

Private Investment in Affordable Rental Housing

CEDA is currently not in position to make a comprehensive submission to the Productivity Commission's Inquiry into First Home Ownership, however it would like to draw attention to the specific issue of how best to stimulate private investment in affordable rental housing.

CEDA is undertaking a joint investigation with the Brotherhood of St Laurence into private investment in affordable rental housing. As part of this investigation CEDA and the Brotherhood commissioned the Allen Consulting Group to assess the relative merits of alternative government interventions to stimulate private investment in affordable housing. The report, titled 'Better housing futures: Stimulating private investment in affordable housing' will be launched on 23 February. CEDA supports the position put by the Brotherhood of St Laurence to the Productivity Commission that stimulation of private investment in affordable housing should form a component of a comprehensive housing strategy.

Inquiry Terms of Reference

While the main focus of the Productivity Commission's inquiry is first home ownership, the Treasurer makes a number of references to low income households and rental in his Terms of Reference.

In particular he requests attention be given to the operation of the total housing market (including the availability of a range of public and private housing types), and he asks that the inquiry examine mechanisms focused on low income households, including among other things, rent subsidies.

Lack of Affordable Rental Housing—the Economic Impact

Rising house prices in major metropolitan cities have contributed to a shortage of affordable private rental housing, particularly where demand is strongest. Other contributing factors include demographic changes, longer periods for young people in formal education, and the gentrification of inner city areas.

Lack of affordable housing has a number of negative consequences including crowding out of other expenditure, and upward wage pressures. Of greatest concern however is the impact on access to labour. Lower and medium paid employees are forced to move further from metropolitan centres of economic activity in search of affordable housing. In London special assistance has been introduced for essential services workers to allow them to live sufficiently close to the city.

Moreover, without an adequate stock of affordable rental housing, governments may face a build up in demand for public housing—targeted at the very lowest income groups—by households higher up the income distribution. And it becomes increasingly difficult for public housing tenants to move into private housing markets.

Leveraging Private Investment

While the development and investment sectors are interested in affordable housing projects, a gap exists between affordable rents for targeted low income households and the returns required for commercially viable projects.

The Allen Consulting Group report explores the costs and benefits of the following potential policy mechanisms aimed at stimulating private sector investment in affordable rental housing.

- government bonds
- public/private partnerships

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- tax credits

CEDA does not wish to suggest any one measure is superior to the other. However, we believe these measures require serious evaluation in the context of the total housing market.