

## MEDIA RELEASE

24 November 2017

### **Social impact investment could provide a lifeline to Australia's most vulnerable groups in the form of much needed housing and support, says new report.**

A viable social impact investment (SII) market could provide desperately needed housing and support to Australia's most vulnerable, a report from the Australian Housing and Urban Research Institute (AHURI) has found. For the SII market to be fully realised, it requires government assistance, such as capital gain discounts or tax concessions, to attract investors to affordable housing initiatives, particularly for projects supporting the tenancies of vulnerable people on very low incomes.

The research, *Supporting vulnerable households to achieve their housing goals: the role of impact investment*, undertaken by researchers from the Centre for Social Impact, The University of Western Australia (UWA), UNSW Sydney, Deakin University and Curtin University, looked at how SII has been used internationally; examined three case studies where SII has been used in Australia; and considered finance structures, such as impact investment mutual funds, that would enable social impact investors to create a portfolio of affordable housing securities that can balance financial and social return.

"SII presents an important opportunity in Australia, but we need to better understand the finance instruments and models that might be feasible and which vulnerable housing groups can most benefit from social impact investment", said Professor Paul Flatau, study author and Director of the Centre for Social Impact at UWA (CSI UWA). "The finance vehicles are only useful if they can be matched to community housing and social support providers' capabilities and people in need of housing support including those seeking to exit homelessness and low-income older people in housing stress."

The report recommends the use of a suite of measures to meet the objective of housing more vulnerable households including impact investing vehicles, such as impact investment mutual funds, working alongside the Commonwealth's bond aggregator model and social impact bonds (SIB). The report's authors argue that SIBs are suitable to support vulnerable populations enter and maintain housing within a framework of strict accountability and performance measurement.

Professor Flatau said that financial modelling of risk and returns in the low-cost end of the housing market suggest that impact investment models work when investors are aligned with the social impact of the investment. "They will accept a lower than market financial return, higher risk, low liquidity, and limited ability to exit the market in return for the understanding that their investment is doing social good. However, we do see a need to mitigate this risk, and this can be done in part by taxation benefits or other direct government subsidies to assist the financial viability of the proposed impact investment," says Professor Flatau.

The research report is available to download from the AHURI website at <http://www.ahuri.edu.au/research/final-reports/290>

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