

Concurrent 6: Boosting home ownership through shared equity





Community Housing Sector Supported Pathways to Homeownership

Presentation to the National Housing
Conference
October 2023



Your Home Sooner

Overview

- Key features of the National Affordable Housing - BuyAssist shared equity model
- Investment and financial innovations
- Program outcomes
- Future models for innovation



About Us



- Independent company limited by guarantee. Australian Credit Licence #494865
<https://buyassistaustralia.com.au/>
- Wholly owned subsidiary of not-for-profit registered housing company, National Affordable Housing Consortium (NAHC) <https://www.nahc.org.au/>
- Shared equity homeownership as part of suite of NAH supported customer centered housing pathways that aim to support better lives.



Shared Equity Affordable Home Ownership pathways are part of a healthy housing system

THE HOUSING CONTINUUM



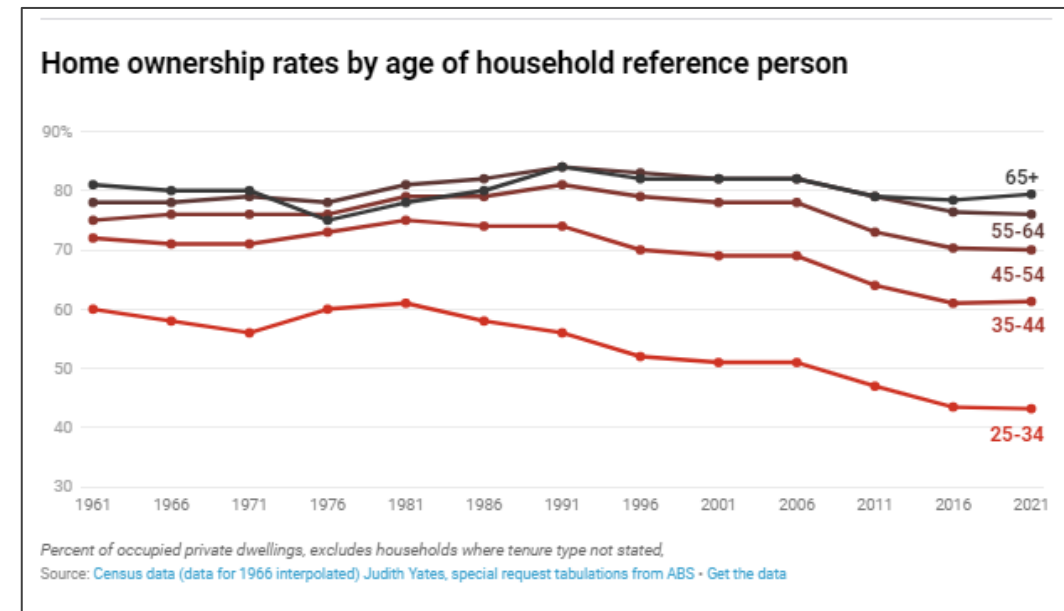
National Affordable Housing focus

Customer Centered Pathways | Affordable Housing | Better Lives



Key Barriers to Homeownership

- Despite a stable income, working households find it increasingly difficult to save a deposit and access home finance:
 - Rising rents and house prices
 - Wages not keeping up with house price growth and cost of living
- Without a 20% deposit households either:
 - Have additional cost of Lender's Mortgage Insurance (LMI) and higher loan; or
 - If accessing guarantees, still need to service a higher loan



Source: Rachel Ong ViforJ (2022)

<https://theconversation.com/more-rented-more-mortgaged-less-owned-what-the-census-tells-us-about-housing-185893>

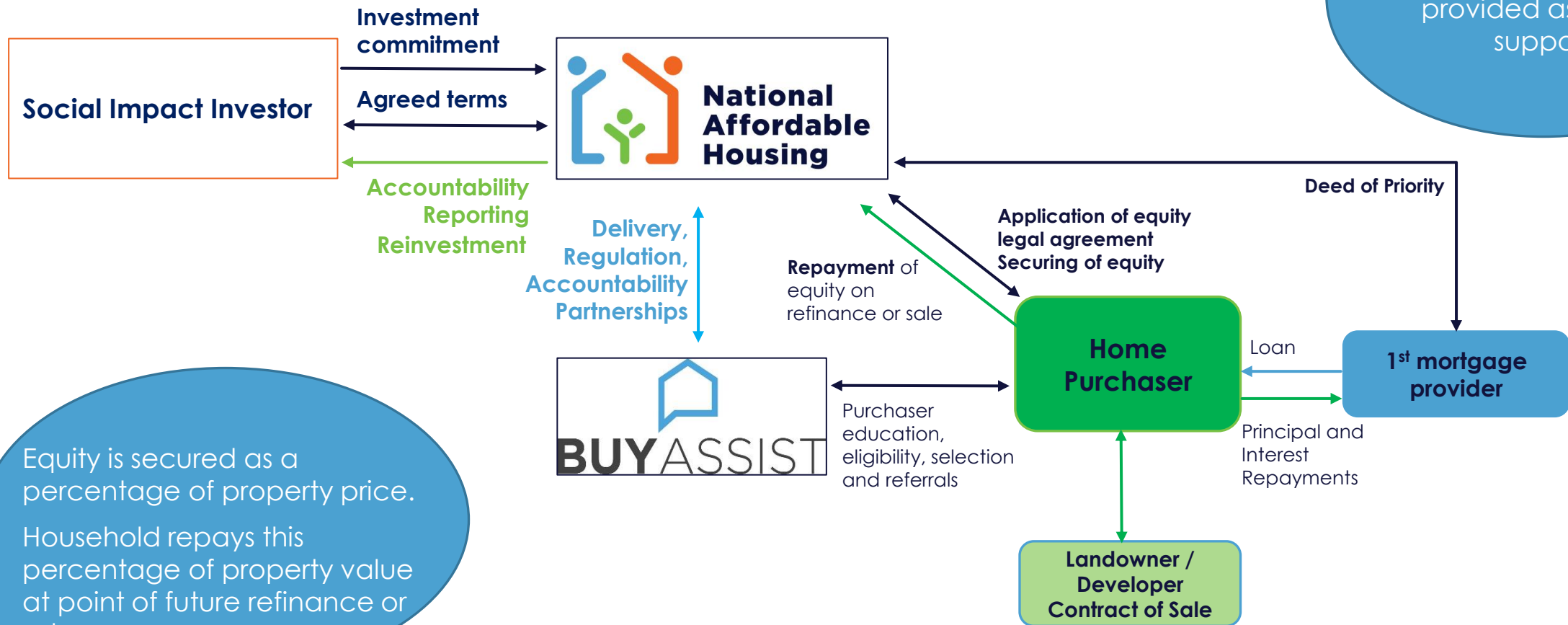


Key Features of the BuyAssist model

- NFP, community housing – social purpose driven model.
- Open platform with capacity to support diverse investment sources, terms and target cohorts.
- Regulated and operational.
- Strong customer focus and support throughout the purchasing and home owning journey.
- Secures investment, unlike first home owner grants.
- Only support new homes, contributing to supply and minimising maintenance costs.
- Purchasers 100% on title - not co or shared ownership.
- Share in risk and reward of changes in property market.



Investment and Delivery Overview



On average, **25%** of the property price is provided as equity support

Equity is secured as a percentage of property price. Household repays this percentage of property value at point of future refinance or sale.



Current Program Targeting

- Focus currently on Victoria.
- Main program eligibility:
 - Citizen or permanent resident
 - Don't currently own land or property
 - Stable employment and good credit and rental rating
 - Earn below \$115,000 (single), \$150,000 (couple), and \$175,000 (adult/s with dependent/s)
 - Must agree to live in the property
- Where equity is a result of a planning agreement lower income eligibility and geographical requirements apply.



Equity Sources

Equity sources have included:

- National Affordable Housing
- Victorian Government grant
- Developer contributions secured as a result of a negotiated planning agreement
- Repaid equity creating a reinvestment fund
- NAH debt funding and applied as equity in an innovative, Australian first model

As an open platform for investment the model can also support:

- Social impact investment
- Translation of government, philanthropic or privately owned land value to equity
- Community housing sector investment



Equity Sources and Innovation

Developer Voluntary Planning Contributions

- In Victoria, a local council can seek a contribution from a landowner as part of a planning amendment or application through a negotiated agreement.
- Examples of agreements that support shared equity sales include:
 - City of Whitehorse - \$1.3 m secured from a developer to support 10 shared equity outcomes
 - City Merri-bek (Minister for Planning as RA) – Developer to provide 35% equity to support 10% targeted home ownership outcomes (16 outcomes) approx. \$3.5 m equity
 - City Melbourne (Minister for Planning as RA) – Developer to provide 30% for 5% of dwellings (approx. 20 apartments) which may be through a shared equity arrangement



Equity Sources and Innovation

Victorian Debt Finance Pilot - Commercial Loan between NAH and Great Southern Bank

- Reinvestment funds applied as security and interest.
- Doubled available investment funds to \$2 m.
- 10-year fixed rate term. Draw down as equity is applied to individual purchasers.
- Average 25% equity contribution per household.
- Homebuyer properties are not required as security.
- Servicing and security requirements met by NAH and repayment of equity.



Outcomes



108 households supported to buy their own home



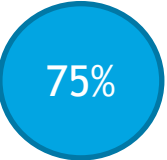
\$11.72 m total equity investment
\$46.7 m supported property value
\$7.86 m currently secured equity



37 exits and repayment of equity
Average equity support period 2.5 yrs



First home buyers



Single persons



Single parent families

Average property price: \$432,456

Average equity contribution: 25%

65% apartments. 35% house and land or townhouse



Challenges

- Interest rate rises impact on household borrowing capacity – requiring either greater equity support or lower property price.
- Requires investors who either don't require a \$ return or are not set on fixed return.
- Attracting customers who may have already given up on the dream of purchasing.
- Household aspirations exceeding property options.
- Household debt impacting on borrowing capacity.
- Valuations.



Opportunities and Future Models

The BuyAssist model is a platform that can support a diversity of investment sources and household targeting, subject to key parameters and agreement to terms.

- Rent-to-Shared Equity homeownership – approved pilot on Government owned land in Victoria.
- Investment and programs targeting groups facing additional disadvantage or challenges to purchase including proposed Aboriginal and Torres Strait Islander targeted program.
- Council, NFP or social impact investor land translated to equity in individual sale arrangements.
- Sale of old Social Housing to tenants through a shared equity arrangement with equity share secured and reinvested in new outcomes over time.
- Housing agency investment to support affordable homeownership in mixed tenure projects.



Thank you

<https://nahc.org.au/>

<https://buyassistaustralia.com.au/>

