



# Institutional backing sought Push for boost to affordable housing

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Large sums of institutional investment, backed by government support, are required to drive a massive and much-needed increase in affordable rental housing, an industry report has found.

The Australian Housing and Urban Research Institute study was released just ahead of the federal government's launch of the next stage of a program to deliver affordable housing through the private market.

The fifth round of the National Rental Affordability Scheme (NRAS) aims to deliver 10,000 affordable rental dwellings in the private market, backed by \$1 billion in government incentives over 10 years. The scheme, capped at 50,000 dwellings, is nearing its end. More than 12,000 homes have been built under the scheme and work on another 28,000 is under way.

The AHURI report looked at ways to overcome obstacles to institutional investment in rental housing as Australia faces an unmet need of 50,000 dwellings annually.

**Vivienne Milligan**, the report's lead author, said Canberra should "stay the course" on its support for affordable housing, regardless of whether it was a Labor or Coalition government. Institutional investors – super funds and other wholesale vehicles – need certainty in the supply of incentives. Scale is crucial – at least \$500 million is needed annually for liquidity and sustainability.

The current scheme is popular with retail investors but it has failed to win major institutional investors so far.

"The government should not change course," said Professor Milligan, from the City Futures Research Centre at the University of NSW.

"It should tweak the scheme, work co-operatively with the market to understand what will work best for them, but keep the essence of it."

There are various market mechanisms to secure institutional capital, including housing bonds and intermediaries that pool portfolios of properties and incentives.

The non-profit organisation Grace Mutual has launched a vehicle to accumulate NRAS tax incentives for institutional and high net worth investors. Grace Mutual's **Andrew Tyndale** said his group had obtained a tax ruling for the scheme. "We're transferring the tax-free income over to a taxpayer who values it more and is prepared to pay more for it."

The big end of town is wary. AustralianSuper participated in the AHURI study, but is yet to find an investment structure for affordable rental housing that meets its risk-return hurdles.

"Certainty around government policy would be a positive. However, until there is an attractive investment structure created, institutional involvement will be limited," head of fixed income John Hopper said.

Senator **Marise Payne**, the opposition housing spokeswoman, said the Coalition would consider the AHURI report but warned the current scheme was falling behind its targets.