Private sector finance
Increasing the options for affordable rental housing

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Why private sector finance matters

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State of play

- New Federal Government
- Housing Supply Gap — 230,000 nationally, 2012
- 2 in 5 private renters in housing stress (AIHW 2012)
- Nation Building investment was significant for new supply, but insufficient to offset long term trend
- Need to shift away from rental subsidy model to supply side incentives
- International experience of successful models
Why private finance?

- Need for Scale
  - Government unable to fund it all
  - Success of NRAS

- Innovation and flexibility
  - Agility and responsiveness of not for profit and for profit partners

- Mixed development models
  - Social and financial advantages of co-location of social, affordable, market rental and owner-occupied housing in TODs
Glebe
Socially sustainable, mixed development

- Under utilised social housing site in inner city suburb of Sydney
- Uplift potential of more than 3 times to be used as a mixed residential development
- NSW Government working with 2 CHPs to provide 243 units of social and affordable housing. CHPs will be contributing about 50% of the cost of development as a combination of debt and equity
- Land to be sold to private developer to build additional 250 units for private rental or ownership
- Need affordable finance to fund ongoing pipeline of projects
Conclusion

- Currently, $1.6 trillion\(^1\) held in Australian Superannuation funds
- In 2012, the UK had $90 billion\(^2\) available in lending facilities to Housing Associations
- Overseas examples of a range of schemes to channel longer term, lower cost private investment at scale to increase the supply of social and affordable housing
- A need in Australia for Institutional investment vehicle with Government support to provide finance at scale

1. Lawson et al. 2014, *Enhancing affordable rental housing investment via an intermediary and guarantee*, AHURI, p.3