

Beyond Waiting Lists: a practical blueprint to grow Australia's supply of social housing

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There is a practicable solution to our Social Housing Crisis

There is a crisis in Australian housing. According to SGS Economics 42% of low-income earners are in housing stress. That is more than 640,000 households.¹ The vacancy rate in the private rental sector has fallen from 2.6% in April 22 to an all-time low of 0.8% in April 23². Rents have risen more than 11.5%³ in the past 12 months across Australian capital cities and are continuing to rise at an accelerating rate.

As a consequence, the pressure on the social housing sector has never been so severe. At June 2022 174,600 households were waiting to be allocated public housing, up from 154,600 at June 2014. Of these 68,000 were of greatest need, an increase from 43,200 at June 2014.⁴

And yet the supply of social housing is at its lowest level ever. Just 4.1% of Australian housing stock is social housing (public and community housing), this compares to 4.8% in 2011.⁵

There is a solution that will deliver a substantial increase in Australia's supply of social housing, and it can be done quickly and well.

But back to the current environment. Without access to affordable housing, we are condemning an increasing proportion of our population to homelessness be it sleeping in cars, couch surfing or resorting to temporary or crisis accommodation. Without a safe home environment

how can we expect our children to succeed in schools? The impact of homelessness on physical and mental health places an unnecessary burden on our public health system and the lack of a stable permanent home impedes a person's chances to get and hold down a decent job. We must increase the supply of social housing quickly. To do this we need to confront a set of challenges simultaneously; we need to make land available, we need to streamline the planning process, we need to build quickly and cost-effectively, we need to grow the capacity of the community housing sector, and we need to fold in effective and established subsidy mechanisms.

And yet none of these hurdles are insurmountable.

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Land Availability

The Community Housing sector providers are typically registered charities that are run for purpose, not for profit. They are characterised by financial statements that are typically asset rich, but due to low operating margins from running social and affordable housing, they tend to be cash poor. The sector has to compete with the private housing developers (owned and Build to Rent) for available land. This places a serious constraint on their ability to add to the social housing stock.

This is further impacted where subsidies in the system such as first-home buyer grants in effect increase the price that can be paid by a private developer for available land because they have the effect of increasing the price that a purchaser can pay for the finished house.

The public housing departments are not adding significantly to supply. The departments are attempting to renew and rebalance their portfolios through larger estate renewal projects such as Ivanhoe and Redfern/Waterloo in NSW and Flemington and Prahran in Victoria. But these large-scale estate renewal projects are not only time consuming to plan and deliver, their focus is about deconcentrating the large conglomerations of public housing as opposed to significantly increasing the total number of social housing dwellings or the land available for social housing.

We need to find an easily accessible supply of land that can be made available for social housing. Australian cities are some of the lowest density urban centres in the world. Melbourne ranks 910th with a density of 1,635 people per

square kilometre. Sydney ranks 859th with a density of 2,204 people per sq km. By comparison, London has a density three times higher at 6,213 people per sq km.⁶

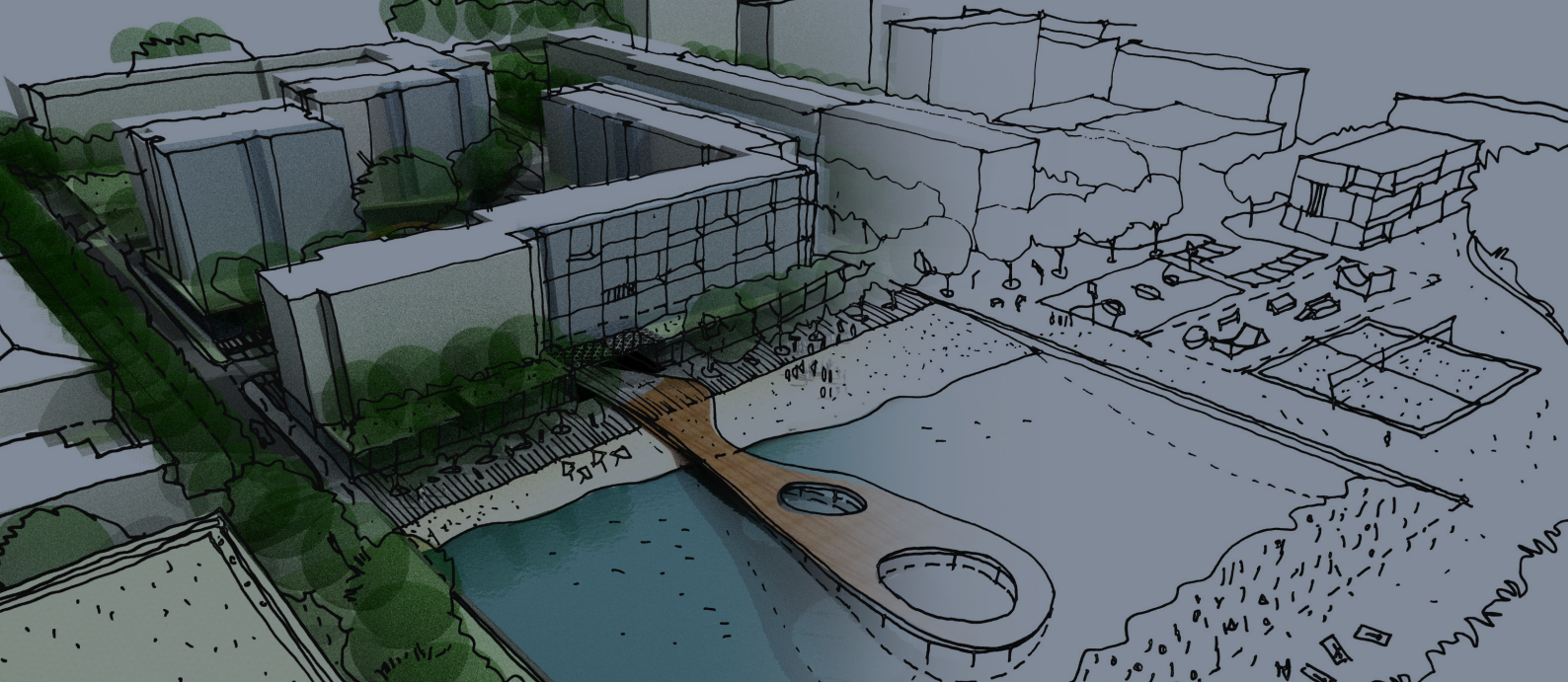
The need to increase the density of Australian cities is recognised by government, planners, economists and lobby groups like the Housing Now group. Not only is it environmentally unsustainable for us to keep expanding our cities, but it is also far more cost effective to infill urban areas than build on greenfield sites.

The supply of land for more social housing should come from increasing the density of our urban areas. Part of the solution lies in further unlocking the potential within our state-owned public housing portfolios.

The state public housing departments are significant owners of land. In NSW LAHC owns over 125,000 dwellings of which 34%⁷ is low density detached housing. Moreover, it is often configured in a series of dwellings clustered together which offer the potential to undertake a collective redevelopment.

LAHC and other government agencies recognise that much of the current portfolio of state owned public housing dwellings are under-utilised because it was built decades ago and the average household size has been falling. In 1961 there were on average 3.6 people per household, by 1980 this had fallen to 3.0 and then to just under 2.5 people per household in 2023. This supports the argument that it is possible to reduce the dwelling size.⁸

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Working with government agencies to conduct an analysis of the tenant household composition within their existing portfolios and review of the public housing waiting lists can guide the typology requirements of dwellings to be redeveloped.

Take as an example four adjacent three-bedroom detached public housing dwellings each 185 sqm and each on a 450 sqm block. Increasing the FSR across the site to 0.7:1 and reducing the dwelling size to 150 sqm (a typical three-bedroom townhouse) would allow between 8 and 9 new dwellings to be constructed. A doubling of the available stock.

By infilling existing sites and increasing density we can substantially increase the supply of social housing.

We also replace oversized, aging and unsuitable stock that is expensive to maintain with modern sustainable housing that can be configured to meet the needs of people with disability, and the growing needs of our aging populations.

The advantage of this approach is that each project is relatively small, can be delivered quickly by a medium sized-builder, renews the existing aging stock while doubling supply, and most importantly utilises land already in the ownership of the state.

Streamlined Planning

Our existing planning constraints are not insurmountable. In NSW the Low-Rise Housing Diversity Code aims to increase the range of housing in NSW by making it quicker and easier to build homes that offer an alternative to apartments and freestanding houses. It allows well-designed dual occupancies, manor houses and terraces (up to two storeys) to be built under fast track complying development approval.

Approval can be issued within 20 days if the proposal complies with the State Environmental Planning Policy (Exempt and Complying Development Codes) 2008.

Development under the Code is allowed for the following zones in the state:

- R1 (General Residential)
- R2 (Low-Density Residential)
- R3 (Medium-Density Residential)
- RU5 (Village)

The key here is that the code facilitates the streamlined approval of small-scale developments that increase density and can be used to deliver a small-site redevelopment program. There is an opportunity to work with state government to fast track the densification of our suburbs using complying development mechanisms.

Quick and Good Construction

These measures address some of the constraints around land availability and planning. The next constraint is to build well designed, quality new housing, but build it quickly and cheaply. The solution here lies in advances in modular home building.

Design for Manufacturing and Assembly (DfMA) is a process that uses design standards to blend manufacturing with construction. By using Building Information Management (BIM) technology and focusing on accessing off-site manufacture through the procurement of building parts and efficient on-site assembly, the DfMA process offers a range of financial, environmental, quality and program benefits.

- Early investment in the design and engineering of the kit of parts significantly reduces time on site
- Offsite assembly with controlled manufacturing processes improves quality control and build outcomes,
- Manufacturing of building parts creates jobs in safe environments and on-site assembly requires less interfaces
- It reduces the number of trades on site and generates less noise, dust, traffic and disruption; and
- It promotes better environmental outcomes and reduces Co2 emissions and construction waste

But the major benefit of modular construction is the significant reduction in the time to build. Studies suggest that the time to build can be reduced by up to 30% from design to completion against traditional construction methodology. If we want to address the social housing crisis in a meaningful way, we need to build more homes quickly.

We have the ability now to build more medium density housing quickly and well by embracing this construction methodology more widely. This potential has been recognised by the NSW government with its \$224m package for social housing that includes exploring modular homes as a delivery mechanism.

Capacity Building

To make a substantial contribution to the supply of social housing we need to roll out a program simultaneously across each state. Here the solution lies in leveraging the growing capacity of the Community Housing sector.

The number of homes owned and managed by the community housing sector has increased substantially. In NSW the CHP sector now manages over 54,000 properties.⁹

And with that increase in their size, CHPs have also grown their capacity to build new housing. In the decade to 2022 in NSW, the CHP sector delivered an estimated 5,300 new homes. They invested over \$1.82 billion and have a pipeline of 2,600 new homes by 2026¹⁰. The largest CHPs like St George Community Housing, Hume Housing and Bridge Housing are now significant and sophisticated residential developers.

The CHPs can be used as the agents to deliver a statewide program of projects. The State government could run a program to transfer clusters of public housing dwellings to the CHPs (either by sale at a reduced priced or under a long-term lease at a peppercorn rent). The CHP would then take over the property and tenancy management, facilitate the rehousing and then redevelop the site to increase the total number of dwellings. Existing tenants would be given a right of return.

Delivered as an annual program across the states with clusters of existing public housing transferred in a systematic program, the approach would spread the load of increasing and revitalising our existing public housing across multiple CHPs while continuing the journey of growing the capability and capacity of the community housing sector.



Use of established subsidies

Finally, the approach can use established subsidies within the system without needing to invent a new approach. Land is made available cheaply by the state to the CHP at below-market value either by transferring title at a reduced price or by granting the CHP a long lease at a peppercorn rent.

The CHPs are able to access low-cost finance from Housing Australia (previously called the National Housing Finance and Investment Corporation). Through the Affordable Housing Bond Aggregator (AHBA) and the National Housing Infrastructure Facility (NHIF), Housing Australia supports the delivery of social and affordable housing.

The recently announced Housing Australia Future Fund (HAFF), which is to be administered by Housing Australia, offers another subsidy vehicle to support the approach. Lastly, by transferring social housing from State Government to community housing management, it allows the tenants to access Commonwealth Rent Assistance, which provides additional funding to assist the financial feasibility of this approach.

Conclusion

There is a way to deliver a substantial increase in Australia's supply of social housing, quickly and well. The public housing sector could lease its low density under-utilised and aging public housing stock to the Community Housing sector. The CHPs should be charged to redevelop the sites into smaller higher density housing. Planning and building approval can be fast tracked using Complying Development consent. Modular housing should be used to substantially reduce build times and improve quality and ESD outcomes. Existing subsidies through long-term low-cost leases, reduced finance costs from Housing Australia, the new HAFF grant and subsidy program and Commonwealth provided CRA would underwrite this new approach.

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MBM's Social Housing Leadership Team

Our sector leads have been tackling social housing challenges since the firm's establishment in 2002. Each Director supports diverse public and private residential projects ranging from single dwellings and large estate developments, to medium and high density apartment

complexes. With expertise across all elements of quantity surveying and advisory, MBM's Leadership Team brings decades of industry experience for the effective development, construction, asset and tenancy management of social and affordable housing projects.



Dave Pearson

CEO

David has over 30 years of experience advising clients on the procurement and management of built assets in Australia, the United Kingdom (UK), and Washington D.C. David specialises in guiding MBM's public sector clients and financiers on asset planning, procurement, and management with a focus on the social and affordable housing sector. David supports overcoming industry complexities by providing guidance to the NSW government on the management of major public housing estate renewals.



Justin Noakes

Advisory

Justin brings over 25 years of expertise as a Facility Management (FM) and Asset Management (AM) Advisor with experience in the Australian and UK industries. Throughout his career, Justin has operated as a trusted advisor to the social and affordable housing sector. With specialisations in facilities management, project estimation, feasibility studies, cost benchmarking, and procurement, Justin strategically counsels government and businesses for public private partnerships models.



Richard Smith

Cost

Richard is an advisor on affordable housing and an expert on design methodologies. He proudly drives evolutions in the built environment utilising over 30 years of international experience and applies his technical specialisations to promote advancements in the Australian residential sector. He actively sheds light on social housing developments through keynote speaking engagements at industry events and furthers discussions on design, construction, and sustainability opportunities.



MBM has offices in Sydney, Parramatta, Brisbane, Gold Coast, Melbourne, Canberra, Perth and Adelaide.

We operate as a single entity and are able to utilise specialised skills from any office to deliver a successful outcome for your project or development.

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