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Can social impact investing supply affordable housing in Australia?

- Banks have placed \$1.5 billion in social impact investments for community housing providers, with another \$20 million invested in non-community housing models by non-bank social impact investors
- Government policy change is a key source of risk for social impact investment, AHURI research finds
- Government is required to support, encourage and expand social impact investment

Australia's banks have invested around \$1.5 billion in social impact investment projects for community housing providers, however there are significant barriers to expanding social impact investments, new AHURI research reveals.

Social impact investments aim to achieve both a financial return and a specific, measurable social benefit. As a collaboration between social service providers, investors and governments, social impact investments can find new sources of capital from different types of investors and enhance the return on government investment.

The research, 'Understanding opportunities for social impact investment in the development of affordable housing', was undertaken by researchers from RMIT University and Swinburne University of Technology.

The report recognised Government policy change as a key source of risk affecting investments. Private social impact investors expect returns on their investment, which only occur when community housing providers are able to generate a positive cash flow to repay their debts. However, changes to welfare and housing assistance, and government policy restricting social housing to the highest priority applicants on public housing waiting lists can reduce community housing providers' cash flow, presenting a risk to investment. This would require government to fund the gap between a tenant's capacity to pay and the cost of providing social housing.

'We found that social impact investors have a range of investment expectations, from 'impact-first' investors who are willing to accept below market-rate returns to 'finance-first' investors who want returns equal or near equal to market-rates,' says Dr Andrea Sharam from RMIT University.

'The largest investors in community housing providers' social and affordable housing in Australia are Westpac Banking Corporation, Community Sector Banking and Bank Australia. Although their investment is all debt investment, and returns are expected to be at market-rates, having banks involved in social impact investment adds competition to the market, ensuring all community housing providers gain more competitively priced capital and more suitable conditions on finance,' Dr Sharam said.

The research also outlines a range of options for governments to support, encourage and expand social impact investment for social and affordable housing across Australia.

The research report is available to download from the AHURI website at:
<http://www.ahuri.edu.au/research/final-reports/294>

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