- With the support of institutional investors and Housing Australia, CHPs are expanding their BTR portfolios.
- BTR development is hindered by a fragmented regulatory and policy landscape as well as financial and cultural barriers.
- A national housing framework, defined asset class, increased government support, and expedited planning would de-risk and enable investment in BTR.

BTR occupies a unique place on the housing spectrum

BTR housing is:

- built to be rented in perpetuity as a single revenue generating asset that cannot be broken up into component parts and sold off
- typically owned by institutional investors, developers and/or CHPs
- distinct from social housing (owned by government or CHPs) and investment properties owned by small-scale investors
- usually comprised of apartment blocks, but may also include units or detached houses
- encompasses affordable rental¹ and market rental housing
- sometimes required to include a proportion of affordable housing depending on jurisdiction, planning regulations and scale of development.

Australia's housing spectrum



Note: ¹ There is no agreed definition for 'affordable' housing in Australia. Here we use it in the broadest sense to refer to housing that is below market rent, without specifying the method by which rents are set.

Sources: CHIA. (2024, February 26). *9th annual affordable housing development and investment summit. Pre-summit day: Affordable built-to-rent.*; Pawson, H., Martin, C., Van den Nouwelant, R., Milligan, V., Ruming, K., & Melo Zurita, M. (2019). *Build-to-Rent in Australia: Product feasibility and potential affordable housing contribution.* Landcom.; Right Lane Consulting. (2024).

BTR provides both secure and flexible housing for tenants as well as stable long-term returns to investors



Benefits for tenants include:

- secure long-term housing
- an operating model that profits from tenant retention rather than churn as long-term tenancy is central to the business model
- standardised, predictable rent increases usually tied to inflation
- flexibility for tenants who want stable housing but do not want to commit to buying a property
- purpose-built rental properties designed for living rather than to maximise profits
- well-located homes close to places of employment and public amenities
- dedicated onsite professional management that builds long-term relationships and treats tenants, rather than landlords, as clients.

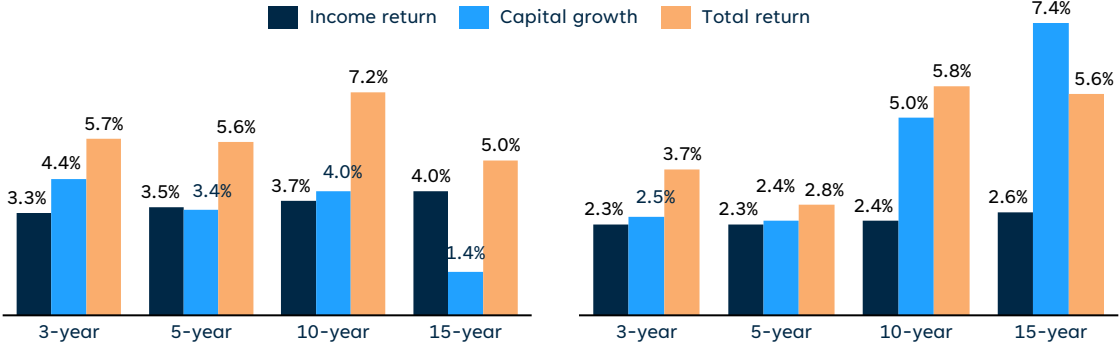
‘We are finding when BTR tenants move on, they are often moving into other BTR properties.’ – Alexandra Notay, Placemaking and Investment Director, Thriving Investments (UK)

Benefits for investors include:

- stable long-term returns resistant to inflationary pressures, interest rate rises and economic downturns
- low volatility – in the US and the UK, the BTR sector is the least volatile among real estate assets
- diversification of investments with good liability and lifecycle match between investors after long-term, low risk investments and consumers seeking long-term, stable housing
- at-scale developments with fast absorption rates that complement and support value for other property types, especially in the context of placemaking and community revitalisation.

% returns on BTR developments in the US, as of July 18, 2023

% returns on BTR developments in the UK, as of July 18, 2023



Sources: CHIA. (2024, February 26). 9th annual affordable housing development and investment summit. Pre-summit day: Affordable built-to-rent.; Hanmer, F., & Marquardt, M. (2024, June). New Insights into the rental market. ABS.; Lenaghan, N. (2023, July 30). Safe and steady returns a winning formula for build-to-rent. Financial Review. Mackintosh, L. (2023, April 4). A new form of housing supply for Australia: Build to Rent housing. EY.; MSCI. (2023). Analysis of returns on BTR developments in US and UK; Right Lane Consulting. (2024).

BTR is an established asset class in international jurisdictions, comprising almost half of all rentals in the US and attracting capital at scale from Australian institutional investors



BTR is an established asset class in international jurisdictions.

- BTR is well established in continental Europe, where it is the primary form of renting.
- In the mature US BTR market, ‘multifamily’ developments (i.e. apartment blocks) are the predominant rental property type, comprising ~49% of rentals and ~15% of total housing.
- By comparison, BTR comprises less than 1% of rentals and less than 0.3% of housing in the UK and Australia.

% of BTR households and rentals in US, UK and Australia, 2022

	US	UK	Australia
% of rentals that are BTR	48.65%	0.82%	0.12%
% of households that are BTR	14.99%	0.29%	0.04%

Australian superannuation funds are already investing in international BTR opportunities at scale.



- ~25% of Aware Super’s ~\$10bn real estate portfolio is invested in BTR housing.
- In 2023, Aware invested \$600m to gain a 22% stake in Get Living, a UK BTR developer with ~4,000 homes; Aware Super has also committed a further \$300m to develop an additional ~6,500 in the pipeline.
- In 2018, Aware launched a US\$2bn investment partnership with Lendlease, a global developer and real estate investment manager, to develop multifamily properties in the US.
- In 2021, Aware Super acquired 49% of Spanish BTR property company Vivenio for €600m, which has ~6,000 residential dwellings.



- In 2022, AustralianSuper invested \$523m in Canada Water, a 53-acre mixed-use development in central London expected to include ~3,000 homes with an affordable component.
- Starting in 2015, AustralianSuper has invested \$1.3bn for a >70% stake in the King’s Cross redevelopment in central London, which is expected to include 50 new or renovated commercial and residential buildings with ~2,000 homes, including both affordable and premium BTR properties.

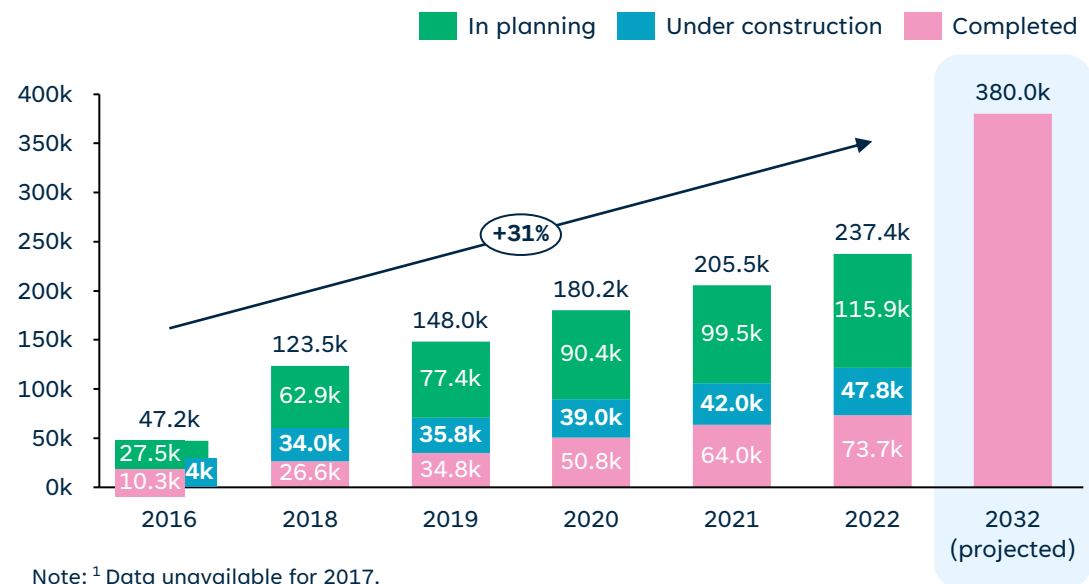
Sources: Superannuation fund media releases; Chandan Economics. (2024, January 16). *Multifamily households reach a record high.*; Department for Levelling Up, Housing & Communities. (2023, May 23). *Dwelling stock estimates, England: 31 March 2022.*; Leeuwen, H. van. (2021, October 20). *AusSuper on the hunt for London’s next King’s Cross.* AFR.; Lenaghan, N. (2023, April 3). *Super fund makes \$900m move into UK rental housing.* AFR.; Mackintosh, L. (2023, April 4). *A new form of housing supply for Australia: Build to Rent housing.* EY.; National Housing Finance and Investment Corporation. (2023). *State of the nation’s housing 2022-23.*; U.S. Census Bureau. (2023, March). *Current population survey/Housing vacancy survey.*

Despite its relatively small scale, the UK's BTR sector grew by 31% per annum from 2016 to 2022 and attracted £4.5bn of investment in 2023



The number of BTR dwellings in planning, under construction, and completed in the UK grew by 31% per annum from 2016 to 2022. The British Property Federation estimates that there will be ~380,000 BTR dwellings in the UK by 2032.

Number of BTR dwellings completed, under construction, and in planning (cumulative), 000s, UK 2016 – 2022¹

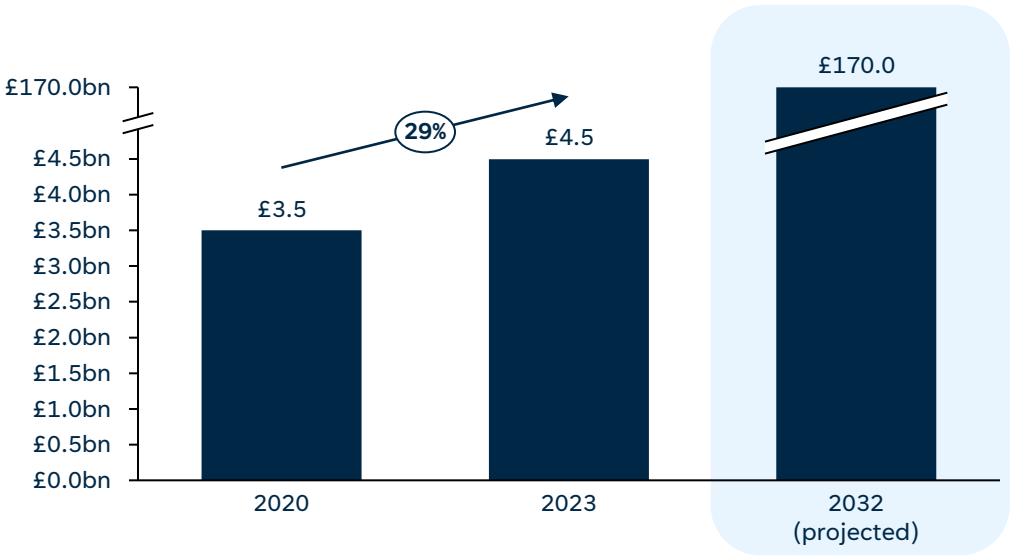


Note: ¹ Data unavailable for 2017.

Sources: British Property Federation. (2019, October 22). *UK build-to-rent sector grows by 20% year-on-year to 148,000 homes*.; British Property Federation. (2021, October 21). *Build-to-Rent sector is critical to achieving government housing targets in core UK cities*.; Darweish, S. (2021, June 18). *Build-to-rent proving resilient investment*. *Property Journal*. RICS.; British Property Federation. (2022, October 20). *UK Build-to-Rent homes to increase five-fold in the next decade*. Media release.; Department for Levelling Up, Housing & Communities. (2023, May 23). *Dwelling stock estimates, England: 31 March 2022*.; Mackintosh, L. (2023, April 4). *A new form of housing supply for Australia: Built to Rent housing*. EY.; Notay, A. (2024, February 26). *CHIA 9th annual affordable housing development and investment summit. Pre-summit day: Affordable built-to-rent*.

There was £4.5bn of investment in the UK's BTR sector in 2023, up 29% from 2020's £3.5bn of investment. The British Property Federation estimates the UK's BTR sector could be worth £170bn by 2032.

BTR investment, £bn, UK, 2020, 2023 and 2032 (projected)



The UK's experience suggests that BTR can support middle-income tenants from a range of household types, and focus on professional management as well as amenities



Theme	UK experience	Lesson learned
Target markets and tenant demographics	Initial BTR developments focused on luxury city apartments for young, professional high-income singles/couples, but experienced slow uptake.	BTR should focus on middle-income tenants while also serving high- and low-income households, and serve a broad range of demographics, including families, older residents and those looking for detached homes in regional areas.
Amenities and professional management	Amenities such as pools, studios and gyms significantly increase operating costs and are often underused by tenants.	Amenities do not guarantee a good experience. BTR operators can also focus on professional management, customer service and being great at the basics to create a streamlined experience, for example through efficient and responsive maintenance.
Retrofitting existing properties	BTR homes are different from traditional rental or build-to-sell apartments. Retrofitting existing properties (including commercial properties) seems like a sustainable use of resources but often results in poor-quality homes and has hidden costs.	Retrofits may not always be appropriate for BTR properties. Sacrificing housing quality can create long-term investment risk.
Including affordable housing	BTR is not necessarily 'affordable' housing but is attractive to government due to its fast absorption rate, high build quality, and role in supporting placemaking and community revitalisation. In the UK, it is generally expected that BTR schemes will include 20% affordable housing ¹ .	BTR developments will require different funding models and proportions of market, social and affordable housing localised to their area, but developments with a mix of affordable and market rent housing provide benefits to placemaking and community revitalisation, and can utilise government support for stable investment returns.
Portfolio scale	Successful long-term BTR investment depends upon portfolio scale, but the number of dwellings per building/development needs to be limited to keep a strong local community focus with effective and responsive management.	Efficient minimum scale for BTR developments is typically ~150 dwellings, with 300-400 dwellings maximising benefits from scale without becoming too large.
Secondary market	Despite rapid growth in the sector, a proven market for trading BTR assets has not yet been established.	Government, investors, developers and operators need to work together to actively define BTR as an asset class and enable development of the secondary market.

'The market is less focused on amenities – professional management is a key distinguishing factor. We have learnt that it's all about the management – the staff team onsite impact your investment returns as much as your model.'
 – Alexandra Notay, Placemaking and Investment Director, Thriving Investments

Note: ¹ Local governments and developers may seek to differ from this benchmark based on assessment of local housing need. For a property to be classified as 'affordable', it must be at least 20% discounted relative to local market rents.

Sources: Notay, A. (2024, February 26). CHIA 9th annual affordable housing development and investment summit. Pre-summit day: Affordable built-to-rent.; UK Government. (2018, September 13). Guidance on build to rent.

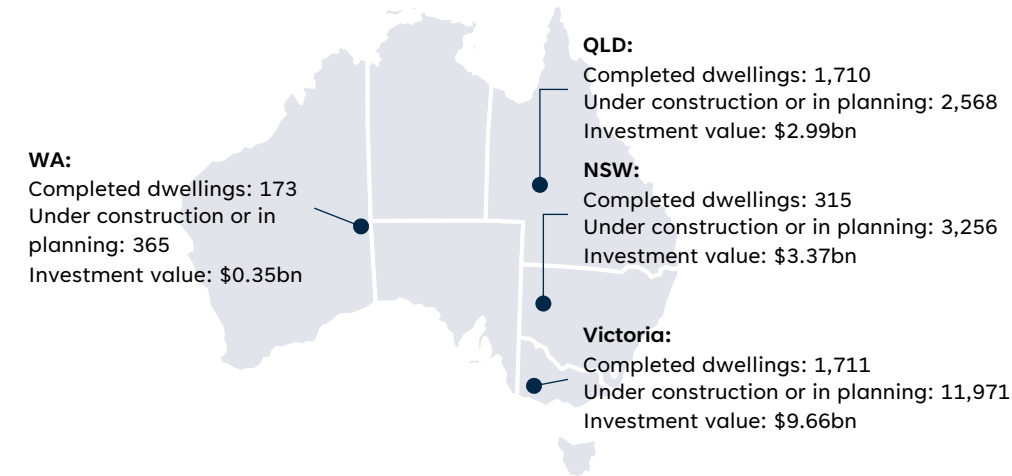
Market BTR is an emerging asset class in Australia with significant potential to address the growing need for rental housing



In 2022 there were 3,909 completed dwellings in market BTR developments¹ in Australia.

- There are further 18,160 dwellings in the pipeline either under construction or in planning².
- The combined value of market BTR investment in Australia in 2022 was \$16.37bn², 0.17% of the \$9.78tn property market that year.
- Victoria had 59% of this total investment due to supportive government policies, high population growth, and a relatively flexible planning regime.

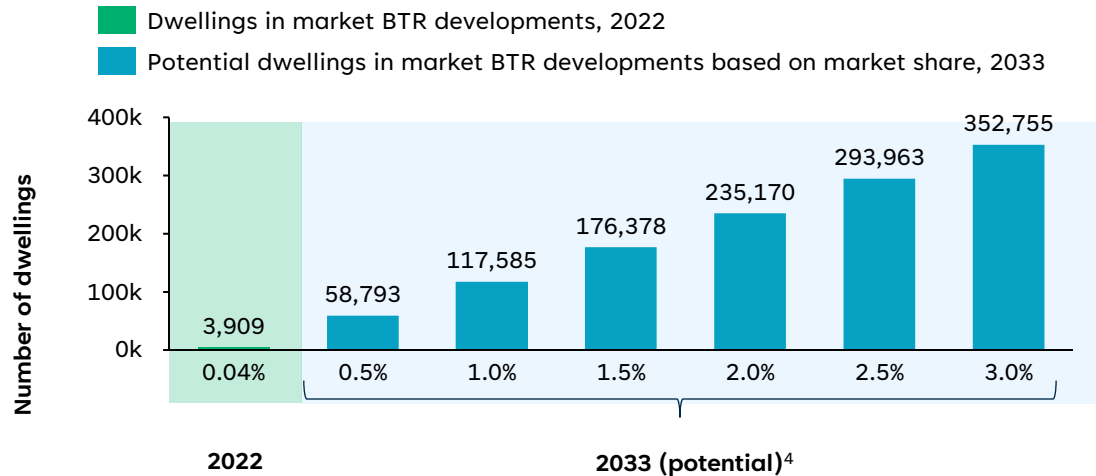
Dwellings and investment in market BTR developments by jurisdiction, Australia, 2022



Market BTR developments currently house just 0.04% of Australian households.

- If this grows to 3% in the next 10 years, the number of dwellings in market BTR developments could grow to ~353,000 by 2033.

Dwellings in market BTR developments, 2022 and 2033 (potential)



'As one-third of Australian households are now trapped in unstable housing, the BTR sector disrupting the market is [a welcome development].' – Michael Lennon, Council Member, National Housing Supply and Affordability Council

Notes: ¹ For the purposes of this report, 'market BTR' refers to BTR developments where most dwellings are rented at market price. This may include some proportion of 'affordable' dwellings. ² Data on dwellings completed, under construction, and in planning from 'Mackintosh, L. (2023, April 4). A new form of housing supply for Australia: Built to Rent housing. EY' and may be incomplete. Developments from Tetris Consortium have been excluded from this data as they are primarily comprised of social housing; ³ Housing Australia estimates that there will be ~11,758,500 households in Australia in 2033. ⁴ Number of potential dwellings in market-BTR developments calculated as % of total projected housing market.

Sources: ABS. (2023, December 5). *Total value of dwellings*.; NHFIC research. (2023). *State of the nation's housing 2022-23*.; Mackintosh, L. (2023, April 4). *A new form of housing supply for Australia: Built to Rent housing*. EY.; Tetris Capital. (2021, May 15). *Victorian Government announces Tetris' consortium to build new landmark social housing project*.

CHPs are well-placed to play a pivotal role in developing both affordable and market BTR in Australia



CHPs already operate an expansive portfolio of social and affordable housing in Australia.

- In 2023, the 10 largest CHPs managed a combined ~61,600 social and affordable housing properties.
- Their deep experience in property management makes CHPs appropriate partners for operating at-scale BTR developments financed by institutional investment.
- This operational expertise is recognised by state and territory governments, who transferred over 21,000 public housing dwellings to CHPs between 2018 and 2023.
- There are over 300 CHPs registered with the National Regulatory System for Community Housing (NRSCH), including 47 Tier 1 providers, 49 Tier 2 providers, and 229 Tier 3 providers¹.
- Some consolidation of CHPs may improve capability and capacity building in the industry.

‘The CHP sector is set to become a major player in the residential sector and, in doing so, play a key role in addressing the housing crisis.’ – Adrian Harrington, Senior Adviser, Lighthouse Infrastructure and former chair of Housing Australia and AHURI

CHP total dwellings managed and share of affordable rentals, June 2022

10 largest CHPs by total dwellings managed		Other CHPs with significant affordable housing portfolios (non-exhaustive)
CHP	Total dwellings managed (rounded)	Estimated % of affordable dwellings
Community Housing Ltd	11,100	5%
St George Community Housing	9,300	14%
Housing Choices Australia	7,400	12%
Home in Place	7,200	8%
Link Wentworth	6,500	7%
Evolve Housing	4,600	44%
Hume Community Housing	4,300	11%
Mission Australia Housing	4,100	6%
Bridge Housing	3,600	10%
National Affordable Housing Consortium	3,500	Almost 100%
Foundation Housing	2,060	10%
Brisbane Housing Company	1,850	59%

Notes: ¹ Tier 1 providers operate a high volume of properties and at-scale development, Tier 2 providers a moderate volume of properties and small developments, and Tier 3 providers a small volume of properties and little or no development. The NRSCH does not regulate CHPs in Victoria or Western Australia.

Sources: CHIA. (2024). CHP data analysis compiled from registration data and annual reports.; CHIA. (2023, May). *Australia’s community housing industry in profile.*; Harrington, A. (2023, March 22). Community housing providers – a new force in the residential sector.; *The Australian.*; NRSCH. (2024). *Provider register.*

With the support of institutional investors and Housing Australia, CHPs are expanding their BTR portfolios



Examples of CHP owned and operated BTR partnerships

1	2	3	4
- St George Community Housing - Lighthouse Infrastructure	- St George Community Housing - AXA IM Alts	- Brisbane Housing Company - Australian Retirement Trust - Queensland Investment Corporation	- Foundation Housing - WA State Government Housing Authority
 	 	  	 
St George Community Housing have 1,019 affordable BTR dwellings in planning or under construction across 4 projects.		Brisbane Housing Company have 290 affordable BTR dwellings in planning or under construction across 4 developments.	Foundation Housing have 158 BTR dwellings in planning or under construction across 2 developments, which may include some affordable housing.

Sources: BHC. (2023). *Our development portfolio.*; Foundation Housing. (2023). *Annual Report.* 14.; Right Lane Consulting. (2024).; SGCH. (2023).



Visual shows a resident of The Highline, Westmead, Sydney



St George Community Housing partnered with Lighthouse Infrastructure to deliver 161 affordable dwellings for key-workers with low-to moderate-incomes working in designated sectors such as emergency services, health and education. These homes are being delivered through 2 developments, the Lennox and The Highline.

The Lennox, Paramatta

- Completed in 2022.
- 76 BTR affordable key-worker apartments.
- Developed by Aoyuan International.
- \$61m investment from Lighthouse Infrastructure.
- Close to public services and places of employment: 800m from Paramatta Train Station; within 1km of 3 university campuses; and 3km from Westmead Hospital.

The Highline, Westmead

- Completed in 2021.
- 85 BTR affordable key-worker apartments.
- \$59m invested by Lighthouse Infrastructure.
- Located 500m from Westmead Hospital and 100m from Western Sydney University Campus.



Prime Minister Anthony Albanese (centre) visits the Westmead project in May 2024. Left to right: Andrew Brooks, SGCH GE Homes; Karen Orvad, SGCH Chair; Antoine Mesnage, Head of Australia AXA IM Alts; Sally Sitou, Member for Reid; Jim Chalmers, Treasurer; Anthony Albanese; Andrew Charlton, Member for Parramatta; Julie Collins, Minister for Housing; Fouad Deiri OAM, Chair Deicorp; Toby Coleman, Head of Alternatives Group, AXA; Carol Austin, Chair Housing Australia



St George Community Housing partnered with AXA IM Alts to deliver ~400 affordable and market BTR key worker dwellings with support from Housing Australia in Westmead, Sydney.

- After being signed in 2022, the project is due for completion in 2025.
- Alongside funding from AXA IM Alts, Housing Australia will provide senior debt as part of a \$300m umbrella commitment for projects involving SGCH and AXA IM Alts.
- The development is strategically located adjacent to the new Westmead Health and Innovation Precinct, one of the largest health, education, research and training precincts in Australia.
- Upon completion, the development aims to have a Green Building Council Australia 5-star rating and have net zero operational emissions.

Source: St George Community Housing. (2022, November 25). AXA IM Alts, SGCH and NHFIC announce a strategic partnership to deliver affordable homes in Australia. Media release.



Visual shows architectural concept image for 2-4 Curwen Terrace, Chermside



Brisbane Housing Company has proposed to partner with Australian Retirement Trust (ART) and Queensland Investment Corporation to develop up to 1,200 new social and affordable homes in South-East Queensland, with the support of the Queensland Government's Housing Investment Fund.

ART's proposed investment partnership is subject to agreement of terms and finalisation of due diligence and documentation.

Projects currently under construction include:

- 82 social and affordable homes for seniors at 99 Sutton Street, Redcliffe.
- 34 social and affordable homes at 5-9 Ethel Street, Chermside.
- 82 social and affordable homes at 23-27 Cleveland Street, Stones Corner.
- 92 social and affordable homes at 2-8 Curwen Terrace, Chermside.

Sources: ART. (2022, July 25). *Australian Retirement Trust and QIC to partner to deliver social and affordable housing in Queensland*. Media release.; Brisbane Housing Company. (2024). *New developments*. <https://bhcl.com.au/developments/new-developments/>



Visual shows completed Verdant apartments at 78 Sterling Street, Perth



Foundation Housing, with funding support from Housing Australia (then NHFIC), established Elevate by Foundation Housing, which acquired 108 completed apartments across Perth to provide affordable accommodation for eligible key and essential workers.

Elevate by Foundation Housing

- Launched in 2021.
- 108 affordable homes within 20km of the Perth CBD
- Supported by a \$35m loan from Housing Australia.
- Eligible tenants include key workers in industries such as healthcare, emergency services, education, childcare, not-for-profit, retail, transportation, and local government that have a household pre-tax income of \$50,000-114,000.
- Rents are set at 75% of market rent but capped at 30% of tenant income.

Sources: Foundation Housing. (2024). *Property portfolio*. <https://www.foundationhousing.org.au/partnerships-growth/property-portfolio/>; Housing Australia. (2021, March 31). *Spotlight on: Foundation Housing*.

BTR development is hindered by a fragmented regulatory and policy landscape as well as financial and cultural barriers

Barriers to BTR development

	Lack of national regulation and policy	Fragmented and unclear policies and regulations across the states and territories increase risk for investors and reduce the ability to bundle developments and achieve investment at scale. For example, the 'national' regulatory framework for CHPs does not include Victoria or Western Australia.
	Lack of a defined BTR residential asset class	- The lack of an existing residential asset class and secondary market for BTR means there is shallow liquidity and perceived/potential first mover disadvantage. - The APRA MySuper performance test benchmarks do not accurately reflect the nuances of emerging asset types like BTR, creating challenges for funds that want to invest in this area.
	Unfavourable tax settings and insufficient government subsidies/finance to offset low yields	- Despite proposed tax reforms and the launch of the HAFF, government tax settings, subsidies and finance are not sufficient to consistently incentivise investment, especially in affordable BTR. - The ongoing strength of the Australian housing market, supported by generous tax incentives, makes capital gains from build-to-sell properties a more attractive investment proposition compared to BTR. - Australian BTR developers are also competing with established BTR markets such as the US and growth markets such as the UK.
	Planning requirements and land availability	- BTR requires large plots of land in well-serviced urban areas close to public transport and other amenities. - This land is not only rarely available and often expensive, but also frequently faces opposition to development from local councils and residents. - A lack of appropriate land limits the pipeline of large, at-scale developments. - Most state planning systems do not currently identify BTR as a development type.
	Cultural perceptions of renting	- Australian governments and the media promote an assumed preference for home ownership instead of lifelong renting. - Low-quality housing and poor treatment of tenants in the rental sector reinforce preferences for home ownership. - BTR developers and operators are not doing enough to work with tenant groups to promote improved conditions for renters in BTR housing.

A national housing framework, defined asset class, increased government support, and expedited planning would de-risk and enable investment in BTR



There are 4 opportunities to de-risk and enable investment in affordable and market BTR.

1	2	3	4
Establish a national housing framework	Define a new BTR asset class	Increase government financial support	Expedite planning
• Housing Australia could set consistent regulation and policy at the national level, including: • housing targets • a definition for affordable housing • build quality and management standards for BTR. • This body could also support partnerships between CHPs and institutional investors to progress at-scale developments.	• A defined BTR residential asset class is needed to create a market for BTR investments. • Improved quality and availability of data to inform decision making would give investors greater confidence in BTR. • Some investors have suggested a specific performance benchmark for BTR in the APRA MySuper performance test may enable investment from superannuation funds.	• Increased government funding through HAFF grants and loans could stimulate affordable BTR investment. • Improved tax settings to enable investment in BTR may include reduced land tax for institutional investors.	• A separate BTR property type should be developed with expedited planning and development assessment. • Increased government involvement is needed to unlock land in appropriate locations close to public transport, amenities and employment.

Sources: CHIA. (2024, February 26). 9th annual affordable housing development and investment summit. Pre-summit day: Affordable built-to-rent; Lennon, M. (2024, February 26). Build-to-Rent Summit. National Housing Supply and Affordability Council.; Right Lane Consulting. (2024).

Right Lane Consulting

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