



Australian Government
National Housing Supply
and Affordability Council

NATIONAL
HOUSING
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AFFORDABILITY
COUNCIL

Living Sectors Summit

Barriers to institutional investment into
social and affordable housing

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National Housing Supply and Affordability Council



Statutory body established under legislation



Provides independent, evidence-based expert advice on Australia's housing system



Consists of 9 members from across the housing spectrum

Barriers to Institutional Investment, Finance and Innovation in Housing report (2023)

The report focuses on what can be done to **increase the supply of secure homes in a rental format** for more Australians, including in the affordable sector, **via institutional investment**



Informed by stakeholder consultations



Provided to the Minister for Housing in July 2023



Made 11 recommendations for government consideration



Recommendations are currently being considered by Commonwealth, state and territory governments

What are the barriers to institutional investment?

- Many of the barriers to institutions investing in long-term residential rent stock are fundamentally related to the nascent state of the asset class.
 - Lack of suitable land
 - Planning and zoning systems
 - Inadequate risk-adjusted returns
 - Insufficient scale
 - Lack of an existing market
 - Policy and regulatory uncertainty and complexity
 - Unclear housing targets
 - Cultural preferences
 - Inadequate and inconsistent data
 - Superannuation regulations
 - Taxation arrangements
 - Barriers specific to investment in social and affordable housing

Specific strategies to increase investment in build-to-rent projects

- 1. Address planning and zoning barriers and availability of suitable land**
 - Planning treatment of build-to-rent projects should reflect the significant size and positive nature of their impacts.
 - Greater public sector involvement in the assembly and wholesaling of development-ready land.
- 2. De-risk the development and ownership of institutional housing assets**
 - Set housing targets to reduce uncertainty for investors.
 - Improve data quality and availability.
 - Address disincentives in superannuation regulations.
- 3. Support institutional investment in social and affordable housing**
 - Harmonise regulatory frameworks across jurisdictions.
 - Greater government support for partnerships between community housing sector and institutional investors.

The Council's research and findings

- Build-to-rent projects are an important aspect of housing, including affordable housing.
- The Council's report into the barriers to institutional investment, finance and innovation in housing (2023) recommends that governments:

...establish build-to-rent as a separately defined development type, subject to expedited planning and development assessment.

Tax measures to support institutional investment in build-to-rent

The **recommendations of the Council complement and build on recent taxation measures** taken by the Commonwealth, state and territory governments to encourage institutional investment.

- In the 2023-24 Budget, the Commonwealth Government announced two new measures to support institutional investment in build-to-rent to improve the international competitiveness of the Australian sector:
 - Reducing the managed investment trust withholding tax for foreign investors from 30% to 15%.
 - Increasing the capital works depreciation rate from 2.5% to 4% per year.
- Legislation to enact these two measures is currently before the Senate.
- Most state governments have implemented land tax concessions for build-to-rent developments.

Institutional interest in the Housing Australia Future Fund (HAFF)

The first round of the HAFF and Accord was well supported.

- Applications opened in January 2024 and closed in March 2024.
- Housing Australia received applications for around 50,000 social and affordable homes.
- 13,700 proceeding to contract negotiation.
- Demonstrated appetite amongst institutional investors in affordable and social housing.