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## **Affordable Housing Working Group – Issues Paper**

Cbus is pleased to provide a brief submission regarding the important topic of affordable housing. We endorse the submission made by Industry Superannuation Australia (ISA) and wish to provide some additional comments regarding the 'Cbus perspective' on affordable housing.

### **Background**

Cbus is the industry superannuation fund for the construction, building and allied industries. Cbus is run only to benefit members and recently received recognition for its 10 years as a platinum rated fund by independent ratings agency *SuperRatings*. Cbus has over 720,000 members, 100,000 employers and \$32 billion in funds under management.

Cbus invests back into the construction and building industry, which not only provides strong long-term investment returns, but helps boost our economy and create jobs within the industry.

Cbus has been researching the affordable housing area for several years and has been an active participator in a range of research group, academic, and government discussions and reviews on the topic.

### **Housing**

Access to secure and affordable housing is an important part of ensuring a dignified and comfortable retirement. Cbus believes that superannuation funds can, and should, play a role in helping to improve the supply of affordable housing for Australians through funds investing in this area.

As an investor Cbus is interested in playing a role in helping to deliver positive housing outcomes for Australia. Cbus is a conscientious and patient provider of capital with conscience that proudly invests in our industry. Cbus members work on construction sites to build houses – there is a natural symmetry with their super being invested into their industry to build a better future for Australia.

For Cbus there are a number of necessary characteristics to make institutional investment achievable in affordable housing that have not yet been resolved. These are discussed further below.

### ***Return for risk***

Given its nature of providing housing at sub market returns, 'affordable housing' is generally not as profitable as investments in other types of real estate. Cbus submits that some form of Government involvement is most likely required to facilitate a resolution and bridge the gap between non-commercial and commercial returns.

Cbus is a long term investor and attracted to investments that can provide direct and indirect benefits to the wider community and members, although any investment must deliver an appropriate return for risk.

### ***Scale***

Cbus generally adopts a minimum investment size in the range of \$50-\$100 million for a new investment area, with an expectation that the investment opportunity must be able to be further scaled up over time. That said, we recognise that a smaller investment size can be appropriate in supporting the development of a new market, so long as we are confident that appropriate scale will develop over the medium-term.

### ***Consistency of Government Policy***

For funds to be confident in deploying a long term investment into this area, clear and consistent Government policy is required. A strong regulatory framework and oversight of the sector should also be maintained.

### ***New stock***

Ideally, Cbus would prefer a solution or model that that creates new housing stock. In our view, housing affordability cannot be addressed without tackling issues around supply and as the population of Australia increases we need to build more houses and more infrastructure.

### ***Recommendation***

Of the models outlined in the Working Group's paper, Cbus' sees the most merit in a version of ***Model 1: Housing loan/bond aggregators***. We would envisage a large intermediary aggregator, overseen by a well experienced and capable Board, which would issue bonds to investors and use the monies raised to finance large scale and well skilled affordable housing providers, with collateral in the form of property. A degree of Government support, most likely through a form of guarantee, could be used to enhance the structure and should be explored. The model would provide a mechanism to deliver more competitive and longer-term financing to the

affordable housing providers. Such a model should through time provide scale and reasonable liquidity to investors.

We note that the ISA submission discusses this model in more detail and Cbus endorses their analysis and recommendations. We understand a range of other submissions also discuss such a model, in varying detail and with some different approaches considered. We encourage the Working Group to review the merits of the aggregator model and to work with stakeholders in developing the more specific details of a final model, including the degree of and nature of Government support that could be incorporated.

Please do not hesitate to contact James Bennett, Public Policy & Media Advisor on (03) 9657 4218 if you have any queries in relation to our submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Atkin', with a stylized flourish at the end.

**David Atkin**  
Chief Executive Officer