

11 March 2016

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Division Head
Social Policy Division
The Treasury
Langton Crescent
PARKES, ACT 2600

Dear Sir/Madam,

Affordable Housing Working Group

The Master Builders Association of Western Australia (MBAWA) was formed in 1898 to represent the interests of the building and construction industry in Western Australia.

Our 1900 plus members comprise builders, specialist contractors, suppliers, kindred and professional organizations who are engaged in either or all of the commercial/industrial, housing or civil engineering sectors of the industry. Most of our members (over 65%) are engaged in the housing sector whilst over 30% of our members reside and work in regional WA.

MBAWA is an independent, not-for-profit organization that is a member of Master Builders Australia Ltd, which is located in Canberra; operating under a federation style model with each state and territory Master Builders Association currently being a member of the national organization.

One of the most important policy issues that our Association regularly deals with is housing affordability and affordable housing. We are particularly keen to maximise home ownership levels and certainly close to 70% which has been the case for several decades now.

MBAWA is concerned that housing is becoming less affordable. This is borne out by only 6% of the Perth rental market is "affordable" to households on 50% median incomes. For those on the minimum wage, this figure is a shocking 2% of households.

Regrettably, more and more households are now struggling to enter and sustain their involvement/ownership in the housing market. The importance of creating and preserving an affordable rental market has therefore become critical.

One of the fundamental ways to achieve this objective is to attract private sector investment to boost the supply of the existing housing stock. In the context of a low interest financial environment and a volatile equities market, private capital is looking for a safe and secure long term haven. The "affordable" rental market and other government-funded housing options could easily become a ready source of private capital investment.

Housing agencies need to seriously explore this real option. The multiplier effects of any increase in newly constructed housing stock are enormous.

In order to engage with and attract private sector investment will require a new paradigm and mindset within government whose finances are currently in a parlous state. Providing the private sector and institutional investors with a new residential real estate class is an exciting prospect which has huge potential for the future.

The superannuation industry is one outlet that could be explored to finance innovative housing options for either owner occupiers or the rental market. Liquidity ratios might need to be addressed but the potential is significant.

Master Builders would recommend the Affordable Housing Working Group seriously explore the possibility of establishing "housing bonds" to attract investment from the private sector. Ideally, there might be taxation concessions on any interest/income earned on these bonds.

With the uncertainty surrounding the future of negative gearing, now is a good time to be assessing new and innovative investment options. The emotional and charitable attachment that most people have towards housing will assist in promoting this class of investment. The product is secure and long term.

MBAWA recognises the important role that governments play in providing housing to those less well off in our community. The type, location and cost of this housing is a responsibility of government as the client or landlord. Government finances, however, are not unlimited and hence the need to utilize the capacity of the private sector to supplement its efforts.

The use of private capital has been successfully utilized and leveraged in the United States, United Kingdom and Europe for the betterment of affordable rental housing stock. In each case, the provision of government-owned land has helped to make the investment in "affordable" housing more viable.

MBAWA recommends the launch of some "demonstration projects" to test the appetite of the private sector in taking up the option of housing bonds in WA. Our government has an excellent track record in innovative housing solutions which has been greatly assisted by the role played by Keystart in providing finance.

All major project builders now focus on prospective home-buyers' financial capacity to service a loan and fund their housing choice. Finance is King! Finance determines what a home-buyer can build and what a tenant can rent. By increasing the supply of "affordable" rentals will take pressure off homelessness and rental rates.

The Housing Authority in WA is highly respected by MBAWA and housing industry stakeholders. We encourage the Commonwealth government to "give it a go" in trialling a housing bond to boost the supply of "affordable" rental accommodation in both metropolitan and regional WA. We believe there are considerable short-term and long-term benefits for both the economy (eg jobs, less social welfare payments etc) and the community (social well being and family support etc).

The actual mechanism in establishing this initiative rests with government instrumentalities. MBAWA would be very supportive of any initiative to encourage private sector investment in a much needed form of housing for our community.

Please contact the undersigned should you require additional information.

Yours sincerely,
Master Builders Association of WA



Michael McLean
Director