2022

AUSTRALIAN AFFORDABLE HOUSING REPORT

STANDARD HOUSE ENVIRONMENTAL SCAN

CoreLogic

PowerHousing Australia

AUSTRALIAN AFFORDABLE HOUSING E-SCAN –

The Standard 'Old' House

PowerHousing Australia

Contents

Executive Summary

Released at the time of the COP26 Glasgow Climate Conference, this latest CoreLogic Environmental Scan documents the past 18 months where house prices did not succumb to the forecast downturns from the COVID-19 pandemic.

With lockdowns, border closures and rising unemployment, the construction industry, a key driver of employment and economic activity, was facing a potential 'valley of death' with dwelling commencements expected to collapse.

Despite dire forecasts, Australia broke records in housing commencements and rents increased by 10 per cent in many regions. However, this activity is a 'bring forward' based on low interest rates, strong household balance sheets for many and the largest return of Australians from offshore since World War II.

In late October 2021, the Australian Government NHFIC Review estimated that an investment of $290 billion will be required over the next two decades to meet the current and projected shortfall in the stock of social and affordable housing. Meeting that shortfall will require active participation by the private sector and high levels of collaboration across all levels of government.[1]

AHURI argues that an additional 727,300 social housing dwellings are required by 2036 nationwide to meet future projected need, or an annual average growth of 5.5 per cent.[2]

The housing market has seen scores of young Australians and families locked out of affordable housing. A pipeline of new, efficient housing could play a structured role on reaching net Australia's carbon zero targets, whilst also aiding housing affordability.

Renewal of Australia's ageing housing stock offers a multitude of benefits that will supercharge the emissions reduction and boost the economy, to make climate ambitions a reality and work through the other side of COVID.

Almost 8 million older Australian homes are now well past their use by date, contributing 18 per cent of greenhouse gas emissions that will work against hitting our Paris Agreement commitments for net-zero emissions.

Australia's Long Term Emissions Reduction Plan taken to Glasgow says, technology is the key to balancing these global emissions and economic development objectives, but the ageing housing stock will 'block the chimney' on any targets until sustainable technology takes over from coal, which is decades away.

The twin climate and COVID-19 crises have reinforced the unsuitability of Australia's + 30-year-old housing stock on lower income families and younger Australians, who are disproportionately living in lower energy rated homes with adverse financial and wellbeing impacts.

As we emerge from some of the world's longest lockdowns, countless Australians are only too well aware that average dwellings are cold in winter, hot in summer and prohibitively expensive to cool and heat. Added to this, these homes are not designed for universal lifelong living, whether that's accessibility for prams, ageing in place, or living with disabilities.

Key Environmental and Social elements

- There are almost 8 million (out of 10.6m) existing homes that are often inefficient (the residential sector contributes 18-20% of GHG emissions) and the impacts of this for achieving net zero, as well as increasing the supply of social and affordable housing, is substantial.
- The National Net Zero Emission plan forecasts that by 2050, around 7 million homes will not be subject to improved energy efficiency measures in the National Construction Code[3] with no retrofitted improvements to improve the fabric of older homes.
- They often sit on larger 800-1000sqm lots, sit on flat land close to commuter routes and jobs, with clear benefits of new housing development, environmental, universal design, wellbeing, economic.

- Australian social housing stock is often old, less inefficient and costly to run with impacts on economic and social wellbeing for those that can afford it least.
- Market acceptance of knockdown rebuild to better utilise/densify inner/mid ring developable land.
- Race to purchase flat lots ahead of new accessible design standard coming into the national construction code.
- As is the case in market housing, Australia needs to look to replace ageing social housing stock and create additional social and affordable housing outcomes.
- Renewal of outdated housing is an opportunity to improve liveability, density, energy-efficiency and accessibility, and plan activity in the construction sector to keep the economic recovery going.

Housing Affordability elements

- The unexpected boost to the housing market with a stimulus boosted residential build revival led by Australian expatriates returns (750k) and low interest rate/serviceability.
- The COVID-19 pandemic created a "race for space"[4] with demand shifting from high density/units to low density/detached housing and from urban to regional areas forcing up rents over 9 percent in the past year.
- This phenomenon saw areas with a lower population density associated with rent increases, where previously such increases where most acute in higher density dwelling areas.
- Australia's house price growth over the 12-months to Q2 2021 was 7th fastest in the world (source: Knight Frank). The global average was an 8.2% increase, the fastest rate of house prices growth since Q4 2006.
- Over the past twenty years the median value of a capital city dwelling has risen by $524,291 or 258.1%. In the 12-months to June 2021 national dwelling values increased by 13.5%.
- Nationally, the proportion of houses sold under $400k reduced from 44.7% in 2011 to 23.7% in 2021, while unit sales under $400k reduced from 48.2% to 28.7%.
- Residential lending peaked at a new high of $32.57 billion in May 2021, an astounding 43.8% above the previous record March 2017 levels. The primary driver of that growth has been the explosion in owner occupier lending. First home buyers (FHB) have also made a big impact on the market. At one point FHB lending made up 26.8% of all new loan commitments.
- Net overseas migration has suffered a stunning turnaround in COVID-19 times falling from a peak of 241,338 in 2018-19 to a forecast low of -97,000 in 2020-21. Migration is only predicted to return to pre-COVID levels in 2024-25.
- Foreign investment approvals in residential real estate plummeted from 40,141 approvals in 2015-16 to 7,056 approvals in the latest reporting period of 2019-20, down from $72.4 billion in approvals to $17.1 billion.
- 143,100 detached dwelling commencements are forecast for the 2021 calendar year – a new record that is likely to remain unbroken for the decade ahead, however HIA estimates the number of detached housing commencements will fall from 135,290 in 2020/21 to 93,770 in 2023/24, a 30.7% decline.[5]
- Heat reducing macroprudential measures and a future upward bias on interest rates creating increasing uncertainty of how the market demand will be to continue to buy and invest at current rates.
- In the ten years from 2007-08 to 2017-18 the national proportion of low-income households in rental stress has increased from 35% to 43.1%
- The proportion of mortgage holders in mortgage stress has increased from 32.9% in February 2020 to 41.7% in July 2021.[6] This compares to 2013/14 when mortgage stress was below 20%.
- 20% of key workers in Sydney and 17% of key workers in Melbourne experience housing stress with key workers being pushed to the city fringes to obtain affordable housing.

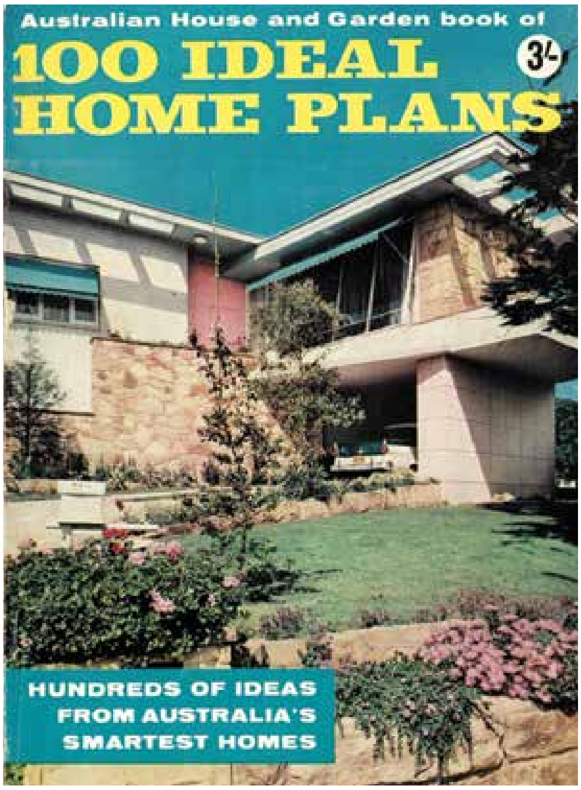
Everyone Homes – Density Outcomes on Standard Lot

Background to the 2021 Standard House Report

The *2020 PowerHousing Australia CoreLogic Standard House Report* highlighted the importance of the construction sector in stabilising the economy and driving a robust recovery. It illustrated the wide variety of positive economic effects that a standard house brings. Every new home that is built, such as the Metricon Barton (featured on the front cover of this report) or Simonds Homes Byfield (pictured on the previous 2021 report left), provides employment for up to 43 trades and sub-trades across Australia's cities, regional and rural areas.

New dwelling construction was shown to deliver a significant secondary boost to manufacturing and retail. For instance, a new housing build requires 5,000 bricks. These bricks are made in local brickworks across the country, creating local jobs. Construction drives retail spending from the audio-visual equipment, flooring and furnishing that transform a new house into a home. Construction also drives the local economy as labourers patronise the small pizzeria or the corner store to keep them going through a hard day's work.

The last Standard House report and the role of housing construction was raised by Minister for Housing Michael Sukkar MP in Parliament in December 2020 while speaking about the Government's HomeBuilder program. He highlighted the program as having stimulated new supply, averted an economic crisis and recording record new commencement activity in the FY2021 period.



Australian House and Garden 1962

Where are we today

Governments around Australia heard the message and implemented stimulus measures to boost housing construction. From the Federal Government's HomeBuilder grants to various state stimuli such as Victoria's Big Housing Build, each of these measures have helped boost Australian jobs.

Bolstered by housing stimulus and low interest rates, the previous pessimistic prediction of 115,000 commencements for FY2021 has given way to 212,000 commencements, with a record June 2021 quarter just shy of 65,000 commencements. Unemployment has fallen to its lowest level in over a decade.

Whilst this extra supply beyond expectations came as a surprise, there has also been an uptick in activity from the previous year but alarmingly house prices have increased right across Australia.

However, there are lingering concerns about the future direction of the housing construction industry. With international borders closed for so long, housing affordability worsening and instability in materials supply chains, there is a real danger that future construction could stall.

There is a need to shore up the construction industry pipeline once the current stimulus activity washes through. New social and affordable housing builds can do just that and new affordable housing, such as Simonds Homes or Everyone Homes (a division of Metricon), can fill the gap in the construction pipeline and tackle the serious lack of affordable housing in Australia.

Why do we need to reconsider our housing fabric now?

Homes have changed little in the past 50 years which is evident by the average suburban images shown here. This street was built around 100 years ago and probably looked similar again if you could go back another 50 years. The reality is outside of several extra power points in each room, some likely 'low hanging fruit in energy conservation' with some extra insulation, solar hot water and possibly better glazing, these homes are of a similar fabric to what they were when built.

Look around the average street in Australia and there are almost 8 million 30-plus-year-old 'Standard Old' house, or multi residential unit dwellings today.

It is estimated that residential energy use accounts for roughly 20% of Australian energy use and 18-20% of greenhouse gas (GHG) emissions[7,8]. There is no doubt housing will be a significant contributor to any net carbon zero strategy.

Australia's Long Term Emissions Reduction Plan[9] taken to Glasgow climate summit says *technology is the key to balancing these global emissions and economic development objectives*, but the ageing housing stock will cruel any targets until sustainable technology takes over from coal, which is decades away.

Old housing stock has poor heating, water and energy efficiency and there is only so much that can be improved in old house designs. Unlike the designs featured in the last standard house that are 6 to 7 star energy rated with liveable features throughout and technology at use, these older homes have none of this.

For those that have lived through the world's longest lockdowns, we are aware these homes are cold in winter, hot in summer, expensive to cool and to heat. They are not universally designed for lifelong living for those with prams, injuries, for aging in place and are certainly not suitable for those with disabilities.

On top of this, these homes today have become workplaces, places of schooling and for those older dwellings that were designed for a nuclear family these homes are past their use by date. Whilst the memories, families, triumphs and struggles should never be lost, the need for better outcomes cannot wait.

As we analyse the options for net carbon zero by 2050 being considered at the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow on 31 October – 12 November 2021, new homes, as shown throughout the report, will have a significant role to play in reducing emissions. The COP26 summit will bring parties together, accelerating action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. How almost 8 million old Australian homes will negatively impact the environment and what can be done to reduce their impact must be front of mind. Further from the COVID lived experience, the wellbeing of those that live in these homes is now a major factor. Government policy can open these homes up for improved outcomes relating to the environmental sustainability, liveability, wellbeing, transit efficiency and employment. Redeveloping old housing stock can also better use the existing land and infrastructure, whilst revitalising neighbourhoods and communities.

The Australian housing market has increasingly moved to a knockdown rebuild approach to developing housing close to commuter routes on flat land and with large block sizes that allow density, and this is a critical future policy consideration. A focus on creating new purpose-built housing to create jobs and a focus on affordable housing outcomes are the feature of this update.

Bowen Road Hobart 1965 and 2021

In the case of increased density, a knockdown rebuild can bring three family housing outcomes from the previous single-family house, of which at least one or two can be an affordable and/or potentially a social outcome.

As we work our way through the next phase of COVID, it is important to consider the cold hard fact that if we did not have a home, a place to work, school, play and rest, we would have more than a health crisis, with economic ramifications that forecasters in hindsight hadn't quite factored in.

Housing is the place of security that has been confirmed by this crisis. It's a central place in the lives of Australian that is now front of mind. It must be a central focus as social infrastructure in the rebuild of a nation in this next phase.

As the current stimulus-boosted phase washes through and the factors of demand begin to normalise, a focus on new liveable, energy efficient social and affordable housing can underpin the build rate over the coming period.

Infill Redevelopment – Westside Housing (SA)

A Section A – COVID Housing Boom

A1. GLOBAL HOUSING TRENDS

Global Economic Recovery

The COVID-19 pandemic struck the world with devasting effects on people's lives and livelihoods. The immediate health impacts coupled with lockdowns, supply-chain disruptions, travel restrictions and economic uncertainty caused a historically significant and synchronised recession. Although the economic impact of the pandemic has been less severe than initially predicted, global GDP remains well below pre-pandemic expectations.

Central banks and fiscal authorities launched extraordinary and simultaneous measures to stabilise the banking system, to assist those left out of work and to support businesses in the most affected industries. These interventions helped prevent the dire economic consequences that were predicted at the start of the pandemic from coming to fruition. Effective COVID-19 vaccines have been developed in record time; their distribution has initiated the process of containing the virus' spread and entry into a post-COVID global recovery. The emergence of COVID variants continues to weigh on those prospects.

Each nation has managed the crisis with their own circumstances, but there are important emergent trends. One particular phenomenon has been the run up in house prices and the deterioration of housing affordability, driven by accommodative monetary policy, fiscal stimulus and the "race for space".

Table 1: Knight Frank Global Housing Price Index Ranked by Growth to Q2 2021

	12-Months	6-Months	3-Months
#1	Turkey	Turkey	Jersey
#2	New Zealand	Jersey	Turkey
#3	The United States	The United States	Canada
#4	Slovakia	Slovakia	The United States
#5	Sweden	Australia	Estonia
#6	Luxembourg	Canada	Slovakia
#7	Australia	Norway	Sweden
#8	Canada	Estonia	Hungary
#9	Netherlands	Netherlands	Iceland
#10	Russia	New Zealand	Australia

Source: Knight Frank Global House Price Index Q2 2021

International House Pricing

Given the enormous negative shock created by the COVID-19 it seems somewhat paradoxical that a consistent trend has been the run up of house prices in the developed world. According to the Knight Frank House Price Index, the global average house price has risen 8.2% to Q2 2021. This is the fasted rate of house prices growth since Q4 2006, during the height of the housing bubble in the United States. Of the 55 countries in the index, 18 countries recorded double-digit percentage growth rates over the year to Q2 2021.

Australia's growth over the 12-months to Q2 2021 was 7th fastest in the world, only behind Turkey, New Zealand, the US, Slovakia, Sweden and Luxembourg. Australian house prices also grew the 6th fastest over the 6-months to Q2 2021 and 10th fastest over the 3-months to Q2 2021. This growth is also in-line with other anglophone countries (highlighted in the graph), although New Zealand stands out with a massive 25.9% increase in house prices over the 12-month period.

A2. DOMESTIC TRENDS

Before the COVID-19 pandemic, housing affordability in Australia had deteriorated significantly in the lead up to the housing boom between 2014-2018. By 2019, the medium-term outlook signalled a forthcoming downturn as investment and construction volumes declined. Faced with the economic blow from COVID-19, it appeared that the housing industry would endure an amplified downcycle. Many of the largest financial institutions in the country also predicted a precipitous decline in house prices.[10]

With strong fiscal support, mortgage repayment holidays and accommodative monetary policy, house prices and housing construction roared back to life and became a strong economic engine for Australia's COVID-19 recovery. This coincides with broader movements around the developed world, including a desire to escape the danger of COVID in urban centres and move to the relative safety of suburban and rural areas.

In FY2021 new supply has bounced back to sit 30,000 completions above 25 year averages.

Over the year ending 30 June 2021, median rents have increase by 5% or more in 73.6% of Statistical Area Level 3s (SA3s)–roughly equivalent to your local government area–and by 10% or more in 31.9% of SA3s. Over the same period, median dwelling values increase by 5% or more in 92.1% of SA3s and by 10% or more in 72.4% of SA3s.

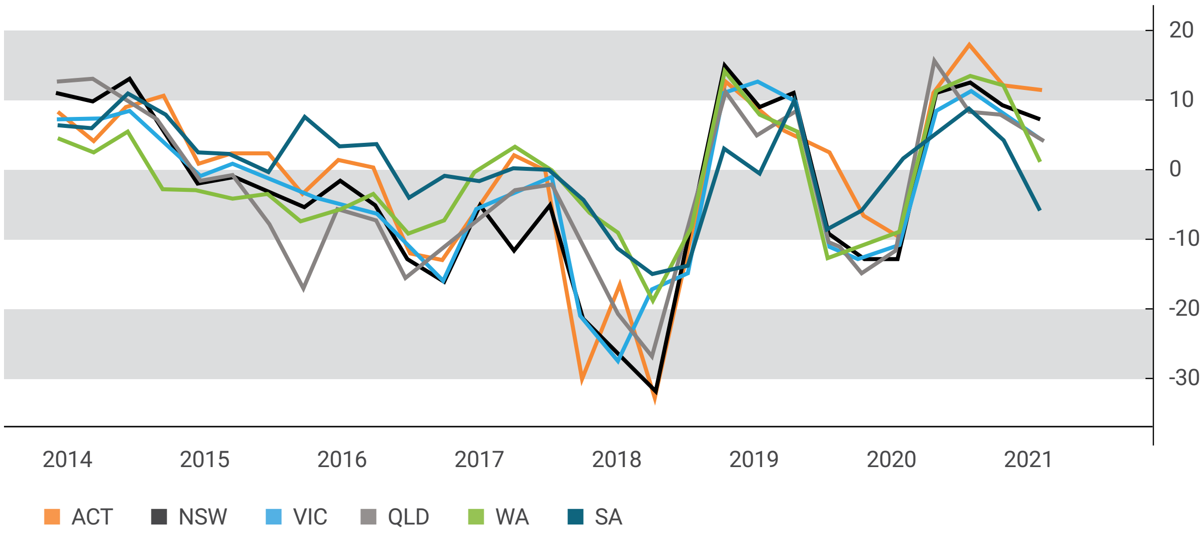
Pre-COVID Australia had 200,000 Australians on housing waiting lists and the affordability gap has only increased as a result of the latest pricing increases.

The rise in home values also significantly outstripped the rate of inflation (2.36%) and wage growth (3.17%) over the past two decades. With house prices sent rocketing skywards, social and affordable housing shortfalls have only grown.

Uncertainties linger about the future of Australian housing. Fiscal supports for the construction industry have come to an end. Accommodative monetary policy will eventually be wound back and with macroprudential buffers coming into effect.

It has been reported that finance will become harder to secure over the next 12 months, with property industry players expecting slightly higher interest rates, but also anticipating macroprudential controls to curb home loan availability, the latest barometer of property industry sentiment shows.[11]

Graph 1: Debt finance availability expectation (index)



Source: ANZ, PCA

> ***"Debt finance availability expectations dropped to their lowest in a year in the ANZ/Property Council Survey for the September quarter, which was surprising given the likely continuation of generally low borrowing costs."***
>
> ANZ senior economist Felicity Emmett, 29.9.2021

The next step from the previous EScan is to examine where the wages growth will come from and how a population-based slow-down will impact housing activity and the delivery of badly needed stock in 2022.

The effects of expatriates returning to Australia during the COVID-19 pandemic will pass. The closure of international borders has slowed population growth to its lowest rates since WWI[12] with border re-openings touted for late 2021 and early 2021. All of these indicate strong headwinds for the construction industry that has yet to build the affordable housing supply that Australia needs.

What is next

When considering the ABS Overseas Travel Statistics we can see a mammoth net 750,000 Australians enter the country since January 2020. Considering the long run trends there are around 435,000 Australians in the country that we wouldn't reasonably expect to be here without the COVID pandemic. These Australian expatriates coming home have created a surge in demand for housing with strong purchasing power. Since April 2020, this net flow of expats has all but stopped.

Meanwhile since January 2020, net 390,000 other visa classes have left Australia. Considering the pre-COVID migration trends there were around 700,000 visa classes that would have entered the country had COVID not occurred. With the borders not set to reopen until late-2021 and only opening slowly, this migration gap will continue to widen. Whilst expat demand is fuelling current activity, this activity will drop away without the visa class demand driving ongoing growth to see housing activity continue at buoyant levels.

Additional housing demand levers of first home buyers and domestic owner occupiers have also largely played out through this recent stimulus.

With a significant amount of new dwellings coming into the pipeline, there is likely more momentum left in the property market to potentially put a lid on prices and keep construction activity elevated through to the end of the 2021. The longer-term prospects for housing demand are more questionable. The uncertainty is: if there is not a significant population growth story, who are these new homes being built for?

Whilst demand has washed through the owner occupiers and first home buyers, the demand for affordability has only built up over the past two years and there could be a wave of investment if directly focused on long term affordable housing delivery.

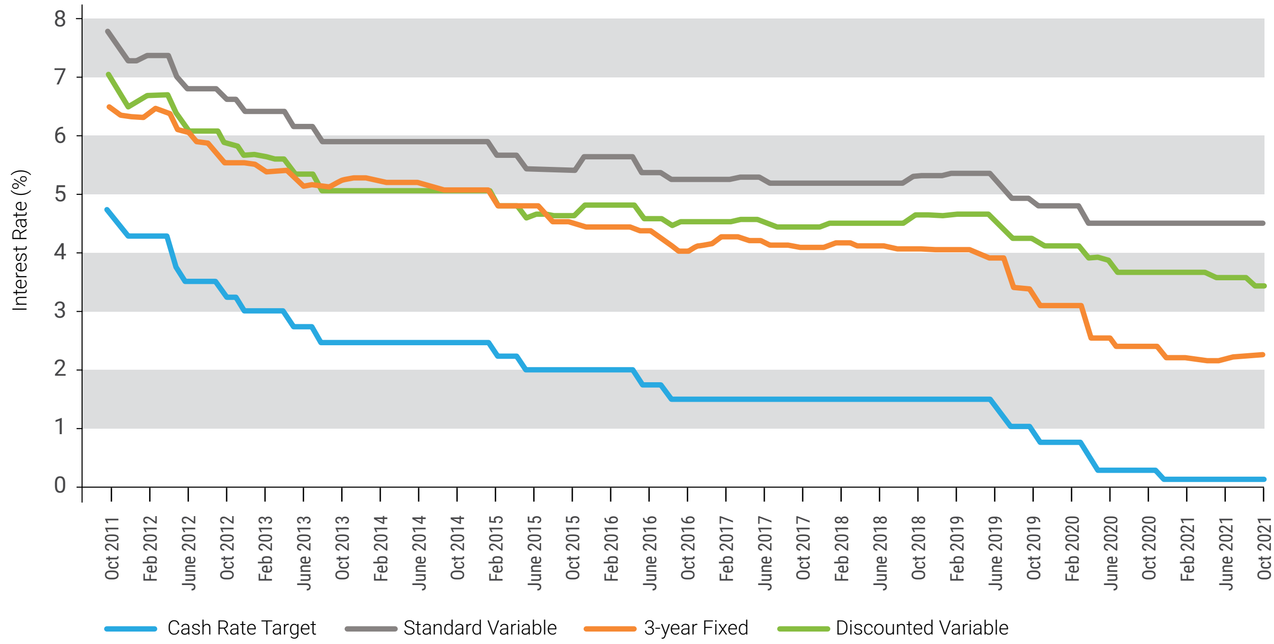
There is a need to think beyond recent stimulus to focus on a dedicated affordable supply with a lens to balance a situation that we have never faced as a country. Structured government backed equity investment could create 10-30,000 dedicated affordable homes if government backed with 4-7 percent returns to sure up the housing delivery pipeline as we get to an uncertain 2022-23 year ahead.

Interest Rates

In response to the global recession created by the COVID-19 pandemic, monetary authorities lowered short term interest rates, established quantitative easing provisions and announced various extraordinary funding facilities to lower borrowing costs for households, businesses and governments. Whilst these measures played a key role in bridging the gaps created by the negative economic shock, they also played an important role in raising home prices.

As interest rates were cut, households with existing mortgages were relieved of some of the financial stress of the COVID pandemic. However, home buyers were now faced with the opportunity to acquire large mortgages with extraordinarily low interest rates and thus repayment costs. This allowed home buyers, who are competing to acquire limited housing stock, to bid up house prices around the developed world.

Graph 2: RBA Cash Rate and Home Loan Rates



Source: RBA Indicator Lending Rates – F5

In Australia, home loan rates have been declining along with the consistent loosening of monetary policy. Over the past decade a standard variable home loan has fallen 3.27% points from 7.79% to 4.52%. The 3-year fixed home loan rate has fallen even more dramatically from 6.71% to 2.19% (a 4.52% decline). This reflects the Reserve Bank's commitment to maintain a 0.1% target on Australian Government Bonds until April 2024. With home loans rates at these unprecedently low levels, it is understandable that there has been a surge in housing demand as home buyers rush to lock-in low rates while they can.

The "Race for Space" and Work from Home

Another key trend in the COVID-19 period is what has been termed the "race for space".[13] The term refers to two key trends in housing markets of the developed world.

1. The shift in demand for housing from high density/units to low density/detached housing.
2. The shift in demand for housing from urban areas to regional areas.

Correlation between SA3 population density and…	FY2021	FY2017
Δ% SA3 Dwelling Rents	-0.48	0.20
Δ% SA3 House Rents	-0.35	0.24
Δ% SA3 Unit Rents	-0.53	0.14

Source: CoreLogic, July 2021 & ABS Census 2016

The specific impacts of COVID-19 help explain this phenomenon. COVID-19 transmits faster through areas that are characterised by crowds, close contacts and confined spaces.[14] To prevent the spread of the virus, governments introduced lockdowns, stay-at-home orders and social distancing measures.

The virus, and the measures used to contain it, disproportionally impacted city-dwellers. The difference between life under lockdown in an apartment complex of a major city versus a large single-family dwelling in the regions/urban fringes is stark. Ample yard space, large kitchens, exercising areas, dedicated video-conferencing rooms, etc. all suddenly gained an insistent desirability when people were forced to stay home to contain the virus' spread.

This has been coupled with the growth of remote work and home schooling, first as a response to the social distancing required to fight COVID and then as a viable option for those seeking the flexibility working/schooling from home provided. Unconstrained by the need to locate in urban centres for employment, workers, particularly urban professionals, moved out to regional areas. Evidence for this phenomenon can be found in the UK where the Resolution Foundation found that the areas with the lowest population density experienced the largest growth in house prices whilst the areas with the highest population density experienced the least.[15]

The same phenomenon can be seen in Australia when we analyse local area data (SA3s). In FY2017, growth in rents was positively correlated with high population density. This corresponds to the boom in the major cities in the mid-2010s, so it is unsurprising that rent increases correlate with higher population density. By FY2021, due to the effects of the COVID pandemic, this trend has strongly reversed. There is now a negative correlation between the change in rents and population density. This means that areas with a lower population density were associated with rent increases.

A3. AUSTRALIA'S HOUSING BOOM

Australia's Economic Situation

Despite the devasting impact COVID inflicted on the economy, Australia has been able to weather the economic downturn better than most countries. At the depths of the COVID recession, GDP contracted 0.3% in the March quarter and 7% in the June quarter. When compared to the UK whose GDP contracted 19.5% in the June quarter, Australia's economy has been let off lightly. Even with JobKeeper, the RBA in May 2020 was predicting that unemployment would peak at 10%.

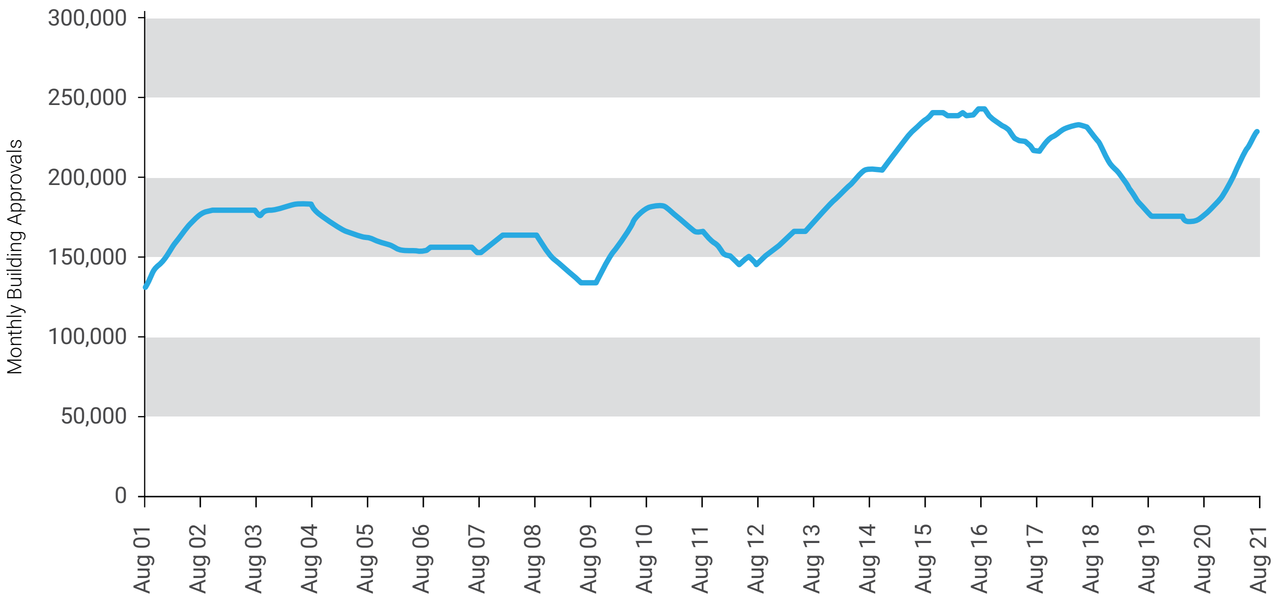
Fortunately, the worst did not materialise. Unemployment peaked at 7.4% and has been falling ever since, even as JobKeeper has been withdrawn. Fuelled by strong export demand and an early containment of COVID, the Australian economy has been growing since the second half of 2020. Australia remains one of the few countries that has a larger GDP than it did before the COVID pandemic.

The re-emergence of COVID in Australia has, however, caused further economic disruption. NSW, VIC and the ACT have re-entered a prolonged lockdown and there have been sporadic lockdowns/restrictions in other jurisdictions. It is too early to know what the full impacts of the latest outbreaks will be and how this will impact the reopening. The initial signs are not good with the number of employed people in NSW falling by approximately 98,000 in August.[16]

Construction Volumes

Before COVID-19, the housing construction industry was facing significant headwinds coming off the mid-2010s boom period as housing investment declined and macro-prudential intervention constrained housing credit growth. COVID-19 and the subsequent economic damage was expected to drive construction volumes even lower. Last year the HIA predicted housing commencements to fall to 112,000 in 2020-21, which would be the lowest level since 2000-01.[17]

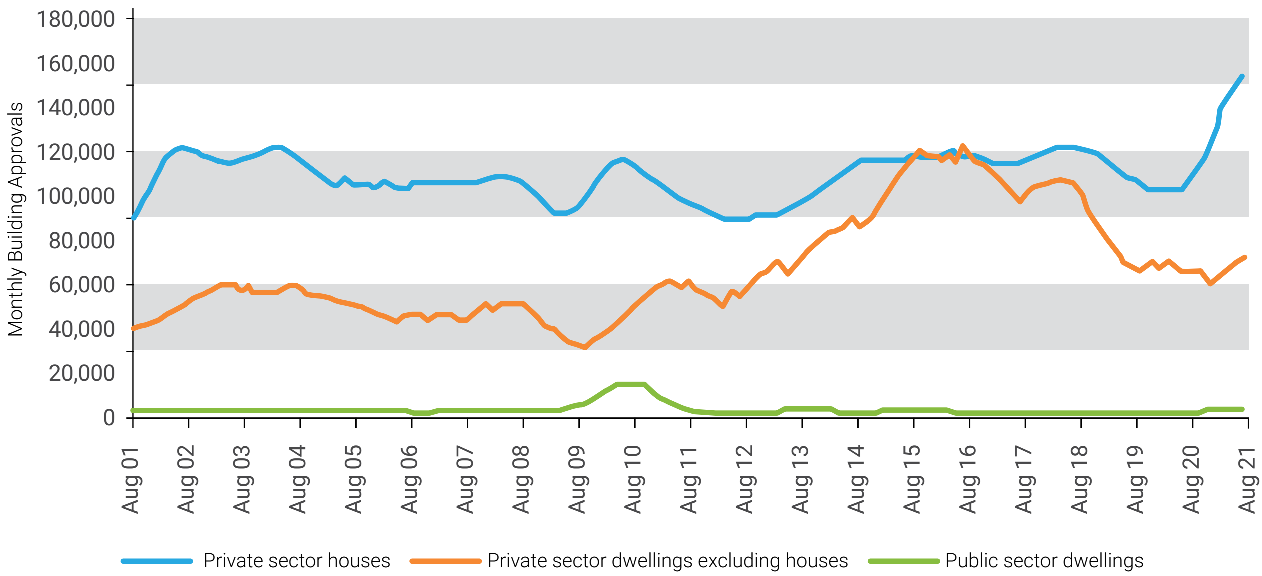
Graph 3: ABS Building Approvals 2001-2021 (Seasonally adjusted)



Source: ABS 8731.0

Federal and state governments announced various stimulus measures to prevent a "valley of death" scenario for the housing construction industry. These included the Federal Home Builder scheme, additional construction grants in WA and SA, instant asset write offs for small businesses including construction firms and other measures. This has combined with low interest rates and the COVID-19 "race for space" effect to help drive a strong rebound in housing demand. Building approvals have shot up since June 2020 and by March 2021 they exceeded the previous November 2017 peak. Although approvals have cooled off slightly, they remain significantly elevated from 2019 levels.

Graph 4: ABS Building Approvals by Dwelling Type and Public Private Sector (Seasonally adjusted)



Source: ABS 8731.0

Consistent with the "race for space", there has been a significant divergence between dwelling approvals for houses and other dwellings excluding houses (i.e. units). From June 2020, housing approvals have skyrocketed and by April 2021 they had almost doubled. There has been some modest growth in units, but it is far from the figures seen in the apartment construction boom 2014-18.

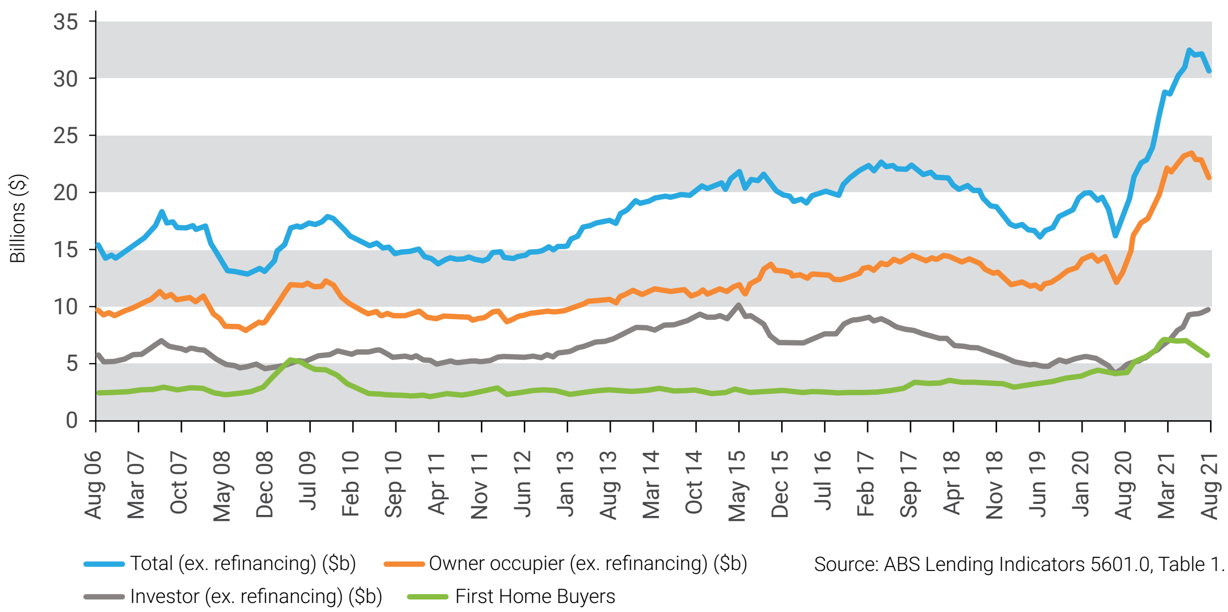
This extraordinary turnaround is not without its perils. This shift in housing construction, domestically and globally, has put significant pressure on the supply chains for materials. This has raised the costs of materials significantly, causing project delays and cost blowouts throughout the construction industry. The current indications are that it will take some time for these materials shortages to clear through.

"A stable dollar, recovering global supply chains and a downturn in domestic buildings will combine to pull construction inflation down from a spike of up to 8 per cent to just a quarter of that level next year."[18]

Monetary Policy and Housing Lending

Alongside the boom in housing construction there has been a surge in bank lending for home purchases or construction. Initially, lending took a sharp downturn that corresponds to the onset of the COVID-19 pandemic. Starting in August 2020, when the economy commenced re-opening from the strict lockdowns, new loans commitments took off. Prompted by low interest rates and the "race for space", home buyers rushed into the market (see graph).

Graph 5: ABS New Loan Commitments, Total Housing (Seasonally adjusted)

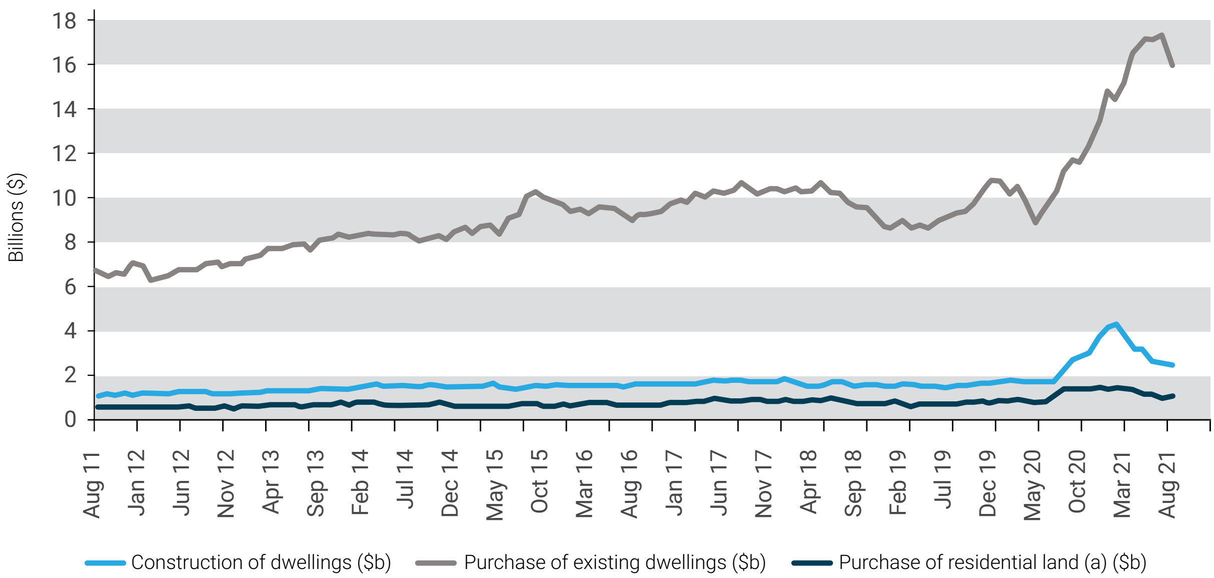


Source: ABS Lending Indicators 5601.0, Table 1.

During the previous housing boom monthly lending peaked at $22.65 billion lent in March 2017. With the most current data, lending has peaked at $32.57 billion in May 2021, which is an astounding 43.8% above the March 2017 levels. The primary driver of that growth has been the explosion in owner occupier lending. First home buyers have also made a big impact on the market. Prompted by the First-Home Loan Deposit Scheme (FHLDS), HomeBuilder and various other measures, first-home buyer lending exploded at nearly doubled its pre-COVID levels. At one point FHB lending made up 26.8% of all new loan commitments.

It should be noted that FHB lending has been declining whilst overall lending has continued to climb. If you exclude FHBs, owner-occupier lending has continued to grow and is more than double its level in May 2020. Investor lending has also risen precipitously. This is concerning as investor speculation can create systemic risks to the housing market. Regulators may intervene, as they did during previous peaks in investor activity, to bring investor lending under control. Future regulatory intervention is the reason behind Westpac's prediction of a house price correction in FY2023.[19]

Graph 6: New Loan Commitments by Purpose 2011-2021 (Seasonally adjusted)



Source: ABS Lending Indicators 5601.0

Consistent with the effects of housing stimulus, the lending indicators also show an increase in lending for new dwelling construction and land purchases. By far the largest increase in lending can be seen in the purchase of existing dwellings. This is consistent with the massive increases in house prices during the COVID pandemic.

Housing Activity

Redfern Development – SGCH (NSW)

ABS Building Activity released in October 2021 show a record June quarter in housing commencements, stimulated by HomeBuilder and low interest rates. This resulted in a massive 212,000 housing starts nationally, which is around 100,000 homes above previous FY2021 forecasts made at the beginning of COVID.

The 4th quarter June 2021 result of 65,000 commencements alone is the highest quarter of building activity since ABS started the records in 1984.

The record has been bolstered by Victoria being the lead state despite the tough lockdowns. Nationally the result was bolstered by low interest rates and 700,000 cohort of expats returning to Australia against an almost equal number of foreign departures.

Despite this result, the question to consider is for how long will this surge last and when will it have an impact on house prices in the long term.

Across the capitals and against the world's longest lockdowns, the Victorian commencements sees them out build every other state in FY2021 to contribute to this record activity.

We see that in New South Wales, and particularly in Sydney, activity is picking up momentum in the last quarter with 19,860 commencements compared to their activity earlier in the year.

At 13,799 new starts, South Australia also saw some green shoots recording its highest ever year of residential commencements.

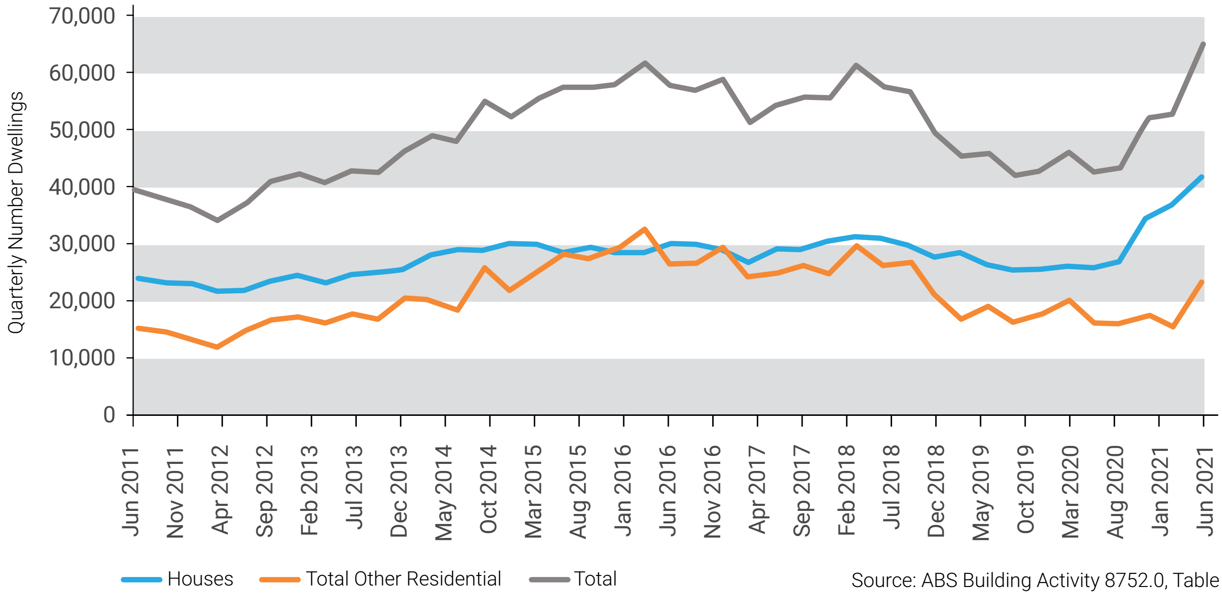
There are questions that remain about how long these record commencements will last amid low and declining population growth and when house price growth will come back to more stable quarterly rises.

Like praying for rain in a drought, we can only hope that house prices will come back to a stable growth trajectory, bringing some affordability back to the housing landscape.

This result also shows that housing policy such as HomeBuilder actually creates supply activity and 'turning the policy sod' for sustained affordable supply over a longer term period is critical to locking in any gains that should come through and to stabilising a future drop in activity.

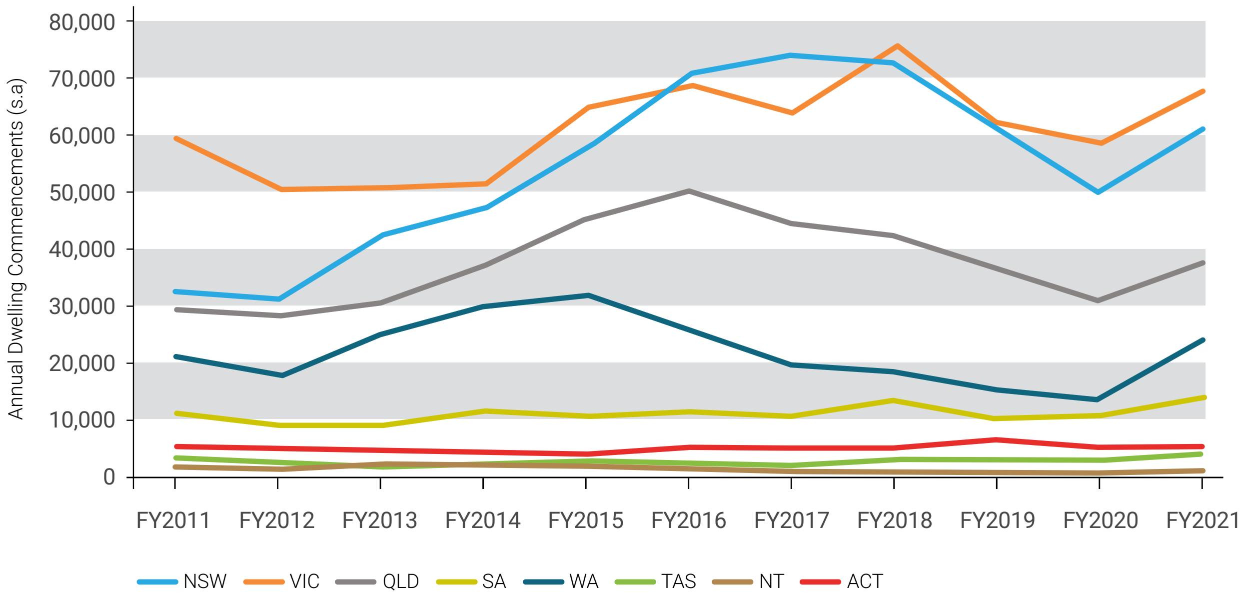
The post-COVID-19 reality is yet to show impacts on housing affordability, even at this heightened level of supply. There is a need to think beyond recent stimulus to focus on a dedicated affordable supply with a lens to balancing a situation that we have never before faced as a country.

Graph 7: Dwelling Unit Commencements (Seasonally adjusted)



Source: ABS Building Activity 8752.0, Table 33.

Graph 8: Annualised Dwelling Commencements, by State/Territory



Source: ABS Building Activity 8752.0, Table 35.

A4. FORECASTING THE FUTURE

Stimulus and Declining Affordability

The stimulus measures and the significant easing of monetary policy have both contributed to the housing boom. But applications for Homebuilder closed on 17 April and as that pipeline of work is completed there will be a concomitant decline in construction demand.

Mortgage rates currently remain at extraordinarily low levels, and they will likely remain low as monetary policy continues to ameliorate the economic disruptions caused by COVID.[20] Declining interest rates have fuelled the enormous growth in house prices over the past decade. If the decline in interest rates is arrested, it will become difficult for house prices to continue their staggering growth.

Aside from falling interest rates, other avenues to improve affordability such as strong wage growth remain elusive. Deteriorating affordability itself, aside from changes in mortgage rates, will also likely weigh on house price growth and act to rein in the market.

> ***"The unparalleled growth in home prices over the past year is expected to slow further, with the pool of buyers not deep enough to absorb the amount of stock sellers are likely to unleash once the lockdowns end. Buyers are already being left behind by the rapid escalation in prices, according to CoreLogic."*** [21]

> ***"All of this occurs in the context of a national workforce that is increasingly split into high earners with a shrinking middle-class. There will be no "median homes" that are an option for most Australians. There will instead be a housing market for high-income earners where margins are relatively high and a separate housing market for low-income earners where margins are scarily low. Markets will probably fail the low-income earners, which suggests that the need for social housing will continue to grow until the government is forced to act as a developer of housing for the least financially lucrative segments in the housing market."*** [22]

Overseas Migration & Population

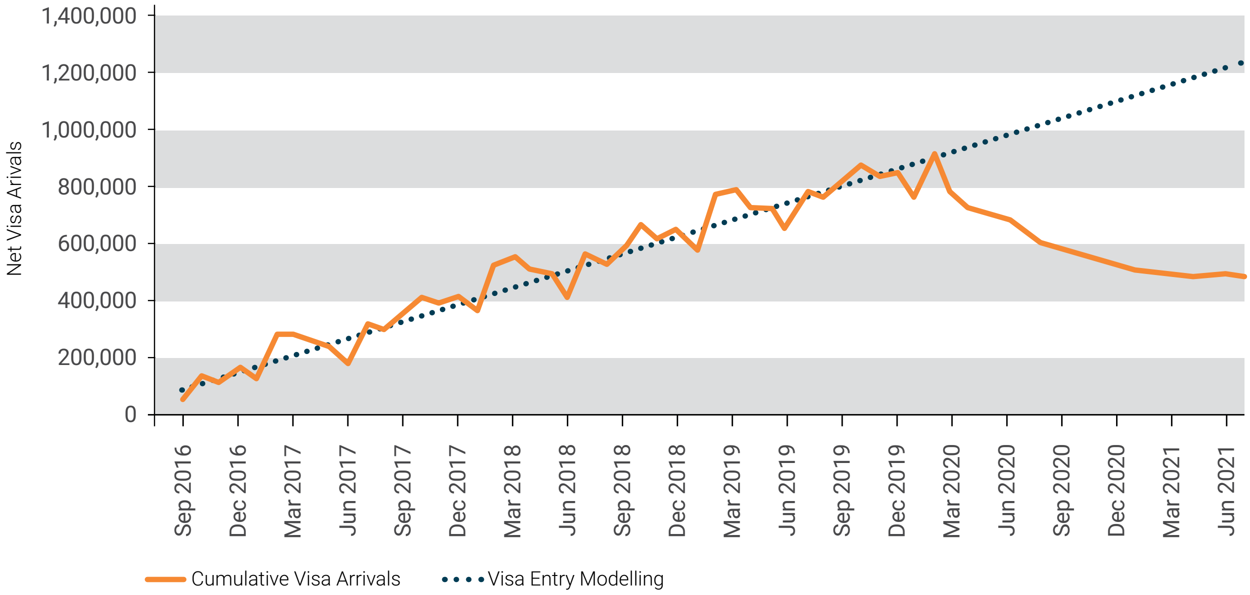
Year	Net Overseas Migration
2017-18	238,224
2018-19	241,338
2019-20	194,426
2020-21*	-97,000
2021-22*	-77,000
2024-25*	235,000

Source: ABS 3105.0 & *Budget FY2022

A key driver of the mid-2010s housing construction boom was the high levels of net overseas migration over that period. One startling impact of COVID-19 has been the near total shutdown of the Australian borders to international travel. Australia expats have been filtering their way back to Australia whilst migrants residing in Australia have been returning to their countries of origin. In aggregate, this has led to a stunning reversal of the migration trends of the past 25 years.

The most recent estimates from Budget 2022 predict that net overseas migration will fall from 194,426 in 2019-20 to -97,000 in 2020-21. This trend is predicted to continue with -77,000 net migration in 2021-22. Migration is only predicted to return to pre-COVID levels in 2024-25. In the longer term this has the potential to impact the housing construction sector as once the demand from returning expats, stimulus demand and "race for space" buyers clear through, there will a hole in demand where migration used to be.

Graph 9: Cumulative Net Visa Arrivals Since September 2016



Source: ABS 3401.0 Overseas Travel Statistics, Table 15.

The migration gap can be illustrated by plotting cumulative visa arrivals against the pre-COVID trend (see graph). According to this model, there were ~750,000 fewer people, as of Aug 2021, in the country than would be expected if COVID never happened. This gap will only widen the longer international borders, and migration, remain closed.

Recent HIA commentary highlights the lack of overseas migration as contributing significantly to a future decline in home commencements. HIA estimates put the number of detached housing commencements falling from 135,290 in 2020/21 to 93,770 in 2023/24, a 30.7% decline.[23] HSBC Global Research also highlighted declining migration as a reason that house price growth will moderate in 2022.[24] HSBC flags a growing surplus of housing stock, particularly in NSW and VIC, as new housing builds outpace the growth in demand without population growth from migration. The NSW Treasury, in the FY2022 budget papers, also flagged oversupply as a risk.[25]

> ***"The company's quarterly Australia Residential Real Estate Report analysed the real estate markets that were suffering most from the international student drought, finding Victoria is the biggest loser when it comes to lost international student university revenue and property market impact followed by NSW and Queensland. Australia wanted to be part of global markets and it was crucial to start opening back up, including a return to net migrations levels of about 200,000 people per annum."*** [26]
>
> Tony Lombardo, CEO Lendlease, 23, Sept 2021

But the prospects of Net Overseas Migration from the Other Visa Classes will still be some time away after lockdown and freedom of movement starts to occur.

"As travel reboots, airlines will need time to restart their services this will likely push the large-scale return of foreign students to Q2 2022, just in time for the second academic term of the year. Our best estimate is that Australia will get back to 75 per cent of 2019's resident international student population in 2022, but that getting back to 100 per cent will take until 2024 or 2025." [27]

Georg Chmiel, Juwai IQI Group Executive Chairman, 23 Sept 2021

Foreign Investment

In the mid-2010s, foreign investment helped see the levels of new stock development soar through the roof. It was built on a undersupply across Australia, particularly in states such as NSW that was recording 5-30 per cent annualised gains for 15 years, which were a beacon for international investors.

Whilst predominantly multi-residential unit, foreigners purchased for investment, student housing and sold off in some cases. This activity certainly underpinned the feasibility of that unit tower to come out of the ground.

Foreign investment approvals in residential real estate have plummeted from 40,141 approvals in 2015-16 to 7,056 approvals in the latest reporting period of 2019-20, down from $72.4 billion in approvals to $17.1 billion over the same period.

This represents a reduction of $55.3 billion in the value of Foreign Investment Review Board approvals. Although it must be noted that not all investment approvals translate into actual purchases of dwellings, these figures suggest a huge decline in demand in residential real estate from foreign buyers.

Most of the approvals granted during the 2015-16 boom and subsequent years have been in the areas of Victoria and New South Wales with strong population growth. These growth areas, particularly high-density apartment districts in capital cities, have been hit hard by COVID and are no longer producing strong investment returns.

China used to be the largest investor in Australian residential real estate, particularly during the peak year of 2015-16. China has since fallen to third largest residential real estate investor, behind the United States and Singapore, as Chinese investment has waned. There is still a considerable amount of residential real estate held by Chinese investors. Faced with souring political relations, tightening rules about lending to foreign investors, a weakening apartment market, and a crackdown on capital outflows by the Chinese government, there are questions around the willingness of Chinese investors to resume purchasing Australian assets.

Table 2: Residential Real Estate Approvals

	2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
	No.	$bn	No.	$bn	No.	$bn	No.	$bn	No.	$bn	No.	$bn	No.	$bn
Developed	7,920	7.5	9,247	11.5	5,877	7.3	2,008	3	1,615	2.4	1,313	1.8	1,105	4.6
For Development	18,284	29	27,594	49.2	34,264	65.2	11,190	27.1	8,421	10.2	6,074	12.9	5,660	12.2
Total	26,204	36.5	36,841	60.7	40,141	72.4	13,198	30.1	10,036	12.5	7,513	14.8	7,056	17.1

Source: Foreign Investment Review Board – Foreign Investment Approvals, June 2021

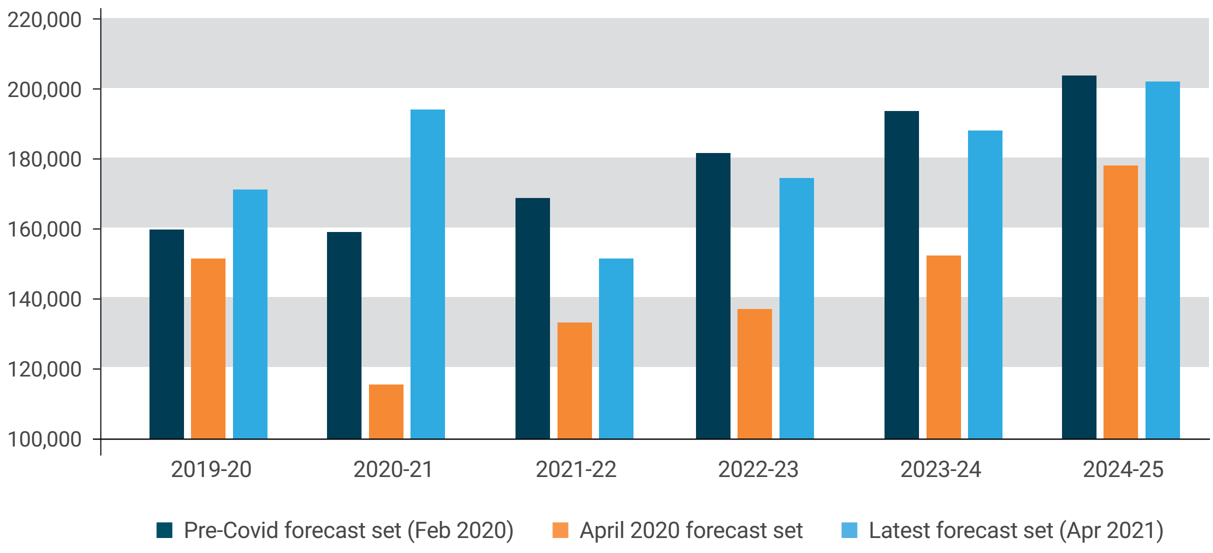
It is not looking like there will be significant growth to underpin the next phase of developments.

> ***"Most of the buildings that Chinese groups snapped up in the boom remain in their hands but the developers' dreams of becoming a new force in Australia have been all but shattered. They faced a toxic mix of bad political relations, a tough industry, the apartment crash and China's crack-down on capital going offshore for luxury projects. They also paid too much for apartment sites, particularly around inner Sydney. Some major Chinese players quietly received a call to go home."*** [28]
>
> From the Australian, Chinese developers beat a hasty retreat (12/8/21)

Future demand and supply expectations

Forecasting new housing starts has been noted in previous editions as being a challenging task and whilst additional forecasts change based on the latest components of supply and demand, the following report shows an expected decline in activity with a slow build thereafter.

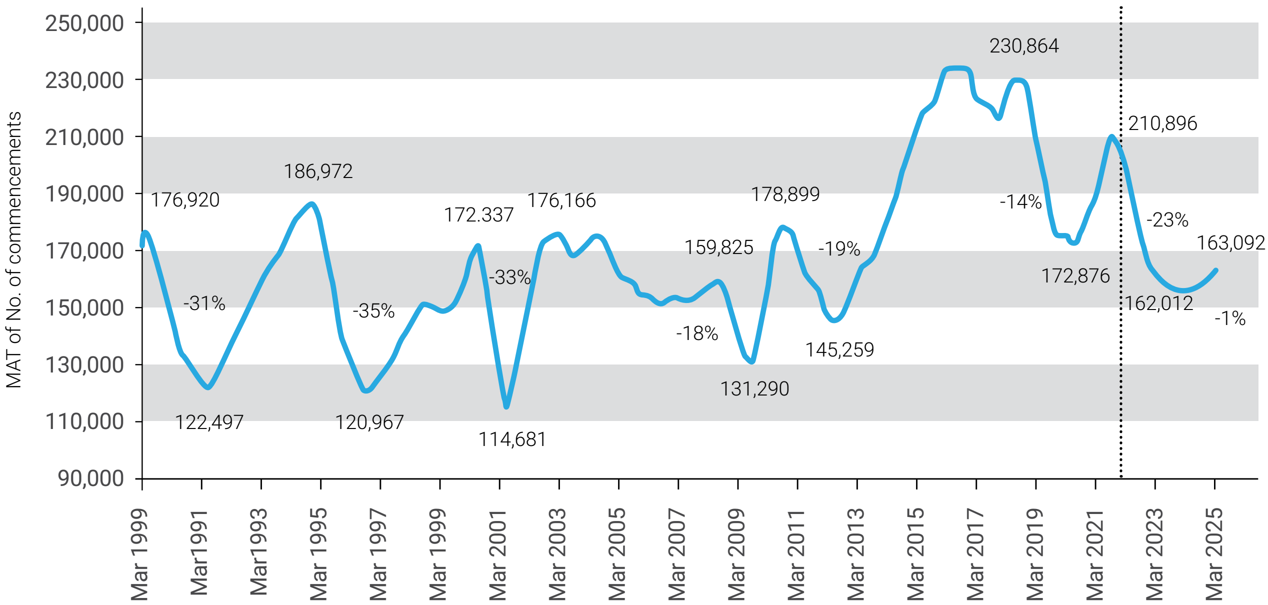
Graph 10: Comparison of Master Builders Australia forecasts for total new dwelling starts to 2024-25



Source: Master Builders Australia, May 2021

Additional updates across future periods are likely to see increases to the FY2022 year forecasts but how the housing activity fares thereafter is to be considered with a likely draw forward of demand, to potentially see lower numbers in FY2023 and FY2024.

Graph 11: Dwelling Commencements / HIA Forecasts - Australia



Source: ABS 8572, HIA

Despite the strong outlook for the next twelve months, without a return of demand for new housing from overseas migration, there will be a decline in new home commencements over the next few years. For these forecasts, we assume that migration starts returning from mid-2022 and results in a growth rate of 1.5 per cent by 2024/25. Even with this expected return of population growth, the current volume of new home commencements will not be sustained.

A decline in commencements of new detached homes should be anticipated from mid-2022 when homes initiated by HomeBuilder are nearing completion. It is anticipated that there will have been 135,390 detached dwellings starts nationally in 2020/21, representing a growth of 32.5 per cent over the previous financial year. This is a record for the number of starts in a 12-month period. We anticipate that it will be a short-lived record with detached starts in the 2021 calendar year to exceed 143,100.

This record is unlikely to be broken within the next decade. It is expected there will be 125,030 detached starts in 2021/22, a decline of 7.7 per cent from 2020/21. From mid-2022, however, adverse impacts will emerge from two years of lost population growth, higher building costs and a shadow of demand created by HomeBuilder. This will impair the detached sector with the number of starts falling back below the average of the past decade. This will be compounded by a rise in interest rates from mid-2023.[29]

Beyond Housing (VIC)

As noted by one of the nations largest builders Simonds Homes, land supply is the one component we can target that can drive this price trajectory downward. To improve the bias to increase more home delivery from estimates made there is a need to remove the barriers to land supply and housing affordability by:

- Releasing dormant public land
- Unlock serviced idle land and redevelop old social housing stock
- Expedite planning approval by way of fast tracking 'social and affordable housing'
- Improve urban land use rules to increase housing footprint allowances (e.g. 70/30 or 80/20 for medium density and dual key residences on one parcel)
- Incentivise development pipelines to provide a quantum of below market priced lots, salt and peppered throughout their developments, that have a memorandum on title to be retained as such. Incentives by way of increased dwelling capacity per hectare dependent on affordable stock made available and or comfort around the asset and tenancy management measures are some considerations.

Highlighting the effects of reduced land supply, land prices have increase by 8.5% over the year to June 2021, which is more than twice the rise in the cost of home building materials (4%).[30]

City West Housing - Tenant Engagement Day

B Section B – Housing Activity and Affordability Today

The latest house price rises have been truly dramatic. Australians have experienced housing booms before, notably in the mid-2000s and mid-2010s, but the rapidity of this latest housing boom has been unprecedented. The housing boom has also hit areas that have normally been spared the most extreme price rises, namely regional areas. Although lower interest rates and various government supports initially eased the burden of high housing costs, households are experiencing declining housing affordability.

It is clear that there is a desperate need for new social and affordable housing. Social housing waiting lists continue to grow. Rental and mortgage stress has been masked by low interest rates and low interest to payments ratios. The challenge in many cases is around rising values and the affordability challenge rests around raising a deposit. Rental unaffordability for the most vulnerable has reached unprecedented levels. Key workers, who were essential to guiding Australia through the COVID pandemic, are being shut out of major cities. Homelessness continues to rise.

Over the past year, lot prices have increased by 8.5% nationally, rising by 27% in Sydney and 80% in greater Hobart. Over the past decade Sydney land prices have increased from under $300,000 to $546,000 and Hobart from just over $100,000 to $341,000. This puts Hobart on a par with Melbourne for land prices.[31]

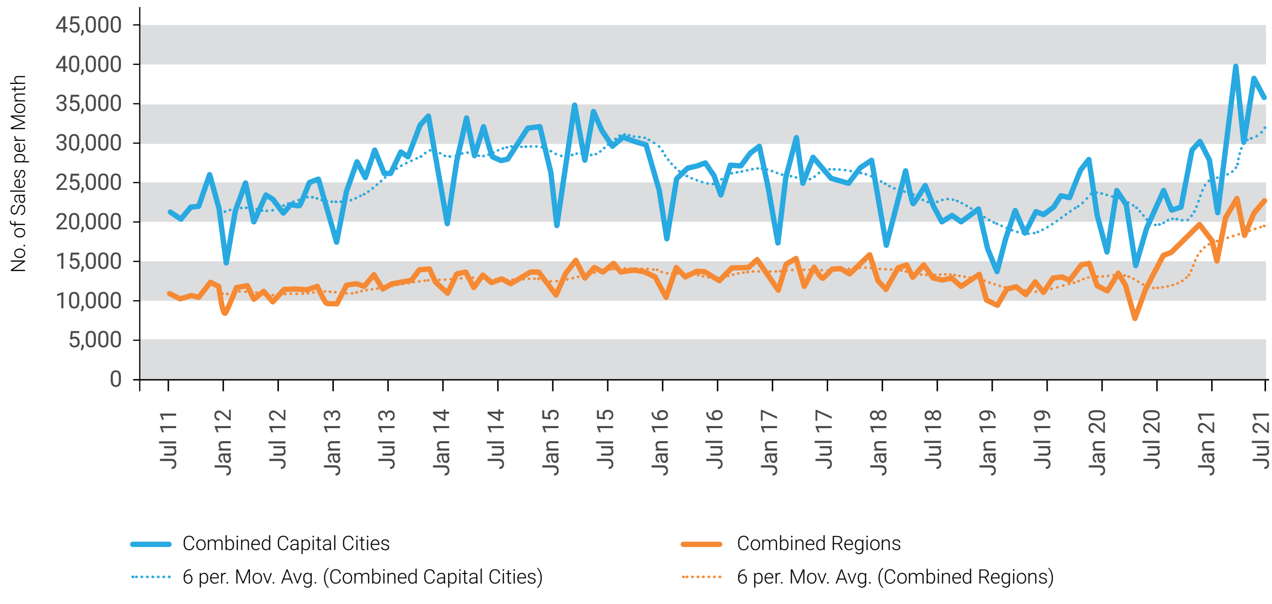
B1. THE VANISHING AFFORDABLE HOUSING MARKET

Housing affordability was already under strain prior to the COVID-19 pandemic. With the latest increases in housing prices, it appears that the affordable segment of the housing continuum will be further pressured.

Graph 12: Auction Clearance Rates

Source: CoreLogic, October 2021

Graph 13: Dwelling Sales Volumes



Source: CoreLogic, July 2021

Dwelling Values Over the Past Twenty Years

Over the past twenty years the median value of a capital city dwelling has risen by $524,291 or 258.1%, with a larger (300.3%) lift in house values relative to units (+207%).

On an annual compounding basis, capital city home values have been rising by 7.2% per annum over this period, although increases in home values were much stronger over the first decade (between 2001 and 2011, capital city dwelling values rose by +139.8%) than the second (+67.6% between 2011 and 2021). The rise in home values also significantly outstripped the rate of inflation (2.4%) and wage growth (3.2%) over the past two decades.

Table 3: 20 year property value change

Median dwelling values over the past twenty years

Month	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Combined capitals	National
30/06/2001	$310,102	$216,100	$155,263	$142,974	$158,790	$108,847	$156,617	$183,466	$203,136	$174,039
5yr change	69.0%	76.9%	21.4%	37.3%	30.1%	7.0%	n.a.	40.0%	52.4%	40.6%
30/06/2006	$424,230	$321,534	$323,944	$271,131	$409,395	$268,943	$292,255	$367,695	$357,697	$333,755
5yr change	36.8%	48.8%	108.6%	89.6%	157.8%	147.1%	86.6%	100.4%	76.1%	91.8%
30/06/2011	$518,013	$480,412	$412,447	$372,804	$461,298	$327,830	$483,168	$499,278	$458,384	$413,480
5yr change	22.3%	49.4%	27.3%	37.5%	12.7%	21.9%	65.3%	35.8%	28.1%	23.9%
30/06/2016	$781,608	$583,037	$484,332	$406,796	$488,981	$340,369	$480,116	$518,167	$584,107	$492,779
5yr change	50.6%	21.4%	17.4%	9.1%	6.0%	3.8%	-0.6%	3.8%	27.4%	19.2%
30/06/2021	$994,298	$753,100	$586,142	$508,712	$523,673	$607,960	$475,083	$770,873	$727,427	$645,454
5yr change	27.2%	29.2%	21.0%	25.1%	7.1%	78.6%	-1.0%	48.8%	24.5%	31.0%

Median house values over the past twenty years

Month	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Combined capitals	National
31/06/2001	$315,648	$223,523	$156,507	$152,076	$162,869	$114,167	$169,847	$192,149	$199,154	$169,567
5yr change	70.8%	72.8%	22.7%	40.0%	31.2%	9.6%	n.a.	38.4%	49.9%	39.0%
31/06/2006	$468,575	$346,863	$337,424	$287,431	$424,588	$285,761	$324,769	$391,691	$376,756	$345,192
5yr change	48.4%	55.2%	115.6%	89.0%	160.7%	150.0%	91.2%	103.8%	89.2%	103.6%
31/06/2011	$582,203	$517,146	$430,714	$393,708	$477,333	$342,369	$528,251	$537,554	$476,025	$412,380
5yr change	24.2%	49.1%	27.6%	37.0%	12.4%	19.8%	62.7%	37.2%	26,3%	22.1%
31/06/2016	$889,900	$688,117	$518,330	$436,706	$516,075	$365,002	$536,845	$573,631	$618,785	$503,599
5yr change	52.9%	33.1%	20.3%	10.9%	8.1%	6.6%	1.6%	6.7%	30.0%	19.5%
31/06/2021	$1,224,613	$929,769	$657,551	$551,538	$547,215	$652,092	$567,842	$877,311	$797,287	$682,728
5yr change	37.6%	35.1%	26.9%	26.3%	6.0%	78.7%	5.8%	52.9%	28.8%	35.6%

Median unit values over the past twenty years

Month	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Combined capitals	National
31/06/2001	$305,226	$207,766	$150,509	$108,050	$138,670	$89,760	$136,511	$157,277	$199,154	$189,853
5yr change	67.2%	87.1%	15.9%	22.2%	28.5%	2.1%	n.a.	38.0%	47.8%	46.0%
31/06/2006	$376,500	$291,615	$275,329	$212,538	$329,708	$217,678	$232,938	$306,215	$316,663	$304,686
5yr change	23.4%	40.4%	82.9%	96.7%	137.8%	142.5%	70.6%	94.7%	59.0%	60.5%
31/06/2011	$473,938	$441,556	$363,758	$311,628	$387,370	$278,047	$388,177	$416,902	$424,380	$393,660
5yr change	25.9%	51.4%	32.1%	46.6%	17.5%	27.7%	66.6%	36.1%	34.0%	29.2%
31/06/2016	$695,123	$499,179	$404,288	$317,393	$424,005	$285,140	$367,495	$403,776	$523,796	$467,154
5yr change	46.7%	13.1%	11.1%	1.8%	9.5%	2.6%	-5.3%	-3.1%	23.4%	18.7%
31/06/2021	$794,193	$610,043	$415,536	$359,359	$394,059	$492,748	$337,048	$501,754	$611,117	$568,853
5yr change	14.3%	22.2%	2.8%	13.2%	-7.1%	72.8%	-8.3%	24.3%	16.7%	21.8%

Source: CoreLogic, July 2021

Proportion of Homes Sold Under $400k

The past five years has seen a reduction in the proportion of homes selling at a price point lower than $400,000. Nationally, the proportion of houses sold under $400k reduced from 44.7% in 2011 to 23.7% in 2021, while unit sales under $400k reduced from 48.2% to 28.7%.

Table 4: Sales by price point, 12 months to June 2021

% sold under $400k	Houses			Units		
	2011	2016	2021	2011	2016	2021
Sydney	24.8%	4.7%	2.9%	32.4%	7.0%	5.6%
Melbourne	30.5%	19.0%	1.4%	39.1%	28.3%	12.9%
Brisbane	35.2%	29.5%	19.7%	56.1%	46.4%	46.9%
Adelaide	48.3%	40.4%	25.4%	77.5%	72.7%	53.8%
Perth	29.7%	22.4%	26.8%	46.3%	39.5%	51.2%
Hobart	64.8%	59.0%	16.2%	81.5%	75.1%	37.3%
Darwin	30.9%	19.7%	17.7%	48.9%	30.7%	68.9%
Canberra	30.0%	12.4%	2.7%	41.8%	43.8%	27.8%
Combined capitals	31.9%	20.3%	11.9%	41.5%	26.2%	21.4%
National	44.7%	33.1%	23.7%	48.2%	34.9%	28.7%

Source: CoreLogic, July 2021

Perth, where house prices have moved through a sustained decline, was the only capital city to record a rise in the proportion of house selling under $400k between 2016 and 2021. Some cities have seen a substantial reduction in affordably priced homes, with house sales under $400k comprising the smallest proportion in Melbourne (1.4%), Sydney (2.9%) and Canberra/ACT (2.7%).

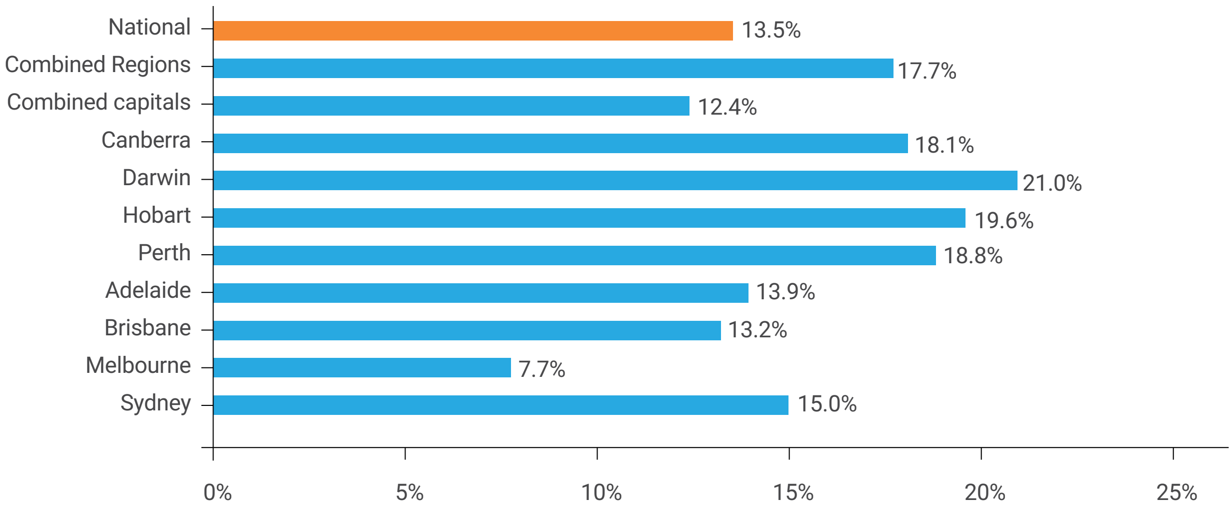
Hobart stands outs due to the magnitude of its affordability decline. In 2011, Hobart was the most affordable capital city with 64.8% of its houses and 81.5% of its units sold under $400k. By 2021, those numbers had declined so that only 16.2% of houses and 37.3% of apartments sold under $400k. That pushed Hobart behind Brisbane, Adelaide, Perth and Darwin in this affordability metric.

FY2021 Property Prices

According to CoreLogic, in the 12-months to June 2021 national dwelling values increased by 13.5%. Seven of the capital cities–Canberra, Darwin, Hobart, Perth, Adelaide, Brisbane and Sydney–have recorded double digit price growth. Consistent with the "race for space", regional dwelling values have increased significantly faster than in the capital cities–17.7% growth versus growth 12.4%. Also consistent with the "race for space" has been the divergence of unit and house price increases. Although dwelling prices increased 13.5% nationally, units only increased 6.8% whilst houses increased 15.6%.

For many Australians, including the rising number of renters, their prospects for well priced, stable and quality housing are diminishing. Sydney is a prime example where the median house value is now just over $1.3 million. In order to raise a 20 per cent deposit, the typical Sydney house buyer would need around $262,300.

Graph 14: Change in dwelling values, 12 months to June 2021

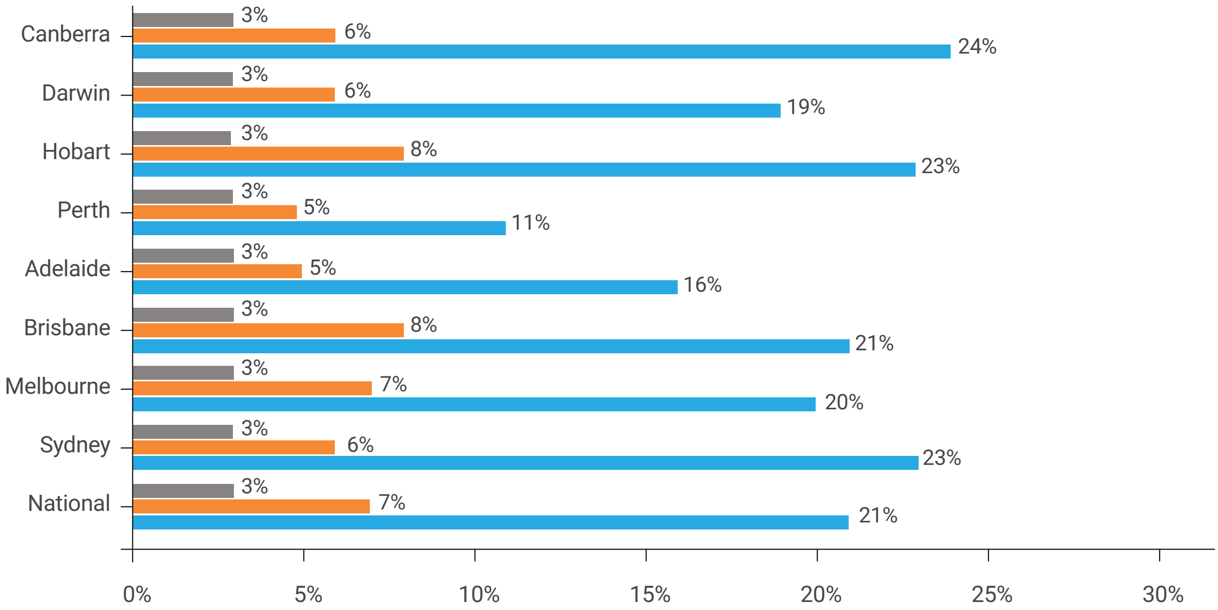


Source: CoreLogic, July 2021

House price forecast by capital city

Much of the increase has occurred in the first half of 2021 and the predictions for the rest of 2021 indicate that prices will continue to grow substantially. ANZ is predicting that dwelling prices will increase 21% over the 2021 calendar year with double digit growth in every capital city. ANZ does predict that price growth will slow in 2022, but they will still remain in the high single digits. Dwelling price growth will only moderate in 2023.

Graph 15: Dwelling Price Growth Forecast, ANZ



Source: ANZ Research[32]

On top of FY2021 rises ANZ is expecting prices to continue rising over the next two years, albeit at a slower pace. The lockdown has failed to dampen buyer demand, with investors returning to the market and auction clearance rates holding firm amid falling listings.

ANZ is expecting house prices nationwide to rise by 7 per cent in 2022 and by a smaller 3 per cent in 2023 – a rosier forecast compared to Westpac, which is forecasting home values to rise by 5 per cent next year and drop by 5 per cent in 2023. Sydney house prices in 2022 are set to rise by 6 per cent, Melbourne by 7 per cent, Brisbane by 8 per cent, Adelaide by 5 per cent, and Hobart, Darwin and Canberra by 6 per cent each. By 2023, all capitals are predicted to post 3 per cent house price gains each.

"Sales are at very high levels, while the stock on the market is very low, so I think that tightness in the market will see house price gains continue for the rest of this year. The housing sector remains in very good shape and I think there's quite a lot of resilience in the market. National house prices continue to rise strongly, even in Sydney where increasing levels of mobility restrictions have been in place since June responding to the rising number of delta COVID-19 cases. Interest servicing costs are much lower, savings buffers are much higher and household balance sheets are in a very good order, which I think are being reflected in the resilience in the market." [33]

Felicity Emmett, ANZ senior economist, AFR 26 August 2021

Year	ANZ Dwelling Price Growth	CBA Dwelling Price Growth	Westpac Dwelling Price Growth
2021	21%*	24%*	18%*
2022	7%*	7%*	5%*
2023	3%*		-5%*

Westpac concurs with ANZ and expects strong house price growth through 2021 before slowing in 2022.[34] However, in 2023 Westpac predicts house prices to fall across the country with the steepest declines in Melbourne and Sydney. They find that these falls will come as a result of stretched affordability, rising interest rates and macro-prudential tightening.

First Home Buyers

"First home buyers are pulling out of the market, and they're being replaced by investors. Clearly the price rises that we've seen, particularly through this year, I think, just make it really difficult for first home buyers."

Felicity Emmett, ANZ senior economist, AFR 26 August 2021

Macro prudential

An increasing nervousness about the ability of those with mortgages to pay the loan is causing concern. More than two in five homebuyers lied on their mortgage application as they chased the fast-rising property market, according to UBS.

The share of home loans that are not completely factually accurate has jumped by 3 percentage points to a record 41 per cent from a year ago and well above the 27 per cent recorded in 2015.

Among the biggest areas of inaccuracies include borrowers inflating their income and assets and understating their debts and living expenses when applying for a mortgage. Those who are overstating their income by more than 25 per cent had climbed by 17 percentage points to 29 per cent compared to a year ago. Borrowers who inflated the value of their assets surged more than threefold to 25 per cent.

"Overall, it suggests a material deterioration of lending standards," the UBS economists wrote. [35]

The Reserve Bank of Australia has warned it may be necessary to clamp down on household debt-to-income levels as growing debt driven by booming property prices could increase the risk of financial instability.

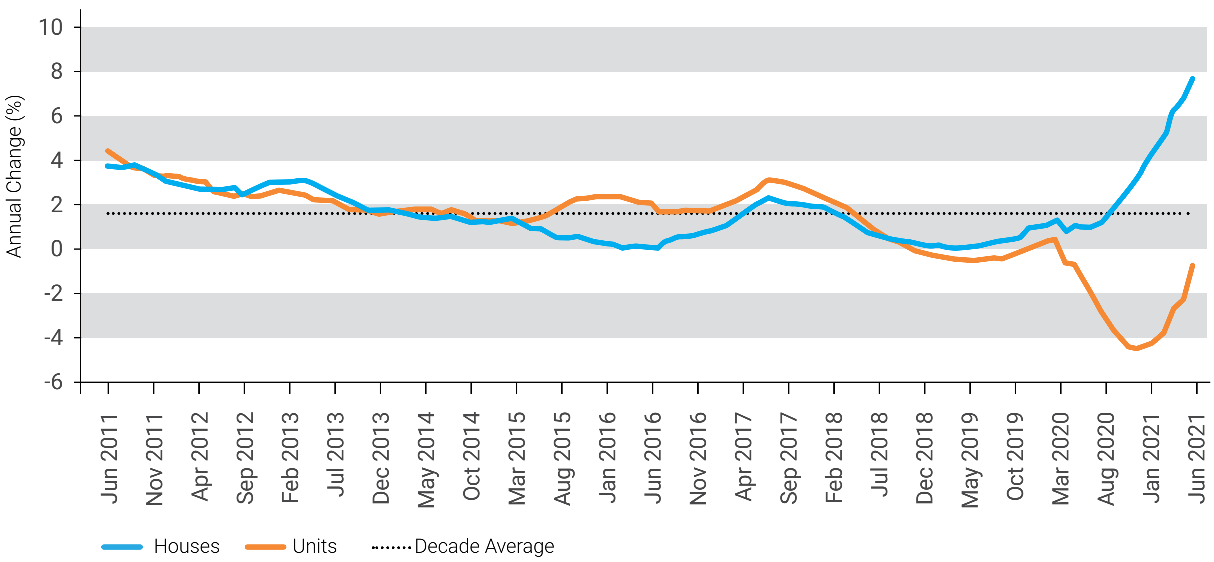
"Sharp rises in housing prices that are not associated with fundamentals could lead to instability by raising the risk of subsequent decline." [36]

RBA assistant governor Michele Bullock, AFR 23 Sept 2021

Rental Rates

Rental rates had been relatively soft over the few years before the COVID pandemic. Indeed, in a brief period over 2018/19, unit rental rates would decline as the apartment boom in the major capital cities cooled off. Rents were starting to rise again as the COVID pandemic hit, from which point there was a major divergence. Unit rental rates plunged whilst rental rates for housing surged.

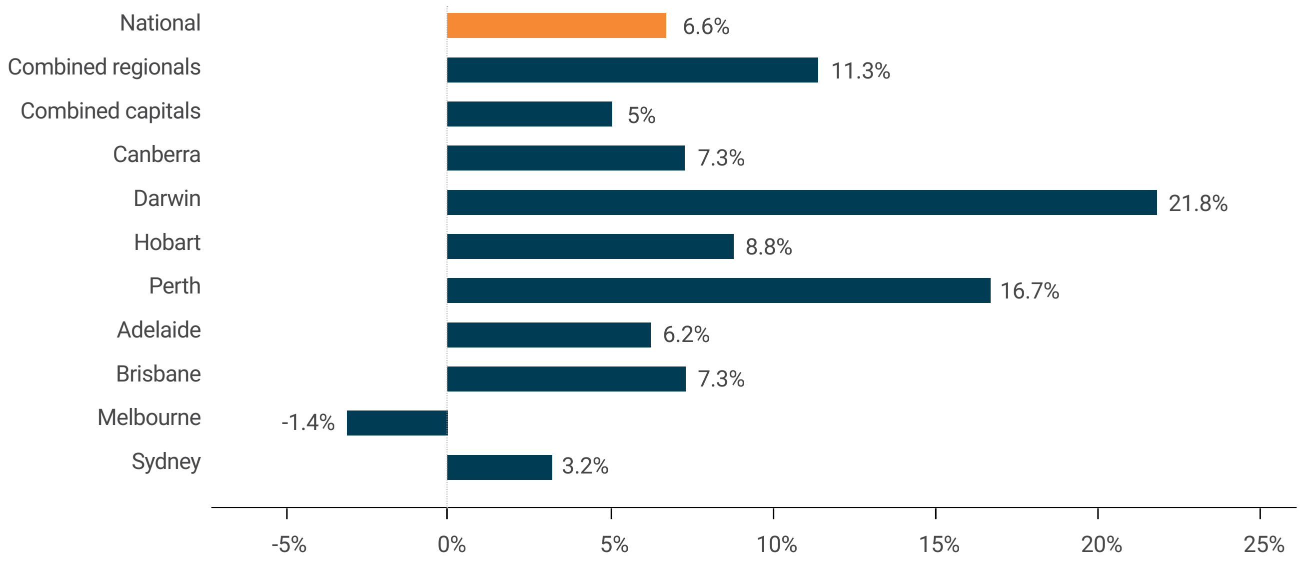
Graph 16: Rental Rates, Combined 8 Capital Cities



Source: CoreLogic, July 2021

Much of this divergence is explained by regional variations. Sydney and Melbourne, the two centres of apartment construction in the last boom, were hit hard by COVID. This is reflected in the change in rental costs which were modest in Sydney (3.2%) and were negative in Melbourne (-1.4%). Like with dwelling prices, regional rents increased substantially more in the regions than in the combined capital cities–11.3% growth versus 5%.

Graph 17: Change in Rents, 12 months ending June 2021

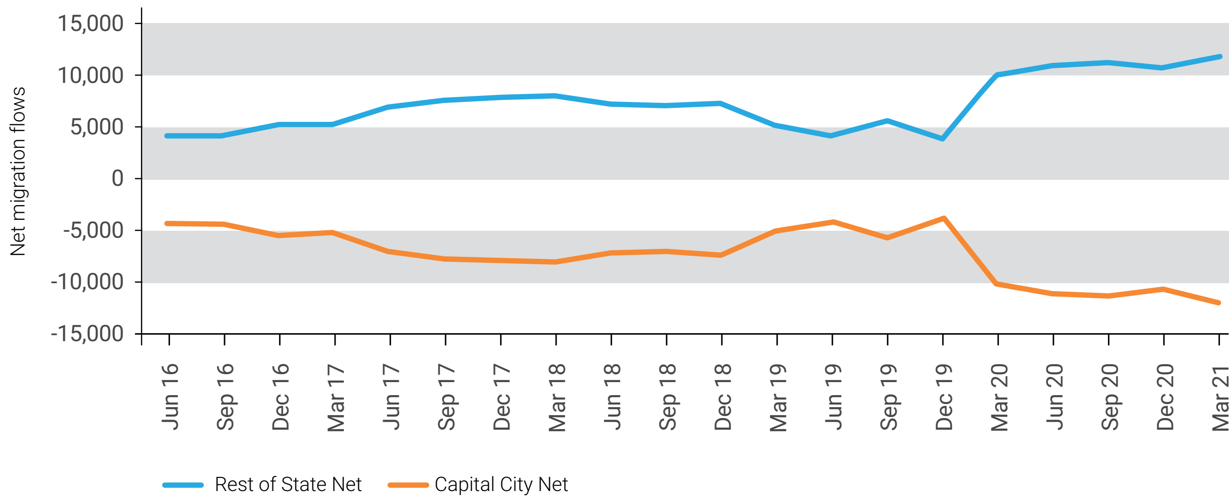


Source: CoreLogic, July 2021

Regional Migration

As mentioned in the section on the "race for space", there has been shift in demand for housing from urban areas to regional areas across the developed world. This phenomenon has played out in Australia too. As COVID-19 has wrought havoc on Australia's metropolitan centres, particularly Melbourne and Sydney, Australians have sought refuge by migrating to regional areas. ABS internal migration estimates show this quite clearly. In the March quarter of 2020 migration out of the capital cities and into the regions rises sharply. It has continued to remain elevated.

Graph 18: Internal Migration Balance



Source: ABS Regional internal migration estimates, provisional, Mar 2021.

The Regional Institute of Australia and the Commonwealth Bank collaborated to put together the Regional Movers Index. The Index tracks the movement of people between the capital cities and the regions and has confirmed much of the "race for space" phenomenon. The index recorded a 66% increase in net migration to regional areas since March 2020. The largest annual migration growth has occurred in Noosa, the Southern Downs, Port Macquarie-Hastings, Launceston and the Fraser Coast. Unsurprisingly, these also happen to be areas of accelerated house price growth and declining affordability.

The index also records large movements away from Sydney and Melbourne towards Queensland, regional NSW and regional Victoria. This is backed up by ABS data. Which recorded NSW and Victoria losing 17,796 and 18,191 people to interstate migration respectively over the past year.[37] Queensland gained an addition 30,785 people with SA, WA, TAS and the ACT also recording some growth from interstate migration.

Regional Rents

In review of some of the many PowerHousing Members with regional housing, Argyle Housing (ACT/NSW), Bethanie Housing (WA), Beyond Housing (VIC), Centcare Evolve (TAS), Churches of Christ (QLD), Compass Housing (NSW/QLD), Foundation Housing (WA), Haven; Home, Safe (VIC), Housing Plus (NSW), Housing Trust (NSW), Junction Australia (SA), Link Wentworth (NSW), Pacific Link (NSW), Southern Cross Housing (NSW), there was a substantial increase in rental rates in FY2021 compared to previous years.

Regional Rents - Member Aggregate

	F2021 Change in rents	F2020 Change in rents	F2019 Change in rents	F2018 Change in rents	F2017 Change in rents
Average	9.3%	2.6%	2.0%	3.8%	2.7%

Source: CoreLogic, PHA Members, July 2021

The increases in the past 12 months have been substantial which creates challenges for those families on COVID wage support and low wage growth who are seeking social and affordable housing options.

Regional Rents - Pacific Link Example

	F2021 Change in rents	F2020 Change in rents	F2019 Change in rents	F2018 Change in rents	F2017 Change in rents
Gosford (SA3)	15.3%	1.3%	-0.2%	1.2%	2.3%
Lake Macquarie - East	9.8%	2.1%	1.8%	3.0%	3.2%
Lake Macquarie - West	8.6%	2.6%	2.4%	2.5%	2.7%
Lower Hunter (SA3)	11.2%	0.1%	3.7%	5.0%	5.2%
Maitland (SA3)	8.5%	0.3%	1.6%	4.8%	3.5%
Newcastle (SA3)	10.3%	3.9%	0.4%	5.2%	3.9%

Source: CoreLogic, Pacific Link July 2021

In the case of NSW regional Community Housing Provider, Pacific Link CEO Ian Lynch explains the challenge where there is growing social and affordable demand, low numbers of rentals available, and increasing rental values that are not always met with a relative increase in the rental subsidy:

> ***"The past 12 months has seen significant rental increases across the Hunter and Central Coast regions of NSW, in both houses and units. Core Logic data suggests an average of 8.6% over the 12 months to June 21, with the most notable being a 15.3% increase in rents for houses across the Central Coast. There is a trickle-down effect that is evident across the region with the fallout being increased demand of social and affordable housing, and emergency crisis housing. The increase, driven by Covid impacts to 'commuter belt' regions of capital cities may seem like a windfall for new developments, it is largely offset by similar or greater costs of construction, particularly raw materials such as timber and steel. The net effect is a continuation of the near impossible task of getting an affordable housing development feasibility to stack up."***

Ian Lynch, CEO, Pacific Link Housing

Further inland in and around Orange in NSW, Housing Plus like other parts of the country have seen rental rates in the regions that they provide increase substantially.

> ***"The rent rises experienced in the Central West and in particular in the major cities of Bathurst, Orange and Dubbo highlight the need for more affordable housing across the region."***

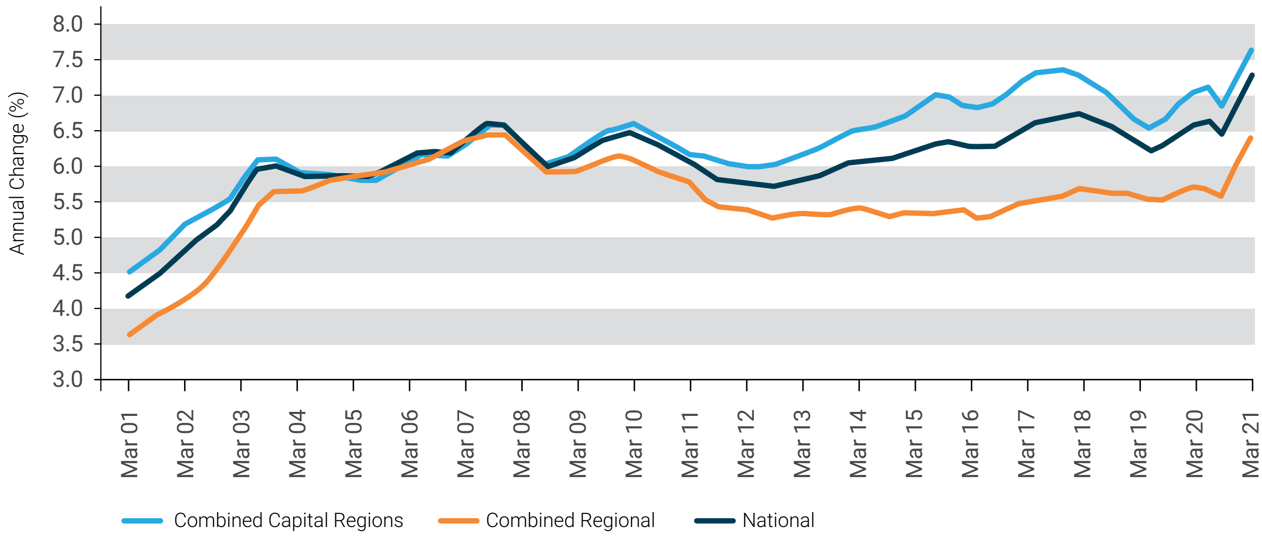
David Fisher, CEO, Housing Plus

B2. IMPACTS ON AFFORDABILITY

The impacts of declining housing affordability can seem remote for many Australians. For the 66.2% of Australians that are owner-occupiers, rising house prices see a great windfall from rising equity.[38] For many Australians however, including the rising number of renters, their prospects for safe, stable and quality housing are diminishing. Many Australians still remain on social housing waiting lists. Rental stress is increasing and there are signs that mortgage stress is rising as well. Rental affordability for those on the lowest rung of the economic ladder has all but disappeared. And key workers are being driven to the urban fringes.

Dwelling Values to Annual Household Income

Graph 19: Median Dwelling Values to Gross Annual Household Income



Source: CoreLogic, July 2021

Social Housing Waiting Lists

An indicator of Australia's housing crisis is the number of people stuck on the social housing waiting lists. Currently, there are 166,000 people registered on waiting lists of public and state managed housing according the AIHW. This number has remained elevated over the current period. The following is a breakdown of the social housing waiting lists by state and territory.

Public + SOMIH	NSW	QLD	VIC	WA	SA	TAS	ACT	NT	Total
No.	49,674	45,719	25,112	14,619	18,596	3374	2,462	6,457	166,013

The increases in the past 12 months have been substantial which creates challenges for those families on COVID wage support and low wage growth who are seeking social and affordable housing options.

AHURI reports that an additional 727,300 social housing dwellings are required by 2036 nationwide to meet future projected need, or an annual average growth of 5.5 per cent. This would require a significant increase in the pace with which Australia has been adding to its stock of social housing. Australia's social housing stock grew by just 7 per cent (or 28,900 dwellings) over the 13 years to 2019.

Year	No. of tenants in greatest need
2020	62,909
2019	58,318
2019	50,524
2017	42,048
2016	41,693
2015	43,026
2014	47,051

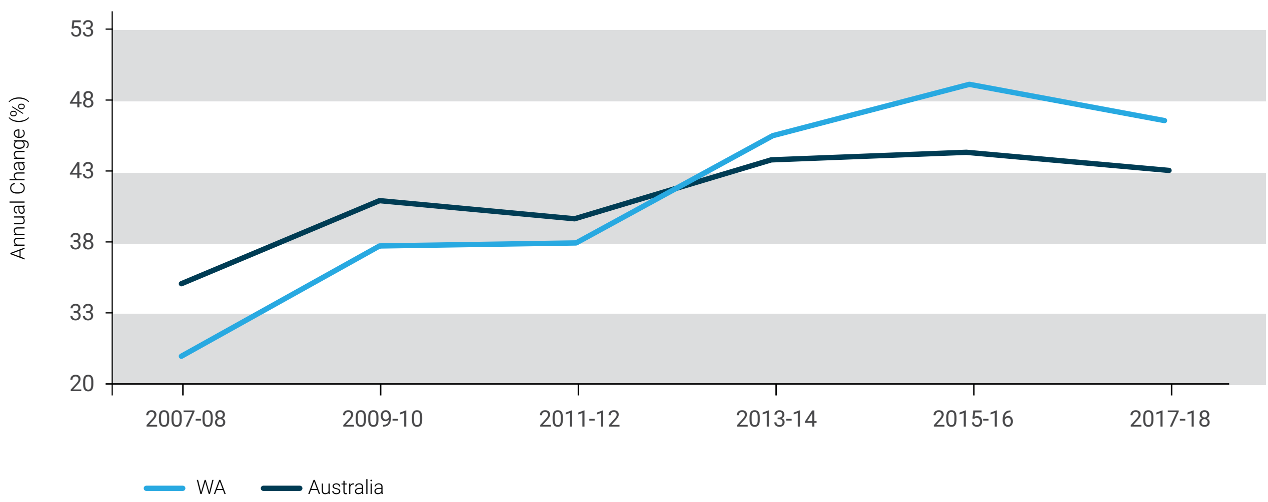
A recent, concerning trend over the past several years has been the rise in tenants of greatest need seeking to access social housing but remaining on the waiting list. Tenants of greatest need are those who are homeless, have their life or safety threatened by their current accommodation, have a health condition aggravated by their current housing, live in inappropriate housing, or have very high rental costs.[39] The increase of 20,861 or 49.6% between 2017 and 2020 is deeply concerning.

Rental Stress

As public and community housing supply has been unable to keep up with population growth, more and more low-income and vulnerable tenants have been forced into the private rental market. This has been coupled with the lack of housing supply, particularly at the affordable end of the market, which has forced rental costs for low-income households to increase significantly. This causes significant stress on low-income households as they have to divert much of their limited income just to keep a roof over their head.

One measure of rental stress on low-income households comes from the 30/40 rule. This rule counts those in the bottom 40% of the income distribution and then defines those paying more than 30% of their income as being in housing stress. According to the latest ABS data, in the 10 years from 2007-08 to 2017-18 the national proportion of low-income households in rental stress has increased from 35% to 43.1%, an 8.1%-point increase. The rise in rental stress has been consistent across all states and territories. Western Australia stands out as the end of the mining boom has led to a jump in rental stress from 30.1% to 46.6%, a 15.5%-point increase.

Graph 20: Latest ABS Low-income rental stress, ABS Housing Occupancy and Costs



Source: ABS Housing Occupancy and Costs 41300, 2017-18, Table 21.

Mortgage Stress

While low interest rates have decreased interest costs for many mortgage holders and first homebuyers, this picture isn't as clear cut as it would first appear. Even with low interest rates many mortgagees can be saddled with large, burdensome mortgages. New mortgage holders in particular, who have paid unprecedently high prices for homes, are susceptible to this problem. Lost income due to the COVID pandemic, concentrated amongst young first-home buyers, can make it hard to meet mortgage repayments.

Whilst the mortgage relief provided by the banking sector and government support to households have kept mortgage stress under control, with those supports being withdrawn there are concerns about the future. Data from UNSW City Futures and Digital Finance Analytics shows that the proportion of mortgage holders in mortgage stress has increased from 32.9% in February 2020 to 41.7% in July 2021.[40] This compares to 2013/14 when mortgage stress was below 20%. Mortgage stress is particularly concentrated in Tasmania when mortgage stress has reached 56.5%. Moody's has also highlighted that delinquency rates could rise in the near future due to the economics disruptions caused by the latest COVID outbreaks and lockdowns.[41]

Anglicare's Rental Affordability Snapshot

In Anglicare Australia's annual *Rental Affordability Snapshot (April 2021)*, 74,000 rental listings were surveyed and assessed them for their accessibility and affordability for low-income tenants.[42]

The snapshot reported the following:

- Only 3 rentals out of 74,266 listings were affordable for a single person receiving the JobSeeker payment.
- 0.3% of rentals are affordable for a single person receiving the Disability Support Pension.
- 0.5% of rentals are affordable for a single person receiving the Age Pension.

Flynn - BHC Tenant (QLD)

- 1.2% of rentals are affordable to a single person working full-time on the minimum wage.
- 3.6% of rentals are affordable for a couple with two children who work full-time on minimum wage, receiving Parenting payment (partnered) and the Family Tax Benefit.

What is even more startling is that these figures include government assistance through Commonwealth Rent Assistance as well as other payments such as the Family Tax Benefit. Rental affordability has been significantly deteriorating for many years. Comparing these results with *Rental Affordability Snapshot* (April 2018) makes for a sobering assessment. In just three years the number of affordable rentals for a single of the Disability Support Pension fell by 56%, affordable rentals for a single on the Age Pension fell by 58% and affordable rentals for a couple with two children working minimum wage full-time fell by 61%.

Impacts on Key Workers

As the COVID-19 pandemic highlighted, key workers are crucial to keeping our cities functioning. The Australian Housing and Urban Research Institute (AHURI) studied the impact of the housing affordability crisis on commuting and housing circumstances of key workers including nurses, teachers, community welfare workers, carers and emergency response personnel.[43]

A consistent finding of the report, *Housing key workers: scoping challenges, aspirations, and policy*

Coolamon Apartments Stage II – Churches of Christ (QLD)

response for Australian cities, is that key workers struggle to find affordable housing in the major cities.

- Approximately 31,000 key workers in Sydney and 18,000 Melbourne live in overcrowded homes.
- Just under 44,000 in Sydney and 38,000 in Melbourne travel over 30kms to work.
- 20% of key workers in Sydney and 17% of key workers in Melbourne experience housing stress.
- Key workers are being pushed to the city fringes to obtain affordable housing.

What makes this inequity even more stinging is that many key workers are unable to "work from home" as so many have done during the COVID pandemic. Those high paying office workers who can afford to live close to their workplace could "work from home" whilst key workers had to travel long distances and potentially expose themselves to COVID-19. Clearly, there needs to be a housing policy to create dwellings for key workers that are both affordable and proximate to their place of work.

Warren Kirk and ABC

Section C –
The Standard 'Old' House

C1. WHY OLD HOMES ARE PAST THEIR USE-BY DATE

Look around the average street in Australia and there will be a 30 plus year old house, multi residential unit dwelling.

For those that have lived through the world's longest COVID lockdowns we are all aware that a 30 year old home which there are almost 8 million, they are cold in winter, hot in summer, expensive to cool and to heat. They are not universally designed for lifelong living for those with prams, injuries or the aged and certainly not suitable for those with disabilities.

On top of this homes have become workplaces, places of schooling and for those older dwellings that were designed for a nuclear family, these homes are past their use by date. As we work our way out of COVID and the home will treat more people with hopefully much milder symptoms, there will be an added health focus to take the load off hospitals as we reopen.

Housing is the place of security that has been confirmed by this crisis and it must be a central focus as social infrastructure in the rebuild of a nation in this next phase.

Australia's 8 million pre-energy rated homes are now well past their use by date, contributing up to 18 per cent of Australia's greenhouse gas emissions and a real liability when it comes to hitting our Paris Agreement commitments for net-zero emissions. The National Net Zero Emission plans forecasts that by 2050, around 7 million homes will not be subject to improved energy efficiency measures in the National Construction Code with no retrofitted improvements to improve the fabric of these homes.

Total Dwellings and 2050 non improved energy in National Construction Code

State	No. of Dwellings	Pre 2003 homes	Non NCC retrofit
NSW	3,304,400	2,412,212	2,164,806
VIC	2,786,700	2,034,291	1,825,646
QLD	2,136,400	1,559,572	1,399,616
SA	800,300	584,219	524,299
WA	1,130,300	825,119	740,491
TAS	250,900	183,157	164,372
NT	86,700	63,291	56,800
ACT	183,800	134,174	120,413
National	**10,679,500**	**7,796,035**	**6,996,442**

Source: PowerHousing Australia

A focus on creating new purpose-built housing to create jobs and focus on affordable housing outcomes are the feature of this update.

As we work our way through the next phase of COVID, it is important to consider the cold hard fact that if we didn't have a home, a place to work, school, play and rest we would have more than a health crisis, with economic ramifications that forecasters in hindsight hadn't quite factored in.

Land is scarce, property prices are skyrocketing, and the wait list for social housing continues to exceed supply. These critical challenges unite all organisations working in the Community Housing sector. We're all faced with the same question:

How do we continue to support those in need in a timely and cost-effective manner, creating homes based on universal design principles that enable tenants to comfortably age in place?

Innovative ideas are disseminated with well-intended enthusiasm. Tiny homes, modular construction, granny flats. They may well spark a step change in the future, but what can we do right now to make a difference?

One answer is right under our noses – an immediately actionable and viable solution is to renew existing and well-located social housing sites that are past their best use by dates, replacing them with modern town homes that are higher in energy efficiency, accessibility and density.

Transforming old housing stock into new social and affordable homes benefits those people in need, as well as governments, the economy, and communities. As Australia's battle with COVID continues, propelling even greater numbers of people into housing distress, innovative solutions that can be implemented now could not be more timely.

New home build Hobart, 1969 – low energy efficiency, non-universal design

C2. REBUILDS, REDEVELOPMENT AND REVITALISATION

The Australian Housing market has increasingly moved to a knockdown rebuild approach to developing housing close to commuter routes on flat land and with large block sizes that allow more density. A case study is in Hurley Street, Mawson, ACT.

As the recent Domain School Zone report shows, house prices in popular school zone catchments have soared by up to 46 per cent in the past year. This comes as tight supply fuels strong competition among families looking to gain a footing within the desirable locations.

In the case of Hurley Street, Mawson, one street away from Mawson Primary school, the prices have soared 33.8 per cent in the past year. This was the sixth largest school suburb jump in the country. The price surges underline how much of premium parents were prepared to pay to enable their children to be eligible for enrolment in high-performing or popular government schools.[44]

Hurley street, which was built between 1963-70, has seen one in three homes knockdown and rebuilt over the last decade, with bonus density in many cases.

Across the combined capitals, houses are increasingly knocked down with homes selling at high rates simply for the land value. This trend will continue as access to land tightens.

A key feature driving the growing trend for this land once cleared is that it is often flat, connected to infrastructure, has existing transport and commuter services with proximity to existing work and retail.

CASE STUDY: Multi-Generational Housing Conception for Renewal of a Typical Suburban Block

BEFORE

AFTER

A typical 750m2 block can accommodate multiple LHA compliant dwellings with potential to support working from home, aging in place and multi-generational living. Features include generous bathroom and circulation spaces, landscaped courtyards and garden spaces, well- lit and ventilated living spaces and adopts industry standard materials such as brickwork and colorbond cladding.

The concept can be replicated across multiple lots and provides a sensitive scale of renewal within existing residential streets.

As indicated by leading national Architects Hayball, Australia's suburbs and regional towns have extensive aging, low density housing stock which is ill suited to contemporary accessibility and sustainability standards. This concept which reimagines a standard block in Sunshine in Melbourne's west, considers densification while preserving high levels of amenity and enabling flexibility of use by multiple household types.

C3. THE BENEFITS OF NEW HOUSING DEVELOPMENT

Unison Housing tenant Armindo De Olizeara and CEO James King

As the previous iteration of this report highlighted and is detailed further in this report, there is a significant economic multiplier from construction activity. This is a powerful reason in itself to pursue Australia's much needed housing renewal, but it not the only reason.

There are also other important reasons to encourage housing renewal. Old housing stock has poor heating, water and energy efficiency and there is only so much that can be improved in old house designs. Redeveloping old housing stock can also better use the existing land and infrastructure whilst revitalising neighbourhoods and communities.

There are over five million homes in Australia recognised as being "past best use" and another 3 million that were built prior to energy rating. Renewing these homes presents a massive opportunity to Community Housing Providers (CHP) who are especially skilled in and able to advocate for the acceleration of land optimisation and housing renewal across the nation.

Currently, government and CHP-owned homes sit on well-located sites close to amenities, employment, and transport. However, they are due for retirement. Generally constructed from the 1950s onwards, the building standards and practices used to build these homes are outdated, and the houses are at the end of their useful life.

Some are dilapidated, some are underutilised and inappropriately designed, and a maintenance liability. Ultimately, they're no longer suitable for tenants, despite being in appealing neighbourhoods.

The process of developing new homes has the added benefit of creating 43 trade and subtrades with a period of work from three hours to three months.

Modern, low maintenance, well designed homes

There are some renewal programs underway and the Victorian Government has made a particularly strong commitment through its '1000 Homes Program – Building New Homes to Fight Homelessness' (focused on renewal of government owned sites) and more recently 'The Big Housing Build' which focuses on funding for CHPs. Like most state governments, Housing Victoria owns many homes past their effective use and has proactively engaged several builders to progress this renewal solution by transforming aged single dwellings into two or three modern townhouses. One builder working on this project is EveryOne, the division of Metricon Homes that is dedicated to building social, affordable and accessible housing.

EveryOne has recognised the substantial impact optimising existing land has on the sector, and that is reflected in its' sector specific house designs. Utilising compact home designs with features that benefit the tenant has had a multiplier effect on the number of homes able to be built on any particular site. Instead of a single home, most sites can accommodate two or even three dwellings that are suitable for a diverse range of tenants; singles, small families, and the elderly. The replacement of dated homes with well-designed contemporary housing has another benefit, it starts to change the negative perceptions of social housing that are linked to the poor street facing aesthetics of the homes. A tenure blind design philosophy helps reduce neighbourhood resistance.

Politically, economically and socially, the proposition of replacing one home with several homes is compelling.

The problem is now, and the solution can be now. Timing is critical. Delivering its townhouse projects in 5-6 months, EveryOne Homes are able to leverage a broad range of scalable designs very quickly through the pre-site processes and then once onsite is more protected than others against the current supply chain issues. As Australia's largest builder, its parent company Metricon has solid relationships and a reliable supply of materials and trades.

Environment sustainability and Net Carbon Zero

The UN net zero emissions target for 2050 requires all buildings to achieve net zero carbon emissions throughout the building life-cycle, including what is emitted during the manufacture of materials and components, and during the processes of construction, refurbishment, and demolition. These elements make up the 'embodied carbon' of the building.

According to the COAG and agreed by national energy Ministers, housing accounts for 18% of total greenhouse gas emissions in their operation. To achieve the UN targets we must transition to a circular economic model (cradle to cradle) and achieve buildings which emit net zero carbon during their operational life.

The first step to meet our obligations to future generations, is the repurposing and/or refurbishment of older inefficient dwellings, as existing dwellings account for 95% of our building stock and already have an embodied carbon component. Simply transitioning a property from a 2-star energy rating to a 5-star rating can reduce the energy used for heating or cooling by 50%.[45] PowerHousing Affiliate JLL can undertake practical cost effective measures to provide improved efficiency, lower emissions and improve the well-being of the occupants.

Further to this case, PowerHousing CHP, SGCH have retrofitted 1,230 existing dwellings with energy improvements at a cost of $4.1M with over 2M kWh of energy savings per annum. This has a direct impact on the operational costs, saving $491,700 across the portfolio per annum and reducing an annual 1,200 tonnes of CO_2e. Other community housing providers are opting for solar to create a 'micro-grid facility' by installing panels across existing property rooftops. This generates enough 'green power' to offset existing utility costs, payback capital outlay in the short term, and generate a line of income to help fund other sustainability initiatives.

Lower energy costs in a new home

Transforming older homes into purpose-built, adaptable housing has significant environmental benefits. A range of new building materials and home features were unavailable when these homes were initially built, including double glazing and a more optimal thermal aspect.

PowerHousing Affiliates, EveryOne and Simonds Homes build new energy efficient homes. In the case of EveryOne, they build most homes with a 7-star NatHERS rating, so these renewed homes will significantly increase energy efficiency and reduce energy expenses for tenants. Furthermore, the new homes are a non-toxic robust product that aim to minimise future maintenance expenses.

The Conversation recently published research examining the thermal performance of 42 social housing dwellings in NSW. Many homes operated outside the healthy temperature recommendations of the World Health Organisation, particularly during winter. Tenants regularly reported having to forgo thermal comfort to manage their energy bills, and research suggests that deaths can be attributed to the poor condition of these homes.

Energy efficiency upgrades to existing homes are difficult, costly and generally don't improve the building fabric. Although beneficial, they do not offer a long-term solution, particularly in light of more extreme weather events. Quality new housing that includes energy efficient innovations will reduce energy costs for tenants while enhancing their health outcomes and quality of life.

Solar energy options

The national Construction Code is heading towards considering Net Carbon Zero which could be a requirement if agreed by state housing Ministers by 2030. More efficient dwellings will be a requirement and solar will be a necessity if reduced emissions are to be achieved. Whilst new builds will play a role, nearly 8 million pre-rating homes will have to play their part.

Emberpulse

369 Labs design, develop and deploy innovative energy solutions to lower the energy costs of all energy users. Their most recent smart solar innovation is designed to ensure tenants are no longer left out of the renewable energy market and can now reduce their energy costs.

Through the integration of their patented product Emberpulse® (www.emberpulse.com) with solar technology, CHPs and tenants are now being financially rewarded through the installation of solar and/or storage assets. Today Emberpulse® has been deployed in thousands of homes nationally. This innovative and patented smart solar solution, has achieved up to $50/month saving in energy costs for tenants, whilst yielding CHPs returns of over 15% for additional renewable energy investments and benefits to more tenants. Cheaper energy often means a safer living environment due to lower heating and cooling costs.

Should 50,000 homes adopt this innovative energy solution, it will reduce tenant energy costs by over $30 million dollars annually, deliver income of $90 million annually to CHPs for further renewable energy investment and abate over 200,000 tonnes of carbon each year. Furthermore, a commitment to 50,000 homes over 5 years will deliver over 150 full-time jobs in the renewable energy sector.

SolShare

Allume Energy is an Australian start-up that has invented and patented the SolShare, the world's first technology for sharing rooftop solar in multi-dwelling buildings. The SolShare unlocks the benefits of rooftop solar – lower electricity bills and a reduced carbon footprint – for people that have previously been unable to access it because they live in an apartment building.

Over the past three years, Allume has demonstrated the technology on private and community housing-owned apartment buildings in Victoria, New South Wales, South Australia and the ACT with impressive results.

For example, Allume was contracted by Housing Choices Australia to install a 66-kilowatt solar system on a 44-unit community housing building. In the first year of operation, residents saved $315 on average on their power bills, which is a lot of money for someone on JobKeeper or the minimum wage.

Allume has connected 293 social housing apartments to rooftop solar, with another 668 contracted to be delivered by early 2022. Without Allume's Australian Made technology, these households would not be able to access the benefits of rooftop solar.

A housing stimulus constructing 10,000 dwellings with rooftop solar would see an increase in the production of the Australian-made SolShare, leading to over 50 new jobs in manufacturing and engineering in Victoria and 550 new jobs in electrical trades across the country.

CASE STUDY: Merewether Street Development – Evolve Housing (NSW)

Evolve Housing's affordable housing development at Merewether Street, Newcastle, provides functional longevity by being energy efficient, eco-friendly and accessible. Energy efficient features include a centralised gas hot water system, which saves space within each apartment (compared to individual hot water heaters), results in a reduction in greenhouse gas emissions, and has a user pays system so each tenant only pays for the hot water they use, encouraging them to reduce water use. The use of an embedded network for electricity supply results in ongoing automatic favourable pricing terms for end users, with no minimum length contract, giving tenants freedom of choice.

Photovoltaic panels to the roof provide power to the common areas with any surplus power used by the tenants, reducing the network load and the building's reliance on fossil fuels. The building design exceeds the BASIX targets set for water use and energy efficiency ensuring tenants and the environment benefit in the long term. The building has a high average NatHERs rating of 6.7 across all apartments, achieved through brick veneer construction and the placement of additional insulation to perimeter walls, party walls, ceilings and roof.

The building is also accessible, with four apartments certified as Improved Livability under Specialist Disability Accommodation. In addition, automatic door openers are installed to the lobby and apartment entry doors to ensure all tenants can access them. A CCTV system installed helps to provide a safer environment for tenants and locals.

CASE STUDY: New sustainable housing replaces old to deliver enhanced urban living – UnitingSA

A $15 million Community Housing development in Prospect will enhance access to high-quality affordable housing in South Australia, transforming six outdated properties into 40 new apartments which exceed sustainability standards.

The four-storey development by UnitingSA Housing – due for completion in late 2022 – aims to create energy efficient and climate resilient homes, which reduce living costs and emissions while promoting resident wellbeing.

The Prospect project will be built to a 6.5 star NatHERS standard, with features such as increased insulation, LED lighting, solar panels, smart meters, a rainwater collection system and energy efficient appliances delivering sustainable and affordable urban living.

Set on a 2,240sqm site, the development will promote community connection and active living though generous shared green space, vertical gardens, a communal workshop, bike storage and open walkways.The one and two bedroom apartments will offer tenants enhanced living with abundant natural light and ventilation, open-plan living, private outdoor space and high-quality environmentally sensitive building materials.

A central location in a high-demand inner city suburb will provide ready access to shopping precincts, schools, medical services and public transport, including the adjacent railway corridor which will encourage active transport and further reduce emissions.

The development is being delivered by UnitingSA Housing, a leading South Australian Community Housing provider with a portfolio of more than 600 homes and $300 million worth of assets.

CASE STUDY: Property Transfer and ongoing continuous improvement of properties - AnglicareSA

The Better Places, Stronger Communities (BPSC) Program was the transfer of the management of 479 properties in the Elizabeth Grove and Elizabeth Vale area from Housing SA/Renewal SA to AnglicareSA Housing.

With an emphasis on connecting people to place, the BPSC Program supports a holistic approach to housing and tenancy management based on the elements of people, property and place.

A component of this was the Affordable Living Initiatives (ALI) which consisted of an education and rewards campaign for tenants on how to conserve energy, as well as other tangible cost saving upgrades to their home.

The education process took place at information sessions in the local area where various guest presenters and educators spoke on how to save on electricity, water, bank fees, changing habits, as well as managing debts for utilities presented by our financial counselling service.

A total of four information sessions were held with those 157 tenants attending rewarded with up to two ceiling fans installed, window tinting on north facing windows, door seals fitted to all external doors, LED light fittings and water-saving shower heads, as well as automatic entry into a draw to win one of three installed solar + battery storage systems.

Following the information sessions AnglicareSA extended the program to include all remaining tenants with a single ceiling fan, window tinting and door seals.

Approximately $800,000 has been spent including the three solar + battery storage systems won and installed, which has had a positive impact on our tenants and their day-to-day living expenses.

Technology – Lifelong property systems

The ability to model Affordable and Social Housing whole of life from development to operational stabilisation is now possible with ARGUS Software. The ARGUS EstateMaster Development Feasibility out of the box software allows real estate developers to be able to create standardised professional development feasibilities with the added flexibility for users to create their own reports and templated inputs for greater transparency.

ARGUS EstateMaster Development Feasibility (DF) provides affordable housing developers and providers with the following features:

- The ability to create standardised feasibilities for up to 50 years with long term tenancy rollovers
- Lease renewal / Relet with turnover costs
- Split KPI reporting between the development phase and investment phase
- Refinancing of loans once the development phase is completed
- Joint Venture arrangements between the landowners and developers
- Creation of a standardised development program for different projects.

Their powerful Asset Management product, ARGUS Enterprise, will then be able to seamlessly manage asset over its operational life cycle upon completion. Comprehensive controls for revenue budgeting and long term forecasting include profiling for unit absorption rates and rental growth.

Portfolio and asset managers will be able to optimise performance by running detailed 'what-if' analysis on an individual property or an entire portfolio.

Civica provides Software Technology to address the challenge on how Housing providers use data to remove inefficiencies across the entire housing lifecycle from first principle.

Technology has the ability to collect and analyse all of this data and turn it into actionable insights to fundamentally change how today's Housing Provider's service their tenants and communities.

Information captured during the application and allocations process can inform housing demand (and needs) however more importantly demonstrates alignment (or in many cases) misalignment to existing housing stock. Influencing what type of new stock is required and based on long term asset maintenance plans and costs, what stock should be retired.

Developers can also benefit through partnerships with Housing Provider's gaining vital access to not only housing stock demands, but also how to create a more sustainable product for the market that considers the long-term maintenance costs and how changes to materials, technology and asset characteristics could greatly improve the long-term sustainability of Housing portfolios.

Keith Gavin, General Manager, New Business Integration for Mission Australia's housing team says: "Civica's Home Connect is the cloud-enabled housing management platform that we have implemented to bolster the quality of customer service we provide to our tenants and support us with our goal to ensure people have a safe, secure home and can thrive. The technology seamlessly enables tailoring of our customer support to suit individual tenant needs, managing of tenancies to a high standard, asset management and maintenance, and supports delivery of enriching community development activities for Mission Australia's growing, planned portfolio of 5,000+ properties.

Efficiencies and savings of new homes to include at first principal:

Haier Airconditioning has launched the new Flexis series split system air-conditioning units, and these units exceed other leading brands by up to 1.5 stars in energy efficiency performance.

This translates into a direct saving over 10 years of $616 for a bedroom sized unit - this is more than the actual unit cost. System payback is less than 8 years by selecting a more efficient Haier Flexis unit. The benefits are manifest, owners have lower power bills, lowering cost of living for a vulnerable cohort. Choosing a more sustainable air-conditioner benefits the environment through


Families Supported Housing Project Dandenong – Launch Housing (VIC)

lower power demand, and compatibility with the latest demand response control to spread demand load on the grid.

Additional benefits include Wi-Fi unit control, so the unit can be remotely accessed to switch off to ensure its not running when not required, and also can be turned on early to reduce power demand on hot days for more efficient operation. The inbuilt Smart Home function operates with multiple home ecosystems like Google & Alexa to allow voice control, especially suited for SDA applications where voice control can assist owners.

Inbuilt technology – Internet of Things

As CHPs expand their property portfolios, particularly with knockdown rebuilds, they will be placed in a position to build housing stock orientated towards the future. This offers significant potential to leverage technological innovation that will promote the health, safety and resilience of residents. The Internet-of-Things (IoT) for instance provides the opportunity to integrate each element of a dwelling with broader management software to the benefit of tenants and property managers.

The MRI IoT Hub is a software solution that can be used to improve the resident's experience and wellbeing by demonstrating a data led approach to wellness and sustainability credentials. Indoor environmental quality sensors can be used by housing providers to help improve indoor environmental quality for tenants and protect their properties - as the age old saying goes, you can't control what you can't measure. Wireless sensors can be quickly and easily fitted and connected to MRI's IoT hub, giving the housing provider a fine granular detail of indoor environmental quality. This data can then also be displayed within a mobile app, providing a view of the indoor environmental quality.

Anonymised occupancy data can also be used to determine if properties are occupied, i.e., has movement been detected, highlighting those tenants that may be potentially at risk and identifying vacant properties. Appliances and utilities can be automatically switched off remotely based upon occupancy - assisting with vacancy management and saving energy.

Women's Housing Company (NSW)

Smart meter data could also be viewed within the IoT hub and mobile app, providing the tenant and housing provider with a view of electricity, gas and water consumption. Providing the tools to reduce energy bills and carbon emissions, help decrease fuel poverty, and improve living conditions to create healthier and more liveable homes.

Leak detection sensors are also available, to help identify costly water leaks, saving water and money whilst reinforcing environmental and sustainability policies. Alerts can be automatically logged within the system and assigned to the closest available engineer.

Smart hot water systems (HWS) are now fitted with lots of useful diagnostic information. Using these systems and MRI's solutions, maintenance activity can be automatically scheduled and planned based on usage. Faults can also be detected early and logged automatically within MRI systems. This information can then be used to suggest suitable appointment times to the client via MRI's mobile app, ensuring that the maintenance contractor visits when someone is available to let them in. The diagnostic information can also provide useful information to the contractor, such as the make and model of HWS and any error codes which may help identify the fault. Armed with this information the contractor can arrive with the parts they may need - which helps to decrease costly return visits and increase first fix rates.

A key Government strategy is for all business sectors to reduce their carbon footprint.

For social landlords this is effectively translating into 2 key strands:

- making each property more energy efficient therefore reducing the amount of energy consumed to keep them cooled/heated and lit, therefore making properties more affordable for tenants to run; and
- directly reducing the carbon footprint through carefully designed improvements.

IoT a new living experience

IOT is a quantum leap forward in connectivity and has created fevered expectation for the last decade and creates a new living experience

NEC has recently partnered with leading energy performance management consultancies. Their Intelligent Energy (IE) dashboards will allow existing energy performance data to be passed from NEC Housing into the IE database where users can review properties to see how they are performing across a range of measures including the energy efficiency score and CO^2 use.

Target thresholds can be set, and IE will display those properties that fail to meet those targets, what is causing them to fail and what options (e.g. energy efficient lighting) could, if delivered, bring those properties to the desired threshold.

By determining where to target improvement works, the resulting plans will be passed back into NEC Housing, where recommendations can be converted into scenarios for cost estimation, then planned works. As works are completed, the cycle of updating the IE database and remodelling and planning can continue.

The reporting outputs will support Landlords in showing that positive improvements are being made and where they are on their journey to the ultimate zero carbon footprint.

C4. UNIVERSAL DESIGN

Old homes have limited accessibility, making it difficult to house certain tenants or to let tenants age in their current dwelling. Renewing these properties allows a broader cohort of tenants to access more homes, as well as visitors requiring accessibility.

For example, PowerHousing Affiliate Member EveryOne Homes, a division of Metricon Homes, builds most new dwellings to at least a Gold LHA standard and some to a fully accessible level. By adopting a universal design approach, EveryOne designs practical houses for tenants that consider their future needs. Houses can be easily used by tenants during all stages of their life and almost all mobility requirements. Government and CHPs recognise the value of developing beyond compliance so that dwellings are adaptable beyond first use.

By delivering to this higher standard, it empowers residents of all abilities to age in place gracefully and not have to move due to changes in mobility. This flexibility enables the owner, government or CHP, to meet the broad needs of their tenant demographic into the future, ensuring that all people lead active lives and have access to their community easily and safely.

Shift towards Universal Design

Australia's building ministers have instructed the Australian Building Codes Board to include Livable Housing Silver universal design accessibility as a mandatory requirement in the upcoming National Construction Code 2022. As the majority of state housing ministers voted to move ahead with this amendment it is hoped that it will be universally applied across Australia.

The journey towards National Construction Code recognition began back in 2010 when the Gillard Government agreed that by 2020 all housing in Australia should be accessible. Labour provided about $1 million in seed funding to start the process. Part of this was used to establish Livable Housing Australia in 2013.[46]

How will Universally Designed homes improve future housing liveability across the life cycle?

Universal Design ensures that new buildings will be made accessible to all, regardless of age, ability and size. LHA has devised LHA silver level; the core elements needed to make a home fully accessible. These elements include a step-free entry door, wider internal doorways and corridors, and safe-use stairs that are able to be adapted in the future.

> ***"This breakthrough ensures that appropriate Occupational and Physiotherapy supports are easily granted, as major home adaptations are already complete. Independent living for those under the NDIS will now become a reality, with the NDIS making LHA Platinum a basic prerequisite for its Specialist Disability Accommodation homes. For those currently working as Occupational Therapist and those soon to enter, this will create greater lifestyle options that simply don't exist in older homes."***
>
> Paris Ellis, Occupational Therapist Student, Canberra

Whilst there are several hundred Livable Housing Assessors there are some that have provided significant investment to the development of the new Universal Design Standards when they come into practice and a key champion of pragmatic change has been Farah Madon, Director of Vista Access Architects, Livable Housing Australia Director and lead author of the NDIS Specialist Disability Accommodation (SDA) Design Standards.

Change in built form and policy requires key champions such as Farah, who have worked with organisations such as PowerHousing Australia to see better housing outcomes to assist the professions today and tomorrow to author the SDA Design Standards and LHA Guidelines and tools to create better housing that supports health and wellbeing outcomes in our homes.

C5. CONSTRUCTION, MANUFACTURING AND RETAIL JOBS – SUSTAINABLE HOUSING INNOVATIONS

Construction – maximiser of jobs

Mario Biasin

A critical benefit of housing transformation is economic. Construction is a powerful enabler of the economy, and it's evident that housing cycles are closely connected to the broader national economic cycles.

"An active construction industry equates to a healthy economy".

Mario Biasin, CEO and Founder of Metricon

PLANNING & DESIGN

ENGINEER
BUILDING ESTIMATOR
BUILDING SURVEYOR
ARCHITECT
BUILDING SUPERVISOR
PLUMBING INSPECTOR
BUILDING CERTIFIER
LANDSCAPER

TRADES & SUBTRADES

CARPENTER
CONCRETER
BRICKLAYER
JOINER
ELECTRICIAN
PLUMBER
GAS FITTER
CABLER

ROOFER
PLASTERER
RENDERER
PAINTER
TILER
CARPET LAYER
FENCER
EARTH MOVING
WASTE REMOVAL

43

DIRECTLY ENGAGED

CHC Australia – Downer Infill Redevelopment (ACT)

A 'standard house' design such as the Barton (front cover) or the Byfield (previous edition cover) is estimated to provide up to 43 trades, subtrades and para-professionals with a period of work lasting from one day to 90 days.

For the purpose of evaluating the materials and the standard house we have considered the Byfield design built by scale national builder Simonds Homes. We have also considered a high volume Barton design 'standard house' by the nation's largest builder Metricon, and the equivalent design of Australian household brand AVJennings.

The Barton and Byfield 'New Standard House' designs are three-bedroom house that provide a well laid out home that is well suited to meet the needs of Australian families. At 179.67m2 it packs a lot of features within its compact design that could suit many Australian families and a similar style can be found across Australia and is the place where family memories are made.

But looking more closely, it is clearly the labour, manufacturing, production and supply of the materials that make up these homes and provide value to the social and economic fabric of our communities which is truly remarkable.

A house such as the Barton or Byfield, provides construction jobs that are activated every time a new home is built: from the architects to the planners, para-professionals in services, earthworks, construction trades through to finishing trades. Further on in the project timelines, landscapers and property services all find work.

As there are multiple people performing a trade onsite concurrently, such as a carpenter or painter, the number of families with a home construction-related breadwinner is much higher than the total number of trades supported.

If you consider that Australia in the 12 months to September 2018 commenced an extraordinary 230,792 homes then using the scale builder estimates, this activity equates to around 6 million work engagements in a year for trades, subtrades and para-professionals.

Not only do construction, manufacturing and retail jobs pick up and economic strength return with every home built, we see homes created where families live. We examine this latter point in greater detail to illustrate the benefits which go beyond the economic to the social. Behind the measures of jobs and case studies below there is a story of wellbeing that goes further than just personal financial comfort.

A social and affordable building program, potentially boosted by the transfer of government land to the CHP sector, has both economic and social benefits. It will create and sustain jobs, provide an immediate stimulus to the construction sector, and ensure that the growing cohort of people who need safe housing can access it quicker.

The standard house, which is made up of many materials that are commonly found in this type of dwelling and its value to the social and economic fabric of our communities is not to be understated.

The economic activity generated from new home building doesn't end with the trade and subtrade employment opportunities but extends right down the supply chain.

AVJennings – The Australian household brand

For many Australians, the image of thousands of Australians queuing outside Centrelink offices illustrated the potential economic impact of COVID-19. People of all ages, some with young families, feared they would not have a roof over their heads within a matter of weeks without support from the federal government. It reinforced how vital housing is. Not just as a fundamental need for shelter but because of the security and happiness it provides the occupiers and the flow-on benefits to society. Sir Albert Victor Jennings believed in this so much he started his own property development business in the depths of The Great Depression in 1932. He wanted as many people as possible to be able to have a house of their own and, almost 90 years and thousands of homes later, that remains the AVJennings company purpose today.

Comprehensive project management

As knockdown rebuild and new developments will continue to grow, Signature Project Management has partnered with CHPs to submit applications across numerous tenders and then through to project management support across the development lifecycle making the process seamless and best practice delivery. Signature Project Management provides immediate support to make the transition to new energy efficient housing in areas such as:

- Grant Management
- Template Documents; and
- Project Audits.
- Development Management
- Tendering
- Project Management and construction delivery

Modular Construction

Fleetwood Australia is Australia's leading offsite manufacturing and construction partner, providing sustainable and innovative modular housing solutions.

Listed on the Australian Stock Exchange since 1987, they are proudly Australian owned and operated, with hundreds of employees supporting manufacturing and construction across Australia. They have more manufacturing sites than any other modular builder, with nine locations across all Australian states, providing capacity to build up to 3,000 homes per year.

Their modular construction method allows us to deliver large volumes of homes up to 50% faster than traditional building methods, as verified by a recent McKinsey report. Their homes are designed and constructed to meet the Livable Housing Australia (LHA) standards.

Their factory construction method is safer, more sustainable and allows higher quality control, supporting reduced whole of life cycle building costs. Their manufacturing methods are greener and more efficient, reducing waste and emissions by up to 50%, compared with traditional building

New Epping development- Haven; Home, Safe (VIC)

methods. In another form of offsite manufacturing offering affordable quality energy efficient modern construction the Bella Casa range from TSR Property Solutions can be built in weeks and transported Australia wide.

This is an innovative way of making the building of homes easy for solutions that can provide savings of up to 20 percent on traditional construction which is suitable for social, affordable housing and disability housing. The Bella Casa range also provides opportunity to utilise areas on large lots where the main dwelling is not suitable for replacement.

Sustainable materials usage and manufacturing

James Hardie is a world leader in Fibre Cement exterior cladding technologies. A product that has many inherent benefits to both the consumer, environment and the building industry holistically.

Home designs have changed from what they were in the 70's and 80, being brick boxes without much desire for 'street appeal' or functionality. In today's world, houses are designed with more open shared living spaces that flow from room to room, greater kerb appeal with a variety of different looks as well as being more efficient to build meaning less waste through the build process achieved by smarter design.

James Hardie's Fibre Cement products help achieve just these things. With a wall thickness as narrow as 109mm using a sheet product, this means a larger internal living space is achieved – which is an important factor knowing the shrinking sizes of new land developments.

The look of the home façade sets the scene for the rest of the design elements. A number of notable looks that consumers love include Hamptons style, utilising weatherboards and gable ends, modern looks with elements of mid-century very popular and even Scandi Barn, with a farmhouse aesthetic to achieve a bold yet simple look.

Yet ensuring we are doing right by the environment has to be a priority. Designing from the ground up with James Hardie Fibre Cement products, means homes can be built with very minimal waste on site, product can be installed quicker and easier and less handling. This is achieved due to less off cuts that are not used through sheet size optimisation, quicker and cleaner installation than brick and less handling through using every piece of material ordered by ordering the exact quantities.

Maintenance

The ageing housing supply in Australia is in desperate need of renovation, upgrading and essential maintenance. This activity has the dual benefit of being both a source of economic stimulus as well as an enabler of better quality of life for occupiers and renters alike.

The PropertySafe Inspection and Maintenance Manager solution utilises innovative cloud-based technology to facilitate an ecosystem for CHP Providers, Landlords, Tenants, Property Managers and Trades that enables efficient identification and remediation of essential maintenance.

Economic benefits that flow from essential maintenance on 50,000 properties is significant as shown here[1]:

- An average residential rental property requires 4-6 essential maintenance jobs per annum whilst in the Community Housing space this number rises to 12-14 jobs per annum
- This results in the performance of approx. 150,000 trade jobs for residential rental properties and 260,000 trade jobs for community housing properties over the course of a year
- With an average trade job for residential rental properties of $430 and $925 for CHP properties then the economic value of this activity could be more than $305M over the course of one year
- Well maintained and up to date homes are more energy-efficient

The Social benefits that result from this activity include:

- Increased economic activity and employment for the Trades sector
- Flow on economic and employment benefit for ancillary industries supporting the Trades sector (eg Retail, Hospitality etc)
- Increased efficiencies and risk mitigation for those involved in the management of rental properties
- Improved living conditions for occupiers and renters resulting from a better quality and safer residence
- A progressive upgrade of the quality and condition of the stock of ageing homes

The evolution of smart technologies including the installation of IoT (Internet of Things) devices; climate adaptive home technologies and sophisticated security systems is a natural progression in the upgrading of the "Standard House" and will provide opportunities in both the new build and maintenance space.

The importance of this public policy direction is also reinforced by the World Health Organisation's 2018 report entitled WHO Housing and Health Guidelines. In his foreword to that document the Director General, Dr Ghebreyesus states "Improved housing conditions can save lives, reduce disease, increase quality of life, reduce poverty and help mitigate climate change."

New fabric promotes well-being and safer homes

In terms of new dwellings, the wellbeing of tenants is critical. People matter, especially when creating beautiful interiors that have a positive impact on those that live within them. With a focus on improving indoor environmental quality with low Volatile Organic Compounds (VOC), our members work with suppliers such as Karndean Designflooring, who are a leading supplier of luxury vinyl tile floor coverings worldwide with a market leading environmental record of achievement through the development of sustainable products and processes.

Improving the environmental footprint starts with the building of new dwellings and we achieve this where possible when partnering with Karndean Designflooring that uses manufactured products from factories certified to the ISO 14001 Environmental Standard and ISO 9001 Quality Standard. This ensures Karndean Designflooring's products are free from the addition of heavy metals, BPA (bisphenol A), formaldehyde and phthalates and don't contain raw materials that are reprotoxic, endocrine disrupting or carcinogenic.

Karndean Designflooring's luxury vinyl flooring is commonly used in all commercial sectors, including the social housing where long lasting performance is required, and reduced cost and environmental performance is maximised. These planks and tiles can help improve liveability and accessibility and suitable for all areas, removing the need to transition between substrates such as carpet to tile.

1 Figures provided bases on sample of 50,00 homes (30,000 residential and 20,000 CHP)

Ramsgate Street - Brisbane Housing Company (QLD)

All with the added benefit of reducing emissions and the environmental impact.

New homes incorporate more durable and safer environmentally friendly flooring.

When functionality, durability, hygiene, and safety are required within living environments such as accessible homes, Armstrong Flooring delivers to the Standard House, options for locally manufactured or imported resilient vinyl flooring and walling products that meet or exceed the requirements of the NDIS Specialist Disability Accommodation and Universal Design Standards, while also achieving third party environmental and low VOC certification improving the livability of new dwellings.

When a new dwelling requires flooring there can be jobs in manufacturing. Manufacturing in Australia since 1969 and employing more than 110 people, Armstrong Flooring brings over 50 years' experience in delivering our products to projects for Government and Private partners in developments as diverse as Infrastructure, Health Care, Senior Living, Education, Corrections and for Corporate partners (such as Kmart, Woolworths, TK Maxx, The Good Guys), when it comes to Supportive and Public Housing, Armstrong Flooring products are widely specified across the country for installation within Government and NGO Housing properties.

C6. SECONDARY IMPACTS – RETAIL

Mawson Southlands butcher Reece Travers

The value of the trade worker stopping for a pie at lunch or a pizza at the end of the week keeps a secondary retail outlet going every day.

Small corner stores receive a boost from a standard house or a new development getting underway with tradies coming in for a morning coffee or dropping in for a pie and a drink during lunch. Restaurants and retail get a boost as the tradie heads home at the end of the week and of course there is a multiplier to this that continues to help the economy.

YWCA National Housing - Bendigo Development (VIC)

Harvey Norman Commercial Victoria - The standard home project for PowerHousing Australia provides Harvey Norman Commercial Victoria with the opportunity to highlight the importance of the Community Housing & Social Housing Sector and the role of our business at this time to assist it to support the wider economy.

As a trusted brand house and industry leader, Harvey Norman Commercial is an ASX Top 100 Company Worth $5Bil+ (HN Group sales) whose support behind a COVID-19 rebuild will support those construction jobs, but also drive the many thousands of retail jobs that delivering scale social and affordable housing can provide. Across the country, Harvey Norman Commercial Divisions directly employ over 1500 team members, and the Harvey Norman Group employs over 10,000 staff nationally. Our commercial business runs in strong correlation to new home creation and investment.

Each new social housing dwelling represents approximately $12,000 in direct and indirect procurement spend to Harvey Norman Commercial, of which we estimate 40% of the value vests in our local supply chain, creating and maintaining jobs for Australians.

As we renew efforts to head out of COVID-19, Harvey Norman Commercial the Victorian division of Harvey Norman Commercial, Australia's largest commercial sales provider of appliances, sanitary ware, audio visual and professional products looks to work with the Sector and Australian Governments where possible to support the construction activity that will be needed.

Vertical integration of pipelines

PowerHousing is developing collaborations with hardware retail suppliers to create vertical integration in supply chains in terms of the planning, development and supply pipeline that are key to the aggregation work we will be undertaking to more smoothly deliver the scale housing that future policies will require.

Northern Beaches team – Bridge Housing (NSW)

D Section D – Setting the Right Policy for Affordability

D1. CHP CAPACITY

Community housing providers (CHPs) are specialist not-for-profit institutions that provide social and affordable housing options. CHP housing has doubled over the past decade and currently makes up 1% of Australia's housing stock.

CHPs are organisations whose mission is to provide social and affordable housing. As not-for-profits, CHPs are 'social businesses' driven by the need to reconcile tenant outcomes with economy and efficiency. All surpluses generated by CHPs are reinvested to deliver more social and affordable housing. In this regard, CHPs provide an assurance to tenants that their housing will remain affordable. This is particularly salient when examining the lower end of the housing affordability continuum. Many tenants may not be able to pay what is considered "affordable" in the private rental market, which is where CHPs can fill the gap and provide long-term stability for tenants.

NSW Housing Minister Pavey MP and NSW Families, Communities and Disability Minister Henskens SC MP with Compass Housing's Lyndall Robertshaw at the Nov 2021 Adamstown housing complex completion.

In addition to the reinvestment of funds into community housing projects with financing from NHFIC, CHPs are also beginning to tap into global investors' interest by demonstrating that affordable housing is a stable and reliable asset class. Private impact investment into CHPs is becoming more apparent, as many investors are looking to not only receive strong returns on their investment but wish to contribute to a broader social and economic cause.

More broadly, CHPs provide housing solutions that go beyond the physical dwelling to assist with numerous social issues through the provision of women's housing, Indigenous community housing, disability accommodation and more.

These are important housing segments that the private market operators do not provide for. Specialist Disability Accommodation (SDA) in particular, is an area that will require a significant amount of investment over the coming years. CHPs have experience and expertise to deliver SDA developments as the need grows.

CHPs are instrumental in addressing the current housing crisis, harnessing their knowledge, expertise and capacity to grow and meet housing demand through the provision of affordable solutions for Australia's low-income households and most vulnerable people.

There needs to be consideration of how the Federal Government can maximise the investment into social and affordable housing in a way that is sustainable and responsive to the growing demand for affordable housing solutions that are delivered by CHPs.

While providing a range of affordable housing options to vulnerable individuals and families at below market rate rents, CHPs continue to strengthen and expand on a housing delivery business model of sustainable and structurally efficient principles to increase investment.

The AIHW National Social Housing Survey reports that 80 per cent of community housing tenants are satisfied. Community housing tenants are also more satisfied overall than those living in other forms of social housing, have better employment and educational outcomes and live in structurally better dwellings. The ability of CHPs to deliver best practice outcomes for tenants and provide affordable housing services through a sustainable business model of reinvestment for social purpose has helped the community housing sector to grow rapidly in the last decade.

One thing that makes PowerHousing Member CHPs critical to the housing sector and sets them apart from other housing providers is that they are scale not-for-profits engaging in innovative partnerships. With large scale capacity they are focused on providing social and affordable housing for significant numbers of moderate to very low-income earners and complementing government policies to increase homeownership, reducing rental stress for all Australians. Affordable housing is an emerging international asset class for investment which has demonstrable characteristics and long-term investment for the communities and cities in which they operate.

D2. CHP, GOVERNMENT, AND INDUSTRY PARTNERSHIPS

PowerHousing meeting with Tasmanian Housing Minister Michael Ferguson MP July 2021.

The recent NHFIC Review report builds on previous research by UNSW and AHURI, to estimate that an investment of $290 billion will be required over the next two decades to meet the current and projected shortfall in the stock of social and affordable housing. Meeting that shortfall will require active participation by the private sector and high levels of collaboration across all levels of government.

The number of community housing dwellings more than doubled between 2008-09 and 2017-18 from 39,800 to 87,800 dwellings, while public housing decreased by 20,000 in the same period. Total CHP homes sit at over 100,000 dwellings developed from innovative and pragmatic partnerships.

This pace of growth has increased in 2019 with property transfer programs such as NSW Family and Community Services transferring the tenancy management of around 14,000 social housing tenancies to community housing providers, of which around 11,000 are to be managed by PowerHousing Members. As CHPs continue to work in partnership with different levels of government and the wider private sector, the community housing sector is destined to see greater growth and the appropriate housing of more Australians.

Across Australia there has been a significant program of property transfer undertaken with states having previously committed to transferring 25% of all public housing across to the Community Housing Provider management.

Over the past decade there has been significant transfer of property to CHP providers from The South Australian, New South Wales and Tasmanian Governments. Tasmania has over 11,000 social housing dwellings with around half of these homes under CHP management, with more on the way.

In some cases the tenancies have a long-term tenant lease and in others the title is transferred to the CHP. A long-term lease for over 15-20 years or a simple title transfer allows for leveraging of the asset and provides an ability to increase the supply of social and affordable dwellings.

As demonstrated in the following case studies, there is the opportunity to renovate and bring homes into a position of greater condition with the long-term lease to amortise the cost over a lengthy period.

With the National Net Zero Emission plan forecasting that by 2050, around 7 million homes will not be subject to improved energy efficiency measures in the National Construction Code there must also be retrofitted improvements to improve the fabric of older homes. Whilst one in four homes have had solar installed mainly for hot water, wider Solar, glazing insulation is the low hanging fruit which Australian Governments must be bold enough to revisit.

In other cases there is the opportunity to knock down and create additional dwellings. An ageing home on a large flat lot on commuter routes can see the old home redeveloped to have three brand new environmentally efficient, universally designed homes with options for increasing public housing and new social and affordable housing as a result.

More recently the Victorian $5.3 Big Build takes a new look at repurposing sites for the purpose of developing social and affordable housing and in cases there is an environmental social and governance investment interest in partnering with this program.

Proposals such as the Housing Australia Future Fund (HAFF) would also be a significant step towards addressing the current affordable housing crisis, while leveraging the knowledge and expertise of CHPs. Should the HAFF or a similar fund by the elected Federal Government come into effect post-election 2022, it can be further bolstered through the application of the equity structures that are outlined later in this report.

CASE STUDY: NSW Property Transfer and Revitalisation – Hume Housing

BEFORE

AFTER

In 2018 Hume Community Housing secured the largest social housing transfer in NSW under the Social Housing Management Transfers (SHMT) program, assuming tenancy management of over 2,200 homes and 4,000 customers in the Maitland and Port Stephens local government areas.

From 1 July 2021 Hume took over the maintenance management from the Land and Housing Corporation (LAHC). Most properties are old fibro buildings in need of attention. From 1 April to-30 June 2021, home renewals took place after Hume secured NSW Government stimulus funding of just under $4 million for major works on 70 properties in 70 days.

This project was successfully completed to meet the Government's 30 June 2021 deadline and created many local trades jobs. Whilst these housing transfers have gone a long way to clearing away maintenance backlogs and refreshing properties, there is a longer term option to redevelop these dwellings creating additionality.

Tenant Case Study: Janine's Home

Janine Spice has lived in her 40-year-old social housing property in Raymond Terrace for the past 16 years and it was home to her five children.

It was tight with six living at close quarters, and Janine struggled with a hoarding issue, which grew progressively worse after her children left home, making the home off limits to almost everyone. But when her home was selected to be part of Hume's $3.7 million stimulus project, Janine was inspired to overcome her hoarding.

"My house needed major maintenance work, but this could not happen with all the mess, so it spurred me on to take action," she said.

"I worked really hard because I realised more than ever that I did not want to live in mess, it was time!"

Hume supported Janine whilst she cleared her house which was then repainted and received new carpets and a kitchen. The garden also received a new fence. Janine's home is now not only a better place to live, she can access every room.

Janine is looking forward to having her newest grandchild visit to celebrate Christmas lunch with her family in her new home.

CASE STUDY: Henley Beach South Redevelopment Project - Unity Housing

A partnership between the South Australian Housing Trust (SAHT) and community housing provider Unity Housing, will see vacant land in Henley Beach South, formerly owned by the SAHT, redeveloped by Unity to create new social and affordable housing for low-income households, as well as market housing.

The mixed residential development replaces old and outdated SAHA public housing flats, that were demolished in 2018.

Under the agreement, Unity Housing will finance and develop the site, including building social housing apartments.

The $30 million redevelopment will include:

- 20 townhouses for market sale
- 27 townhouses and apartments to be retained by Unity Housing for social and affordable rental
- 23 apartments for social housing rental, targeted towards senior housing tenants, that will be retained by SAHA and managed by Unity Housing.

Unity Housing is committed to the Sustainable Development Goals. This will be demonstrated on the Henley Beach South Project in a number of ways including the installation of Photo Voltaic solar panels on all properties.

Unity Housing CEO Matthew Woodward outlined the group's approach to the development while highlighting the focus on community consultation at the planning stage.

"Unity Housing has developed a plan for this site with the assistance of Village Well, an organisation that specialises in a place making approach, to create a thriving and lively mixed tenure residential development with a focus on the needs of older people.

Feedback from the local community is an integral part of our approach at Unity Housing, and we undertook significant community consultation and worked closely with the City of Charles Sturt Council (LGA) to produce an integrated design incorporating the outcomes of this community consultation and subsequent place making strategy.

Our partnership with the State Government will provide much needed social and affordable rental housing in a mixed development which will complement the quality and amenity of the broader community in which the development is placed. The Henley Beach South development is a core part of a wider multi-million dollar development program Unity Housing is currently delivering to provide more affordable housing for low income South Australians."

Matthew Woodward, CEO, Unity Housing

Civil works are scheduled to commence in October 2021 with construction of dwellings commencing in January 2022; Project completion is expected by 2024.

CASE STUDY: Oaklands Park Housing Renewal – Junction Australia

BEFORE

AFTER

Junction is partnering with Housing Renewal Australia Oaklands Park – a private and for purpose consortia established to deliver South Australia's largest urban renewal project in two decades. The $135m Oaklands Green project will transform the existing social housing site into a lively neighbourhood through high quality design, improved open spaces, greater housing diversity and upgraded roads and laneways.

As part of the master-planned project, more than 650 new houses will be built including 255 new social housing properties. There will be no reduction of social housing in the area, and old, unsuitable assets will be replaced with fit-for-purpose, energy-efficient, robust dwellings which allow people to age in place. As part of the development agreement, the State Government has also transferred the property and tenancy management of identified public housing to Junction with the first stage of the project now underway.

Currently, public housing in the area is situated on huge blocks of land on the 20-hectare site. Much of the housing was built in 1955. The redevelopment provides better housing choices for South Australians, from those looking for their first home, to those downsizing, to those ageing in place with a seamless integration of housing for market sale, affordable and social housing. Social housing will form 35 to 40 per cent of the completed, master-planned development.

It is the first time that private family equity funds have partnered with a community housing provider to deliver such social housing in South Australia. The project is expected to be completed within eight years with a flow on economic benefit of more than $400 million including the creation of more than 1200 jobs.

STRATEGY: WA State Budget Housing Investment – State/ Federal partnership

The WA State Government as part of the 2022 budget announced $875 million for investment in social and affordable housing. Included within the budget was an amount of $522 million for direct investment into Social Housing, expected to deliver up to 1,900 new homes by 2023.

Foundation Housing, through direct leveraging would be positioned to deliver $160 million of direct investment from a $100 million contribution from the allocated $522 million. This would be achieved through the following;

- $100 million allocation from the WA State Government
- $25 million borrowed from NHFIC
- $25 million capital co contribution from the Federal Government
- $10 million from NHFIC via the NHIF

In return the $160 million would deliver 450 new dwellings, some 165 more than if the state government was to spend $100 million.

In addition, the investment would result in an additional $45 million over 20 years of recurrent income benefiting both the state government and tenants through Commonwealth Rent Assistance (CRA).

Foundation Housing currently has an iconic housing project subject to development approval with the City of South Perth. The project includes 130 new apartments across 10 levels in a centrally located address only 5kms from the Perth CBD. The shovel ready project would accommodate a mix of social, affordable and disability clients.

STRATEGY: Local Government Renewal and Realignment – State and Local Government Partnership

Southern Cross Housing (SCH) currently manages 1,845 properties in the Shoalhaven LGA, 1,487 of which are owned by NSW Land and Housing Corporation (LAHC). 686 LAHC properties are older than 40 years and 235 properties are aged between 30 and 40 years. Therefore, 46% are more than 40 years old.

Forecast maintenance costs to bring these dwellings to a quality standard (i.e., not simply maintain them at an arguably acceptable standard) over the next 10 years is in the vicinity of $45 million and $100 million over the next 20 years. Additionally, the current dwellings are not fit for purpose, they are not designed for people to age in place, nor are they aligned with bedroom category demand.

The age, condition, and construction materials of the dwellings also impact significantly on the health and well-being of tenants. Issues include extreme heat in summer, freezing cold in winter, mould, and asbestos issues. Noting 87% of these tenants are on a pension or other form of government payment.

SCH recognises the need for a holistic LGA approach to realigning the Shoalhaven LAHC portfolio. If we do not embrace this challenge today, the current dilapidated 50-year-old dwellings will simply become 80-year-old dwellings. It is unacceptable to expect people who are elderly and / or vulnerable to continue to live in such properties. Working collaboratively with Shoalhaven City Council, NSW State Government, and the private sector, SCH believe now is the time to commit to such a strategy with real timeframes and real targets.

The proposed realignment strategy will comprise of the following:

- Dwellings demolished for redevelopment
- Dwellings sold to the open market
- Dwellings sold to Southern Cross Housing
- Construction of new medium density dwellings
- Construction of secondary dwellings on LAHC and SCH properties
- Affordable rental Secondary dwellings by SCH
- New Generation Boarding Houses
- SCH shared equity home purchase opportunities
- Relocation of households into new dwellings and 'leasehold' properties

Program Outcomes:

- New fit for purpose and energy efficient homes for tenants.
- Decentration of East Nowra and Bomaderry estates.
- Job creation by effectively constructing 372 new medium density units and 138 Secondary dwellings.
- Local employment and trainee opportunities mandated to building contractors.
- $120 million stimulus over the next 10 years in Shoalhaven.
- 84 home ownership opportunities via SCH's Shared equity Scheme.
- A committed pipeline of 138 Secondary Dwellings will allow SCH to establish a manufacturing / employment enterprise offering traineeships and apprenticeships to local youth and school leavers, particularly focusing on indigenous career opportunities with add on programs to build housing products for AHO, and LALC's. Partnering with TAFE, it is envisaged a cohort of 10-15 traineeships / apprenticeships per year could be offered.

Ultimately, 166 new social housing dwelling units. 144 dwelling units owned by LAHC at an average cost of $314,383 over a 10-year program. Alternatively, the program can target no net increase of social housing dwellings or reduction in asset value at close to breakeven.

The 10-year program comprises of 23 redevelopment sites (97 dwellings) made up of consolidated allotments. SCH acknowledges this will not completely achieve a 'whole of LGA' realignment, however if the first 10-year plan is successful, another 10-year program can follow.

Specialist Disability Accommodation – Redevelopment of aging legacy homes

Summer Foundation's recent SDA Supply report provides valuable information to inform people with disability, market players and the NDIA on the current and future supply of SDA in Australia.[47] Given that over 14,000 people who are likely to be eligible for SDA funding are not yet receiving payments, the demand for SDA should be strong. This demand is greater still, when the number of old or existing housing stock needing to be replaced is considered.

However, challenges reported by SDA providers shows that while demand should be outstripping supply, actual demand, being the number of NDIS participants with SDA funding in their plans, is falling short. Urgent action is required to activate demand by identifying the remaining 14,000 people who are likely to be eligible for SDA funding and are likely to be living in government housing, hostels, residential aged care, or with family. Along with this unmet demand, there is a need to replace existing old stock with contemporary SDA. This means the real demand for new housing could be considerably higher than 14,000 places over the next 10 years, as current SDA tenants in basic and legacy housing look for alternative housing.

Scale Builder CHP and Government Partnerships

Social and affordable housing is critical infrastructure with irresistible social and economic benefits. Whether the leadership comes from State or Federal Government, whether it involves the transfer of old housing stock or funding to CHPs to renew their housing stock, a large-scale renewal program is needed that will benefit Community Housing Providers.

A regeneration program such as the one EveryOne Homes is helping deliver for the Victorian Government presents a great example for others to consider a cost-effective scalable model to provide a pipeline of development, with low-interest rates making the business case more viable than ever before. Undertaken with sufficient scale, the problem of managing existing tenants out of old homes will be assisted by virtue of far more well-located new housing being available for tenants to move into.

It's an opportune time for our CHPs and industry partners to activate such a program, including advocating for bulk land transfers which will further see increased scale. Homes that no longer serve the needs of the people, the environment, the community, nor their government owners can be transformed, reaping unparalleled social and economic benefits and providing disadvantaged Australian families with safe and secure homes to live.

Scale Financial, CHP and Government Partnerships

ANZ believes access to housing continues to be the best way to ensure equality of social and economic opportunities for everyone in our community.

The bank can play a role in helping improve the availability and affordability of housing, including support for innovative housing delivery models across the private, public and not-for-profit sectors.

> ***"At the end of 2018, ANZ committed to fund and facilitate $A1 billion of investment by 2023 to deliver more affordable, secure and sustainable homes to buy and rent. We exceeded that target in 2020. In response, we recommitted with an increased target to $A10 billion of investment by 2030 to deliver more affordable, accessible and sustainable homes to buy and rent in Australia and New Zealand.***
>
> ***By the end of 2021, ANZ has funded and facilitated over $A3.87 billion into the sector."***
>
> **Caryn Kakas, Head of Housing Strategy, ANZ**

D3. ESG INVESTMENT/LONG TERM EQUITY

Leading up to the development of the National Housing Finance and Investment Corporation (NHFIC) Affordable Housing Bond Aggregator (AHBA) in 2018 there was overwhelming evidence that Australia was in an affordable housing crisis. It was seen to be a crisis felt by all levels of the community, particularly those most vulnerable and low-income households. The challenges with affordable housing would have been much more significant with the onset of the COVID-19 pandemic if it were not for NHFIC and its keenly priced and long tenor loan finance.

NHFIC and the AHBA were designed with no consideration of a COVID-19 type crisis, but the Corporation is a significant tool in the Government's repertoire to help mitigate the impacts of COVID-19 on housing. It has helped create new housing outcomes for social, affordable and even first home buyers.

The economic fallout from COVID has driven a greater focus on safe, reliable investments with low volatility. Social and affordable housing is a viable investment opportunity in this world. Social housing investment has proven itself over the past 30 years. Despite the challenges of COVID, PowerHousing Australia's Members have shown stability across their portfolio, with arrears and bad debts being stable or improving. The good work CHPs do improving tenant outcomes, enhancing environmental sustainability and building strong communities also makes this asset class a key candidate for Environmental, Social and Governance (ESG) investments.

In Australia, social and affordable housing as an asset class is still in its early development. There is not yet a sufficient volume of projects aligned with the asset class definition underway in Australia to provide the required certainty for investors. To address this, the Federal Government could take an active role in establishing this asset class which would also act as leverage for other policy or funding commitments.

Affordable housing is emerging as a global investment class. With the right mechanisms and supports from the Federal Government, it can become a prominent investment opportunity for investors in Australia as it has already become in Europe.

There is a significant weight of institutional capital seeking quality and scalable Environmental, Social and Governance (ESG) investments. The economic fallout of COVID-19 has presented a greater demand for reliable investments with low volatility. With this in mind, social and affordable housing becomes an attractive investment opportunity.

Superannuation is a long-term investment and periods of negative returns are expected to occur from time to time. There is a lot of effort put into making sure fund members have diversified investment options as a buffer to volatility as pronounced as it was in 2020. As the economy grapples with COVID-19, it is likely there will be a greater appetite for those investment classes that can 'ride through recessions' and social housing investment has proven itself as a viable investment option over the past 30 years.

Despite the challenges of COVID-19, PowerHousing Australia's Member CHPs have shown financial resilience with arrears and bad debts being stable, and in many cases improving. This opens the door for Government to incentivise social and affordable housing investment through longer term

Anderson Avenue and Alamein Avenue in Liverpool - BlueCHP (NSW)

equity structures that will assist in meeting the demand now while also facilitating the ongoing delivery of homes needed into the future. There is opportunity for developing an equity investment structure that promotes community housing as a viable investment, while stimulating affordable housing and jobs which are essential to the Federal Government's ongoing response to the pandemic as it evolves.

Potential Equity Investment Structure

There is potential for the establishment of a longer-term fund to provide equity for private investors to co-invest in CHP social and affordable housing projects, which can provide a stable recession-proof return.

The fund would offer equity or perpetual debt instruments tied to social and affordable housing projects, with a market-return being earned that is commensurate with the risk profile of the asset class. Together with already available debt finance, this can be leveraged for significant impact. The fund would be administered through an appointed fund manager. It is envisaged that NHFIC may be an appropriate custodian who would either act as the fund manager or appoint appropriate fund managers on its behalf.

CASE STUDY: Conscious Investment Management, HousingFirst and Victorian Government partnership

HousingFirst is partnering with Conscious Investment Management and funders to invest $150 million to acquire social and affordable housing stock in Melbourne to rent to tenants on Victoria's public housing list.

The investment manager, backed by funders Paul Ramsay Foundation and Future Super, and HousingFirst will acquire up to 307 newly built one- and two-bedroom units that the community housing provider will manage for 10 years under a program subsidised by the Victorian government.

Under the scheme, the fund manager receives head lease rent payments, which are topped up by state agency Homes Victoria under the New Rental Development Program.

As an impact investment asset manager, CIM focuses on funding social infrastructure such as specialist disability accommodation and affordable housing that creates positive social and environmental impact.

Three-quarters of the homes will be leased to social housing tenants, mostly lower-income households receiving social security payments, and the remainder will be key worker, or affordable housing tenants.

The dwellings will be dispersed within large apartment buildings, with no more than 20 per cent of each building being designated as social and affordable housing. The type and location of homes acquired would be chosen by HousingFirst to meet the needs of tenants sourced from the Victorian Housing Register,

"If you look at the impact on the state balance sheet, it's substantially lower than making a direct acquisition. The CIM-HousingFirst partnership aimed to prove up a model that could be expanded…it's a really well-designed scheme."

Conscious Investment Management, CIO, Matthew Tominc, 11 Oct 2021

"The homes being acquired would house more than 500 people. They will move into affordable homes in central locations within existing vibrant communities that are close to economic and jobs hubs…This partnership will change lives." [48]

HousingFirst CEO Haleh Homaei

D4. SHARED EQUITY

Shared equity home ownership is a concept of supported home ownership. In many countries it is considered a viable and affordable alternative to full home ownership. There are many Australians who, if offered, would happily take up a 60-80% stake in a home.

A 20% equity investment into a property via a government structured entity, such as NHFIC, can support people to maintain their home ownership and assist to reduce accumulated debt. An equity investment allows for an investment vehicle to hold an asset that can be realised up to, at, or after 10 years when the majority of homeowners refinance or sell their property.

The introduction of a low-cost shared equity program also benefits current homeowners who may be struggling with mounting costs. They can retain their home through financial crises and uncertainty, much of which has been evident during the COVID-19 pandemic.

Another option is for CHPs to retain the 20% equity ownerships, as they have stock they could sell to current or future tenants on a shared equity basis so that the tenant (now homeowner) can raise the finance needed to acquire 80% of the property. This approach allows the transition of affordable tenants to home ownership and it enables the CHP to leverage four properties constructed for every five properties sold. After a 10-year period the CHP would recover its equity position from the five properties, enabling it to build another property to meet the ongoing demand for social and affordable housing.

There is opportunity to use pre-existing systems and infrastructure such as Centrepay, that can play a significant role in increasing home share in Australia. Centrepay can become a vehicle that links banks and CHPs with tenants who are transitioning into shared home ownership, allowing for repayments towards shared equity to be made through the platform.

D5. BUILD-TO-RENT

Only a few years ago Build to Rent was a concept that CHPs were exlporing and was further bolstered out of the National Rental Affordable Scheme development of over 38,000 homes to revitalise the building industry in the wake of the Global Financial Crisis.

PowerHousing CEO Nicholas Proud in a previous role working with the development sector, found in 2015 Washington and New York engagements that the Build to Rent concept was boosted from engagements with the largest multifamily Build to Rent providers and pension real estate providers in the US. This engagement on the ground was a scouting trip with AVJennings who are one of Australia's longest standing housing builder developers and today a PowerHousing Affiliate supporting wider industry thinking on this as an option for servicing an increasing rental demand in Australia.

In the US the Build-to-Rent market is based around developing up to 10 percent of the annual residential commencements for affordable housing and a 35-year affordable asset class supported by the US Government Low Income Housing Tax Credit (LIHTC) that provides a subsidy to subsidise the reduced rents.

The Build-to-Rent concept in Australia has been the domain of CHPs for 30 plus years in Australia and it has always been focused on low income social and affordable rentals, but in recent years there has been growing interest in Build-to-Rent with expansion in both the concierge model with services and more affordable options.

Homes North Community Housing (NSW)

Earlier this year Housing Choices and Assemble Communities made an agreement where the community housing provider will manage the affordable housing component of developer Assemble's planned 3,300 new Melbourne homes, and generate income to invest in new key worker dwellings.

Housing Choices will manage about 660, or one-fifth, of the apartments ring-fenced as below-market-rent homes across six new buildings Assemble plans for inner- and middle-ring Melbourne. Most of the homes will be commercial build-to-rent housing targeted at low- to moderate-income households.[49]

> ***"Housing Choices' cashflow from rental revenue as well as profit from the equity investment it would make in the projects will give it the funds to acquire a further 440 affordable homes, either in the Assemble projects or in other locations."***

Michael Lennon, Managing Director, Housing Choices Australia

Recently Aware Super has increased its build-to-rent pipeline to almost 1400 units-one of the biggest in the country- after buying the former Bayview Hotel on Queens Road in Melbourne's St Kilda Road precinct in partnership with fund manager Altis.

The $70 million-plus acquisition comes amid a ramp up in activity in the BTR sector by the likes of Macquarie, Mirvac and Greystar and as more former hotel and residential sites are put back on the market by developers.

Aware Super, which has targeted its BTR strategy at providing more affordable rental housing for essential services workers, intends to create more homes in the future.

> ***"Aware Super has been investing in essential worker affordable housing for more than three years, and during that time we have refined our approach from purchasing excess stock to underwriting shovel-ready projects to now building and developing units ourselves,"*** [50]

Damian Graham, Chief Investment Officer, Aware Super, 23 September 2021

A possible taxation mechanism to create new housing supply, particularly affordable housing, would be a derivative of a Low-Income Housing Tax Credit (LIHTC). As noted, such a system has been operating in the United States for over 35 years with impressive results.

Under this system, for-profit and not-for-profit developers compete in an annual round for tax credits earmarked by states under different terms and under federal rules. These tax credits are then sold to investors which can use them to lower their tax burdens. The equity raised can then fund the development of affordable housing.

A LIHTC system could easily be established in Australia. LIHTC fills a gap in the current housing tax system in Australia. Namely, this would create incentives for the private market to create affordable housing supply with CHPs.

Together Home Team - North Coast Community Housing (NSW)

D6. NATIONAL PLAN FOR HOUSING

The 2021 Australian Infrastructure Plan has recently been released by Infrastructure Australia. The plan demonstrates new thinking with reforms that look to improve our standards of living while embedding resilience and sustainability in our essential infrastructure, including social infrastructure. The plan's inclusion of community housing is an acknowledgement of how housing is vital to Australian's physical, psychological and financial wellbeing and is a very welcome feature of the new plan.

Access to secure and affordable housing enhances the social, economic and civic participation of everyday Australians. Stable and affordable housing is a secure base for all, particularly for our most vulnerable. The home is a safeguard for many with physical or mental health issues and when universally designed can support people with a range of disabilities or challenges. The home is also where most family and domestic violence (FDV) is perpetrated, and providing safe, secure and affordable housing for those fleeing family violence is the first step to tackling the crisis.

A national plan will provide a consistent and comprehensive approach to housing in Australia across the housing continuum. Ideally, the development of a high-level blueprint will guide the housing landscape moving forward, with a focus on the provision of affordable and stable housing solutions for all Australians.

Rosetta Redevelopment – Centacare Evolve (TAS)

Conclusion

The COVID crisis has emphasised the role that government can play in influencing the housing sector. As the previous report highlighted, last year the construction industry faced a potential 'valley of death' as construction demand collapsed. Governments around Australia implemented housing stimulus measures to boost housing construction which were immensely successful. However, housing affordability, already a significant challenge prior to COVID, continues to deteriorate.

Governments do have the powers to improve housing affordability in Australia if they implement the rights policies and settings. The policies outlined above, from build-to-rent to shared equity to long-term equity can all play a role creating a positive housing future for all Australians. CHPs in particular have the capacity, knowledge and expertise to create new affordable housing now, and into the future.

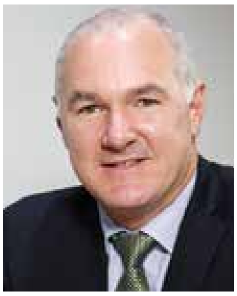
In the case of increased density, a knockdown rebuild can bring three family housing outcomes from the previous single family house, of which at least one or two can be an affordable and/or potentially a social outcome.

As we work our way through the next phase of COVID it is important to consider the cold hard fact that if we didn't have a home, a place to work, learn, play and rest, we would have more than a health crisis, with economic ramifications that forecasters in hindsight hadn't quite factored in.

Housing is the place of security that has been confirmed by this crisis, is a central place in the lives of Australians, and is now front of mind. It must be a central focus as social infrastructure in the rebuild of a nation in this next economic recovery phase.

As the current stimulus boosted phase washes through and the factors of demand begin to normalise, a focus on new liveable, energy efficient social and affordable housing can prime and then underpin the build rate over the coming uncertain period.

ABOUT THE AUTHORS



Tim Lawless

Tim Lawless is widely regarded as one of Australia's leading property market analysts and commentators by business and the media. Tim's expertise across property markets has positioned him as one of the country's most experienced and popular property market analysts and commentators. His knowledge and expertise is sought after by myriad government entities and regulators as well as national and international corporate entities operating across property, banking and financial sectors.

About CoreLogic – CoreLogic Australia is a wholly owned subsidiary of CoreLogic (NYSE: CLGX), the largest property data and analytics company in the world. With Australia's most comprehensive property databases, the company's combined data offering is derived from public, contributory and proprietary sources spanning more than three decades of collection, providing detailed coverage of property information such as tenancy, location, hazard risk and related performance data. CoreLogic is the leading provider of property data, analytics and related services to consumers, investors, real estate, mortgage, finance, banking, insurance, developers, wealth management and government. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and geo spatial services. CoreLogic RP Data helps identify and manage growth opportunities, improve performance and mitigate risk.

Nicholas Proud

Nicholas Proud is the CEO of PowerHousing Australia. He joined the organisation in 2016 and has supported the Federal Budget establishment of a bond aggregator and the National Housing Finance and Investment Corporation. Nicholas previously has worked in senior Executive Director capacity with the Property Council of Australia, Housing Industry Association and the Construction & Property Services Industry Skills Council, to undertake housing outlooks and environmental scans over the last decade.

About PowerHousing Australia – PowerHousing Australia is a unique forum for peer-to-peer exchange and collaboration amongst housing professionals who are dedicated to improving lives through the provision of social and affordable housing. The organisation was established in 2005 by a group of CEOs who recognised the scale of emerging housing affordability issues and the enhanced capacity of organisations to make a difference if they collaborated to share knowledge and resources. Today the organisation has 36 of the largest scale community housing provider members who collectively manage over $20 billion in housing, and own or manage over 74,000 homes for over 125,000 people on low to moderate incomes.

Finn Moore

The 2022 Affordable Housing Environment Scan was coordinated, researched and compiled by Finn Moore, Research and Administration Officer at PowerHousing Australia. Finn joined the organisation in 2021 with a Bachelor of Politics, Philosophy and Economics.

Duke St construction - Mission Australia Housing (NSW)

POWERHOUSING APPRECIATES THE FOLLOWING CONTRIBUTIONS AND INCLUSIONS TO THE REPORT.

Residential Construction: EveryOne (a division of Metricon Homes), Simonds Homes, AVJennings

Manufacturing and Retail: James Hardie, Allume Energy, 369 Labs, Harvey Norman Commercial, Karndean Design Flooring, Armstrong Flooring, Fleetwood Australia, TSR Property Solutions

Design and Architecture: Hayball

Information Technology: MRI Software, NEC, Altus Group, Civica

Property & Management: JLL, PropertySafe, Signature Project Management

Finance: ANZ, CBA, Conscious Investment Management

CHP: AnglicareSA, Argyle Housing, Bethanie Housing, Beyond Housing, BHCL, BlueCHP, Bridge Housing, Centacare Evolve, CHC Australia, Churches of Christ, City West Housing, Compass Housing, Evolve Housing, Foundation Housing, Haven; Home Safe, Homes North Community Housing, Housing Choices Australia, HousingFirst, Housing Plus, Housing Trust, Hume Community Housing, Junction Australia, Launch Housing, Link Wentworth Housing, Mission Australia Housing, North Coast Community Housing, Pacific Link, SGCH, Southern Cross Housing, Unison, UnitingSA, Unity Housing, Westside Housing, Womens Housing Company, Womens Housing Ltd, YWCA National Housing

Other: Summer Foundation

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