

# Public housing

– Altruism or investment?





## What's inside

- Executive summary
- The current state of public housing in Aotearoa New Zealand
- How does Aotearoa New Zealand's public housing compare?
- Where to next?

**For the purposes of this paper, public housing means affordable rental accommodation and includes:**

- **social housing** provided by Kāinga Ora
- **affordable rental housing** provided at below market rates by Tāmaki Regeneration Company (TRC), Community Housing Providers (CHPs), Councils, iwi Māori, charitable trusts and other non-governmental organisations.

## Executive summary

The lack of, and need for, affordable public housing has long been a hot topic in Aotearoa New Zealand, and globally. Part of this discussion revolves around the pivotal role housing plays in wider societal outcomes.

The human right to housing is fundamentally important for the enjoyment of all economic, social and cultural rights.<sup>1</sup> The way societies facilitate and regulate housing delivery and management materially influences other core human rights including health, education and justice. This further impacts the economic resilience and environmental sustainability of our communities.

Housing matters because of the interconnected ecosystem of social, economic, cultural and environmental outcomes it influences. For example, a considerable number of New Zealanders are admitted to hospital each year due to the effects of poor quality homes. Housing instability, overcrowding and poor quality dwellings can have a negative impact on educational outcomes. Similarly, a lack of safe, secure, healthy and affordable housing is a key contributor to family and sexual violence. When it comes to wealth, those who own, or partly own, their home have a significantly higher net worth than those who rent.<sup>2</sup> On the environmental front, housing has an impact on climate change targets with residential and commercial buildings responsible for 20% of greenhouse gas emissions.<sup>3</sup>

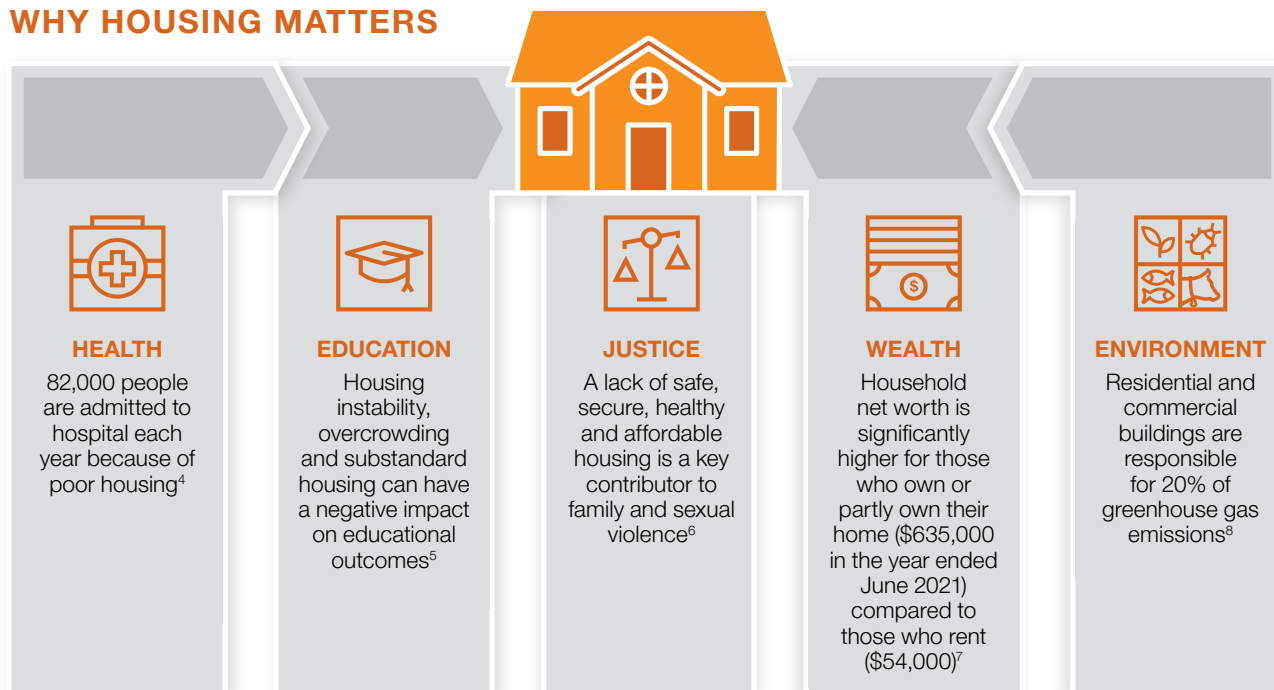
<sup>1</sup> <https://www.greatauckland.org.nz/2020/02/17/the-human-right-to-housing>

<sup>2</sup> <https://www.stats.govt.nz/news/distribution-of-wealth-across-new-zealand-households-remains-unchanged-between-2015-and-2021>

<sup>3</sup> <https://environment.govt.nz/publications/new-zealands-greenhouse-gas-inventory-1990-2016>



## WHY HOUSING MATTERS



This ecosystem is complex and it is increasingly expensive to address the important co-dependencies. However, the case for investment is so fundamentally solid that, in our opinion, Aotearoa New Zealand needs to do more. In this paper, we focus on the current state of public (social and affordable rental) housing and suggest ways of shifting the dial to increase what is available and improve wider social outcomes.

## Where are we now?

Aotearoa New Zealand was, up until the 1990s, considered to be one of the most egalitarian societies in the Organisation for Economic Co-operation and Development (OECD). In housing terms, social housing comprised 7% of the total stock in the 1980s. There was also additional housing policy that subsidised home ownership, including Crown mortgage support.

This level of housing support was in place during a period when the median house price was about three times the average household income. Since then, our population has increased by over 60%, while public housing growth has been modest. Public housing now represents approximately 3.8% of the total stock – well below the OECD average of 6.9%.

At the same time, the average house price has risen to more than seven times the average household income, making home ownership extremely unaffordable, by any measure.<sup>9</sup> The private rental sector has largely underpinned delivery of affordable housing, with significant government subsidy.

The Accommodation Supplement (AS) of more than \$2b annually (and growing), indirectly funds this sector. It has been the 'goal seek' for successive governments – a tool to support housing needs when there is insufficient capital funding for new, quality homes. It is clear that there is an incentive misalignment between private sector-led affordable housing and meeting societal expectations. This has led to significant adverse consequences that we can see in the lack of supply of affordable, healthy homes.

The following are symptomatic of the above problems:

- The proportion of public housing being met by emergency accommodation, until recently commonly in rented motels and hostels.
- The growing wait list for public housing – from approximately 6,000 to 25,000<sup>10</sup> over the past five years.
- Higher house prices locking more low income families out of the housing market, with associated equity issues.<sup>11</sup>

4,5 The Effects of Housing on Health and Well-Being in Aotearoa New Zealand, New Zealand Population Review 47, Population Associated of New Zealand 2021.

6 Turukit! Turukit! Move together! Transforming our criminal justice system Te Uepū Hāpai i te Ora – Safe and Effective Justice Advisory Group, 2019.

7 <https://www.stats.govt.nz/news/distribution-of-wealth-across-new-zealand-households-remains-unchanged-between-2015-and-2021>

8 <https://environment.govt.nz/publications/new-zealands-greenhouse-gas-inventory-1990-2016>

9 Q2 2023 CoreLogic Housing Affordability Report.

10 Some of this growth may reflect a more focused registration process.

11 <https://www.treasury.govt.nz/publications/an/an-21-01.html>

# How Aotearoa New Zealand is responding

The Ministry of Housing and Urban Development (MHUD), Kāinga Ora, Tāmaki Regeneration Company (TRC), iwi and Community Housing Providers (CHPs) are actively growing supply – approximately 4,900 public homes have been added over the past two years. This is ramping up; Kāinga Ora alone is expecting to build more than 8,300 public and supported homes during 2023 and 2024 (a net increase in stock of at least 6,400).

Despite the recent strong response to growing public housing, the sector is overly complex, characterised by multiple and varied funding regimes with significant activity (other than via Kāinga Ora, TRC and MHUD) that, while still important, is underfunded and materially sub-scale.

While the overall public housing response is dominated by delivering social housing; affordable rental and ownership is a growing issue. Even though Kāinga Ora has a plan for this housing cohort, the extent of the problem remains immense. Affordable rental housing (as a subset of public housing) is a key gap in the market. Many households, (often referred to as the ‘missing middle’) are finding it increasingly difficult to progress from Kāinga Ora’s social housing into the private rental market; the gap (in weekly rental affordability) is simply too large for many. There is a strong case for policy settings designed to attract greater investment into this segment.

Ultimately, the scale of the problem is such that the Government cannot expect to solve it alone. The opportunity to move the dial on economic and social cohesion factors warrants a multi-year, through property-cycle, bipartisan approach. Substantial progress could be achieved by simplifying and redirecting elements of the key funding regimes.

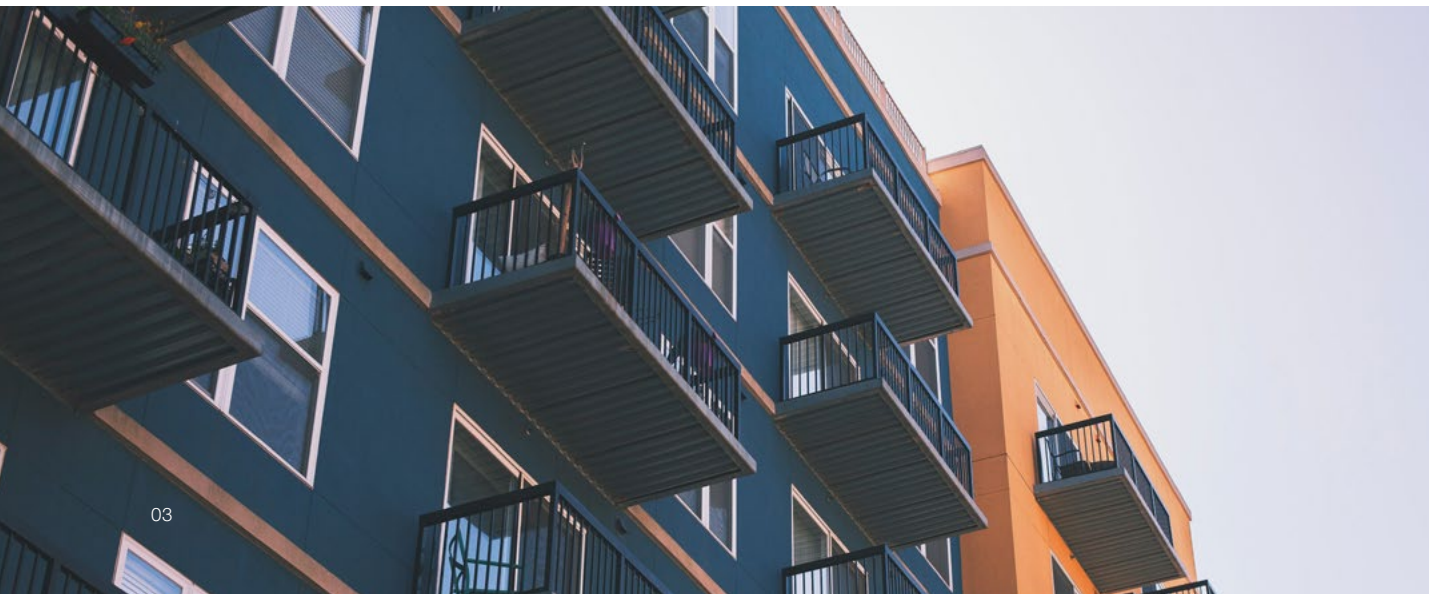
## The case for greater investment

[Housing All Australians](#)<sup>12</sup>, in collaboration with SGS Economics and Planning, recently considered the payback from investment in public housing.<sup>13</sup> This study suggests that every \$1 invested in social and affordable housing will deliver \$2 in benefits<sup>14</sup> – a rate of return (or benefit cost ratio (BCR)) that exceeds many infrastructure investments. It is not unreasonable to assume that similar metrics would apply in Aotearoa New Zealand.

As noted above, failure to invest in public housing represents significant economic costs across education, health and justice. Improvement in economic and social cohesion outcomes make the investment case compelling, regardless of what side of the political spectrum you sit.

<sup>12</sup> Housing all Australians is a charitable trust with the shared vision that it is in Australia’s long term economic interest to house all Australians, including those on low incomes.

<sup>13</sup> ‘Give Me Shelter’, The long-term costs of undervaluing public, social and affordable housing, cost-benefit analysis report, SGS Economics and Planning, for Housing All Australians, June 2022.



# How can we respond?

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There is a lot of activity in the housing sector, but beyond Kāinga Ora's remit, much of it is sub-scale. While all this activity is important, continuing with the status quo will not deliver the required doubling (at a minimum) of Aotearoa New Zealand's public housing stock.

**A sustainable, long-term solution requires progress in many areas. In our opinion, it needs to involve a combination of:**

- more Crown-led housing
- directing new Crown housing funding towards scaled, affordable, rental product
- greater involvement of institutional capital and the not-for-profit sector in housing delivery and management
- more collaboration with iwi Māori housing prototypes.

**We propose implementing the following strategic objectives to help resolve this country's public housing issues:**

- commit to doubling the proportion of public housing stock
- agree a set of key non-partisan social/affordable housing policy settings
- direct new housing support funding to underpin financing new supply of affordable rentals (e.g., as opposed to further increasing the Accommodation Supplement (AS)).

## Commit to a clear goal

We believe there is a need to commit to at least 7% of the total housing stock in this country being public housing by 2043. This would align with the OECD average, noting that:

- it reflects delivering 81,500<sup>14</sup> net new homes over 20 years (4,075 p.a.)
- it is a realistic target. Kāinga Ora alone will deliver at least 6,400 net homes during 2023 and 2024 (circa 3,200 annualised). Redirection of some of the AS (as considered below) can materially underwrite a significant increase in housing delivery

- this would ultimately reset our public housing stock to be more acceptable to its proportions, and to a level consistent with the OECD (although still not as high as some countries e.g. the UK at 17%).

This goal will take a determined approach. It took Aotearoa New Zealand approximately 40 years to regress to the current levels of public housing stock.

## Policy changes

We believe a set of key non-partisan social/affordable housing policy settings should be agreed.

- **Bring government, investors, iwi Māori and the wider housing sector together.** For example, Australia has developed a [National Housing Accord 2022](#) which seeks to bring together all levels of government, investors, and the residential development, building and construction sector to unlock quality, affordable housing supply over the medium term. Australia, like New Zealand, has a low level of institutional investment in housing. However, their National Housing Accord includes an initial, aspirational, and national target of delivering a total of one million new, well-located homes over five years from 2024. It also seeks to build a platform for superannuation-style investment.
- **Further develop the CHP and iwi Māori sectors.** Acknowledging that the rental supply problem is of such a scale that it cannot be solved by central government alone and that while developing more social housing stock is critical, so is supporting development of more affordable rental accommodation through the iwi Māori and the CHP sectors.
- **The benefit cost ratio of investment in social housing and affordable rental is strong.** As with social housing, affordable rentals require a significant subsidy to encourage developer/provider participation; investment in the sector will not dilute the Crown's balance sheet.

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<sup>14</sup> The absolute number of public houses has to more than double to account for population growth, such that public houses represent 7% of total housing stock by 2043.

## Reposition the Accommodation Supplement (AS)

Could the AS be partially and progressively repurposed as a tool to finance new public housing? Private rentals will continue to be a key element in the local rental market, but the AS could be better applied to address the critical affordable rental undersupply issue in the medium to long term.

355,000 people receive the AS. There are around 440,000 private rentals and accordingly a significant proportion of private rentals are subsidised by the government.<sup>15</sup>

Over the past five years, circa 12,000 people per annum have been added to the AS register. This allocation represents an effective subsidy to private landlords.<sup>16</sup>

The \$2b+ the Crown pays annually to subsidise private renters has an associated total rental roll of close to \$10b+ (assuming that on average, where an AS is applied, it subsidises the market rent by 20%). Even a small portion of this annual rental, redirected appropriately, could finance many thousands of new, quality and appropriately-priced affordable rental properties.

### If the AS is redirected, what could it fund?

Our workings show that if \$0.25b (less than 15%) of the Crown's current AS commitments could be redirected, the rental roll associated with this payment of around \$1.25b could fund (based on conservative net yield of 5%) an additional circa \$25b of new housing. Assuming an average cost of \$750,000 per home (consistent with targeting the 'missing middle'), this would represent circa 33,000 new homes.

There are two options for redirecting part of the \$2b+ the Crown pays annually to subsidise private renters.

#### 1. Provide Kāinga Ora with access to the AS

While Kāinga Ora can access the Income Related Rent Subsidy (IRRS) it cannot currently access the AS. The IRRS is subject to annual appropriations and is focused on higher needs housing requirements where rent is capped at 25% of household income. Access to the AS would substantially increase Kāinga Ora's ability to support delivery of affordable housing at scale, noting that its current mandate is limited to facilitation only, via the Kiwibuild underwrite model.

Kāinga Ora could leverage the AS cashflow to develop (and hold) directly, or partner and/or forward fund projects with institutional private sector parties where the private sector could own and manage the assets and facilitate the Crown's ability to recycle its capital.

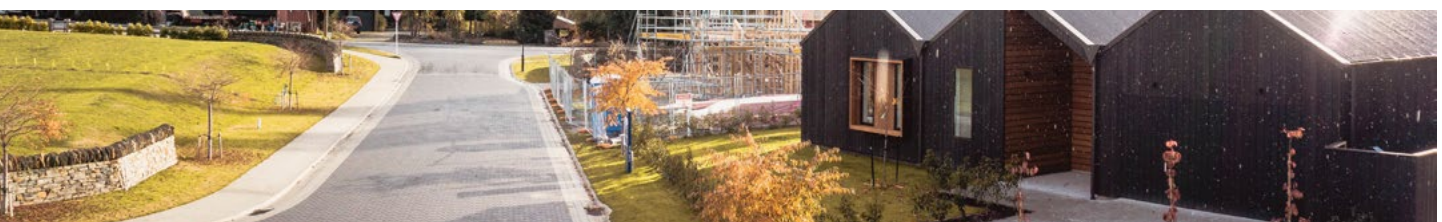
We recognise that redirection of the AS could be politically challenging. However, even a slow and managed redirection, and/or application of all forecast growth in the AS (such that the existing AS commitments are 'frozen') to an alternative model, could materially shift the dial on addressing affordable housing issues.

#### 2. Apply redirected AS funding to capitalise on the existing Crown rental underwrite model.

This would support and expand private investment into affordable housing, particularly via superannuation-type funds. The Crown rental underwrite model could be scaled up to strengthen financing options for iwi Māori and the CHP sectors. These sectors are well suited to deliver the critically important pastoral care and support for tenants and first-time home buyers. The CHP sector is strongly supported in other jurisdictions (for example in the UK and Australia).

Redirection of the AS does not necessarily carry a direct cost to the Crown. Transitioning to new policy settings is intentionally bold and will take time to implement, but could materially shift the dial in terms of social investment and value-for-money housing delivery.

Redirection of the AS would need to be carefully managed to ensure that in-need families are housed over the intervening period. In the medium to long term, we would expect this strategy to suppress rentals in the private sector, which would be an attractive outcome for delivering affordable housing.



<sup>15</sup> <https://www.stats.govt.nz/reports/housing-in-aotearoa-2020>

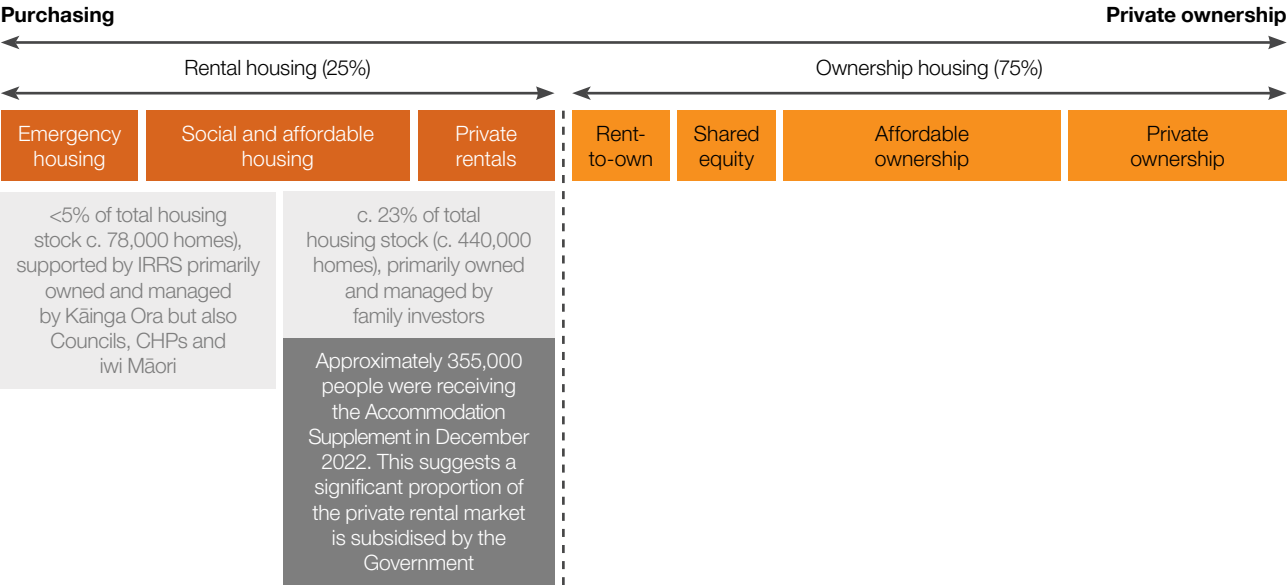
<sup>16</sup> <https://thespinoff.co.nz/society/25-03-2023/inside-the-radical-plan-to-build-the-new-state-house-and-change-renting-forever>

# The housing ecosystem in Aotearoa New Zealand

Housing is a complex ecosystem that includes a set of related markets comprising approximately 2.05m dwellings, as at June 2023.<sup>17</sup>

## Chart 1: Aotearoa New Zealand's housing ecosystem

(Conceptual – the continuum below is not to scale)



Source: PwC, Stats NZ, MHUD, MSD

This diagram shows:

- Emergency and public housing makes up less than 5% of total Aotearoa New Zealand housing stock. These homes are primarily owned and managed by Kāinga Ora with a small proportion owned and managed by CHPs and iwi Māori. Rents are subsidised via the Income Related Rent Subsidy (IRRS) which is paid directly to the housing provider.
- Private rentals comprise a substantial proportion of the housing market (around 25%, equivalent to over 440,000 homes<sup>18</sup>).
- Approximately 355,000 people received government support for housing in the form of the AS as at December 2022.<sup>19</sup>
- While the AS can be used to support mortgage payments, the vast majority of the recipients are in private rental accommodation (the AS is not accessible by those in public housing). This suggests that while the AS is paid directly to individuals, it is effectively a subsidy for private landlords (typically family investors).
- The remaining circa 75% of homes are private owner-occupied residences. This includes a small number of emerging affordable ownership typologies such as rent-to-buy and shared equity.

<sup>17</sup> <https://www.stats.govt.nz/information-releases/dwelling-and-household-estimates-june-2023-quarter/>

<sup>18</sup> Total number of private rentals as at 2021  
<https://infoshare.stats.govt.nz/ViewTable.aspx?pxID=5190d261-788c-4113-bdf7-8eca2506d977>

<sup>19</sup> <https://www.hud.govt.nz/stats-and-insights/public-housing-quarterly-reports/>



# The current state of public housing in Aotearoa New Zealand

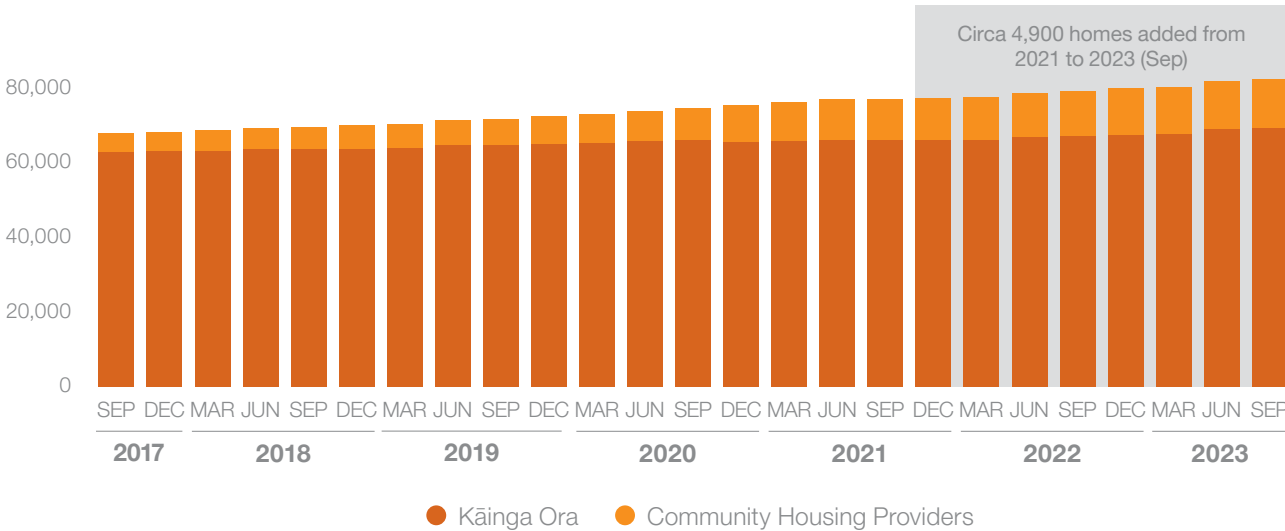
## Public housing supply and demand

The following chart illustrates the total stock of public homes owned or leased by Kāinga Ora or registered CHPs. While there has been significant replacement of older public housing with new warm and dry homes, the

net increase in public homes over the last five years is modest compared to the growth in demand. Most new public homes have come from growth within the CHP sector.

**Chart 2: Aotearoa New Zealand public housing stock 2017 – 2023 (quarterly)**

This chart shows circa 78,000 homes as at 2023.



Source: Ministry of Housing and Urban Development, Public Housing Quarterly Reports December 2017 to September 2023

Demand for public housing is strong and currently outstrips supply. The Ministry of Social Development (MSD) Housing Register, illustrated in Chart 3, quantifies the total number of applicants qualifying for public housing, and on a waitlist for a home. There has been a fourfold increase in the waitlist since September 2017.<sup>20</sup> This amounts to a current shortage of approximately 25,000 public homes.

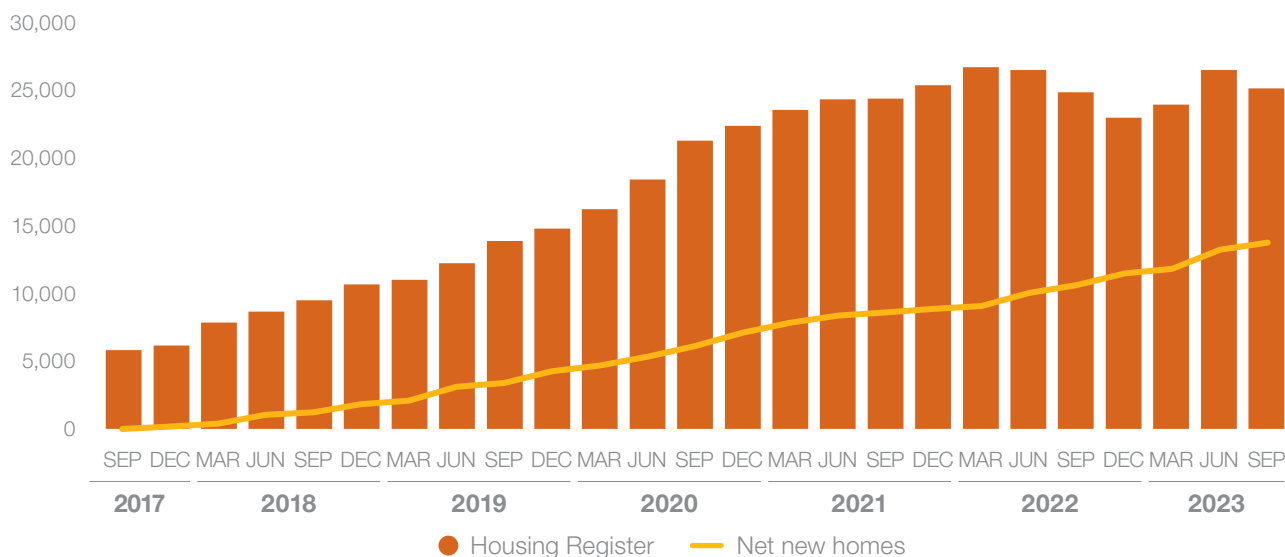
Despite this significant demand, as outlined in Chart 3, the stock of public homes has only grown at a rate of approximately 2,400 homes annually over the last two years.

“This amounts to a current shortage of approximately 25,000 public homes.”

<sup>20</sup> Some of this growth may reflect a more focused registration process, and so the net increase in demand may be overstated in Chart 3.



**Chart 3: Public housing register (waitlist) 2017 – 2023 (quarterly)**



Source: Ministry of Housing and Urban Development, Public Housing Quarterly Reports December 2017 to September 2023

The Housing Register data clearly demonstrates the inequities in the housing market. Of the nearly 25,000 applicants (as at September 2023) the burden falls heaviest on Māori or Pacific peoples representing 61% of the register.<sup>21</sup> 34% are single people with children, while 53% are single people. Only 12% of applicants are from households with two or more adults.

## What about the private housing market?

The conventional private housing market will not solve the public housing problem. It is not incentivised to build affordable rental housing in the locations where demand for these homes is greatest. Aside from an AS, the return on capital is low by any measure. It is only offset by capital gains.

The reduction in house prices (as has occurred post COVID-19) and high interest rates does little to assist those seeking affordable rental housing. A reduction in construction activity as a response to a market downturn is only likely to exacerbate future shortages of both houses to own and rent.

## The long-term picture

In the early 1980s New Zealand had about 70,000<sup>22</sup> state or social homes, representing about 7% of total housing stock. This has increased to 79,985 as at 2023, an increase of less than 15%. New Zealand's population has increased by about 67% (2.1 million people) over the same time period. There has been no reduction in the underlying need. As a result, public housing now makes

up less than 4% of total housing stock. The only option to satisfy public housing needs has been to utilise private rental stock and for successive governments to subsidise private landlords via the AS. More recently, the acute need has been met by the use of motels and hostels for emergency accommodation.

"[Total public housing stock] has increased to 79,985 as at 2023, an increase of less than 10%... [while Aotearoa New Zealand's] population has increased by about 67% (2.1m people)."<sup>23</sup>

<sup>21</sup> [https://www.ehinz.ac.nz/indicators/population-vulnerability/ethnic-profile/#:~:text=70.2%25%20European%20\(3%2C297%2C860%20people\),%25%20Pacific%20peoples%20\(381%2C640%20people\)](https://www.ehinz.ac.nz/indicators/population-vulnerability/ethnic-profile/#:~:text=70.2%25%20European%20(3%2C297%2C860%20people),%25%20Pacific%20peoples%20(381%2C640%20people))

<sup>22</sup> <https://www.policycommons.ac.nz/2020/10/06/transformational-housing-policy-for-aotearoa-new-zealand/>

<sup>23</sup> <https://www.nzherald.co.nz/rotorua-daily-post/news/fighting-for-rotorua-what-are-some-solutions-to-the-housing-crisis/CRTQYMUJ07EQ3JWNEATENBI7STQ/>

# Housing-specific income support

Supporting this picture from an income perspective, MHUD notes that over \$1b in housing support payments were made in the quarter to September 2023 (totalling over \$4b in the past year). The four components of housing support in Aotearoa New Zealand are defined as follows:

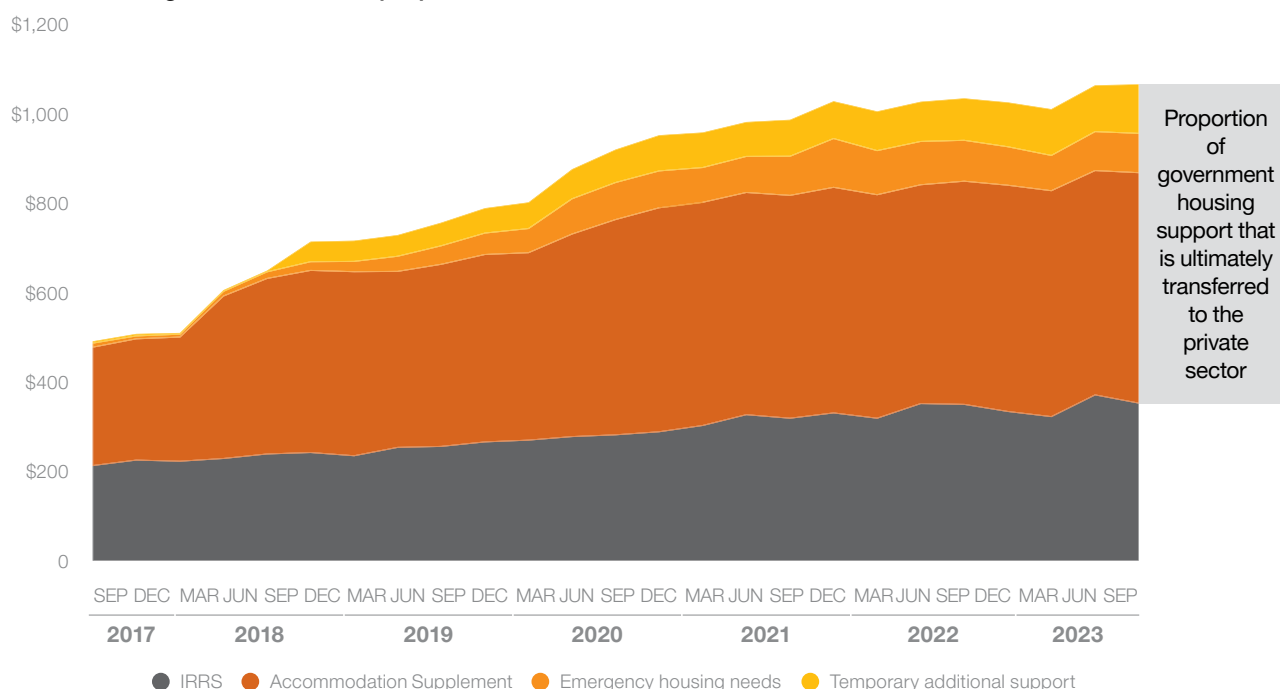
## Housing support types and recipients as at September 2023

<b>Income-related rent subsidy (IRRS)</b>	<b>~74,000 (+9,500 over the past 5 years)</b>	A subsidised rent scheme for public housing tenants with low incomes. The IRRS is calculated based on a tenant's accessible income and their household type. The amount of rent payable by these tenants is limited to no more than 25% of their net income. MHUD pays IRRS to registered housing providers to address the delta between market rent and what the recipient can afford to pay.
<b>Accommodation Supplement (AS)</b>	<b>~355,000 (+62,000 over the past 5 years)</b>	Focused on providing assistance with accommodation costs for those not in public housing. While the AS is paid directly to individuals, it is effectively a subsidy to private landlords.
<b>Temporary additional support</b>	<b>92,000 (+33,000 over the past 5 years)</b>	Paid for up to 13 weeks toward essential living costs, including housing.
<b>Emergency Housing Special Needs Grant</b>	<b>6,000 (+2,200 over the past 5 years)</b>	Payments for motels/hostels, etc.

Source: Ministry of Housing and Urban Development, Government Housing Dashboard – Housing Support, as at December 2022

## Chart 4: Housing support 2017 – 2023 (quarterly)

### Public housing assistance cost (\$m)



Source: Ministry of Housing and Urban Development, Public Housing Quarterly Reports December 2017 to September 2023

Chart 4 demonstrates, on a quarterly basis, the substantial growth in housing-related support over the past five years, with approximately two thirds of this support now being paid indirectly to private housing and accommodation providers (or to banks where mortgage payments are being supported).

But, just how effective is this model at a national level? Over the last 40 years, a large portion of the delivery responsibility has progressively transferred to private providers of rental accommodation, including short term accommodation providers in recent years.

While there will be multiple causative factors that have driven these outcomes, they all contribute to the transfer of the majority of social/affordable accommodation needs to private providers. Private housing providers have an important role, but naturally they will be motivated to maximise returns on their capital and potentially less motivated to contribute to long-term quality social and affordable accommodation.

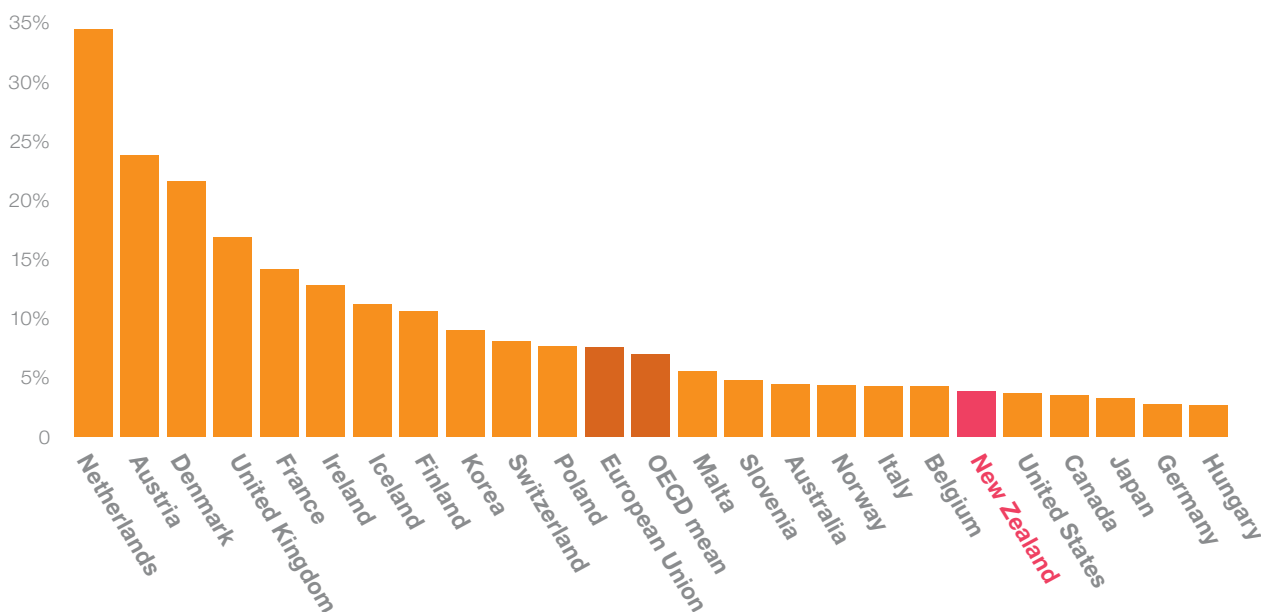
“Private housing providers have an important role, but naturally they will be motivated to maximise returns on their capital and potentially less motivated to contribute to long-term quality social and affordable accommodation.”

# How does Aotearoa New Zealand’s public housing compare?

## What is the right number of public homes to target?

As the following chart shows, the provision of public housing, as a percentage of total housing stock, varies dramatically across the OECD – between 2.6% in Hungary and 34% in the Netherlands. Aotearoa New Zealand’s public housing stock, makes up around 3.8% of total housing.<sup>24</sup>

**Chart 5: Proportion of public housing, as a share of total dwelling numbers, 2020**



Source: OECD affordable housing database <https://www.oecd.org/housing/data/affordable-housing-database/>

<sup>24</sup> Our understanding is that this data (from the OECD) reflects both social and affordable housing in a New Zealand context i.e. public housing provided by Kāinga Ora, CHPs and iwi Māori. It does not appear to include private rental housing supported by the Accommodation Supplement.

## The case for public housing

**Before addressing the optimum target, how much confidence can we have that a business case exists to increase supply? If it diverts investment funds into areas that are less productive, then does it simply amount to altruism – but at the cost of national prosperity and productivity?**

Housing All Australians, in collaboration with SGS Economics and Planning, recently addressed this question from an **Australian perspective**.<sup>25</sup>

Their key findings were as follows:

- Every **\$1 invested** in social and affordable housing will deliver **\$2 in benefits** – a rate of return (or benefit cost ratio (BCR)) that exceeds many infrastructure investments. We understand that Kāinga Ora and the Tāmaki Regeneration Company have completed a similar analysis that supports these findings in an Aotearoa New Zealand context.
- A failure to act on shelter needs will result in rising costs to the community – estimated at **AUD\$258 per year** by 2051.
- The benefits of providing adequate housing are estimated at almost **AUD\$110b**.

### Main categories of benefit:

1. Enhancing labour market productivity – poor housing decreases the ability to participate and to upskill. Longer-term, poor housing impacts educational outcomes for school-aged children.
2. Improving health outcomes – people experiencing homelessness and housing stress are far more reliant on health services than people who have stable and affordable housing.
3. Reducing incidence of criminal and anti-social behaviours including family and domestic violence.

While there will be many Trans-Tasman differences in the demand for, and provision of, social and affordable housing; Australia, like Aotearoa New Zealand, is currently experiencing a housing crisis.

Australian public housing as a percentage of total housing stock is 4.4%, similar to Aotearoa New Zealand at 3.8%. Australia also utilises a housing income support mechanism, much of which flows to private sector housing providers.

So, does it make sense to target a higher portion of homes for social and affordable tenure? The answer is emphatically “**yes**”. Currently, approximately 20% of households are receiving some level of support. There is a clear social investment case for ensuring an adequate stock of social/affordable rental accommodation. The societal costs of non-delivery are an order of magnitude higher.

## Key social and affordable rental home delivery policy settings

Have we got the delivery structure right in Aotearoa New Zealand? What can we learn from other markets? Should we be enhancing the incentives for a broad swathe of smaller scale investors/owners of private dwellings to meet this challenge? This has been the basic mechanism facilitated by the AS. As an alternative, should we seek to either:

- further upscale Kāinga Ora delivery, and/or
- encourage upscale of alternate, often iwi Māori and community based, delivery entities?

For context, community-based Aotearoa New Zealand delivery entities include:

- local government e.g. Council housing
- iwi Māori housing
- CHPs (typically not for profit)
- charitable trusts and faith based organisations (typically not for profit).

Community entities deliver 16% of total social and affordable housing stock with the majority (84%)<sup>26</sup> of public housing provided by Kāinga Ora (central government).

<sup>25</sup> 'Give Me Shelter', The long-term costs of undervaluing Public, social and affordable housing, Cost-benefit analysis report, June 2022.

<sup>26</sup> Ministry of Housing and Urban Development Public Housing Quarterly Report September 2023, 65,121 Kāinga Ora Public Homes vs 11,713 CHP homes.



Despite this, CHPs have delivered the majority of net new public housing over the past five years. Kāinga Ora has delivered a significant redevelopment programme within its portfolio that is markedly improving the quality of its housing stock.

An interesting facet of the market structures employed internationally is the utilisation of either not-for-profit or for-profit specifically regulated structures (particularly place-based organisations), over and above central or local government, to meet social/affordable rental housing needs. For example, in the UK, the ratio of private investment in social and affordable housing compared to government grant funding for the same is 3:1.<sup>27</sup>

These entities have, or are incentivised to have, the delivery of this need as their purpose. In times of lower need, market-based returns can be achieved on some of the rental stock, providing a buffer during times of high need. Essentially they act as a shock absorber within the social and affordable rental market.

The evidence suggests that policy designed to encourage community based providers is an efficient and effective means to help build public housing stock.

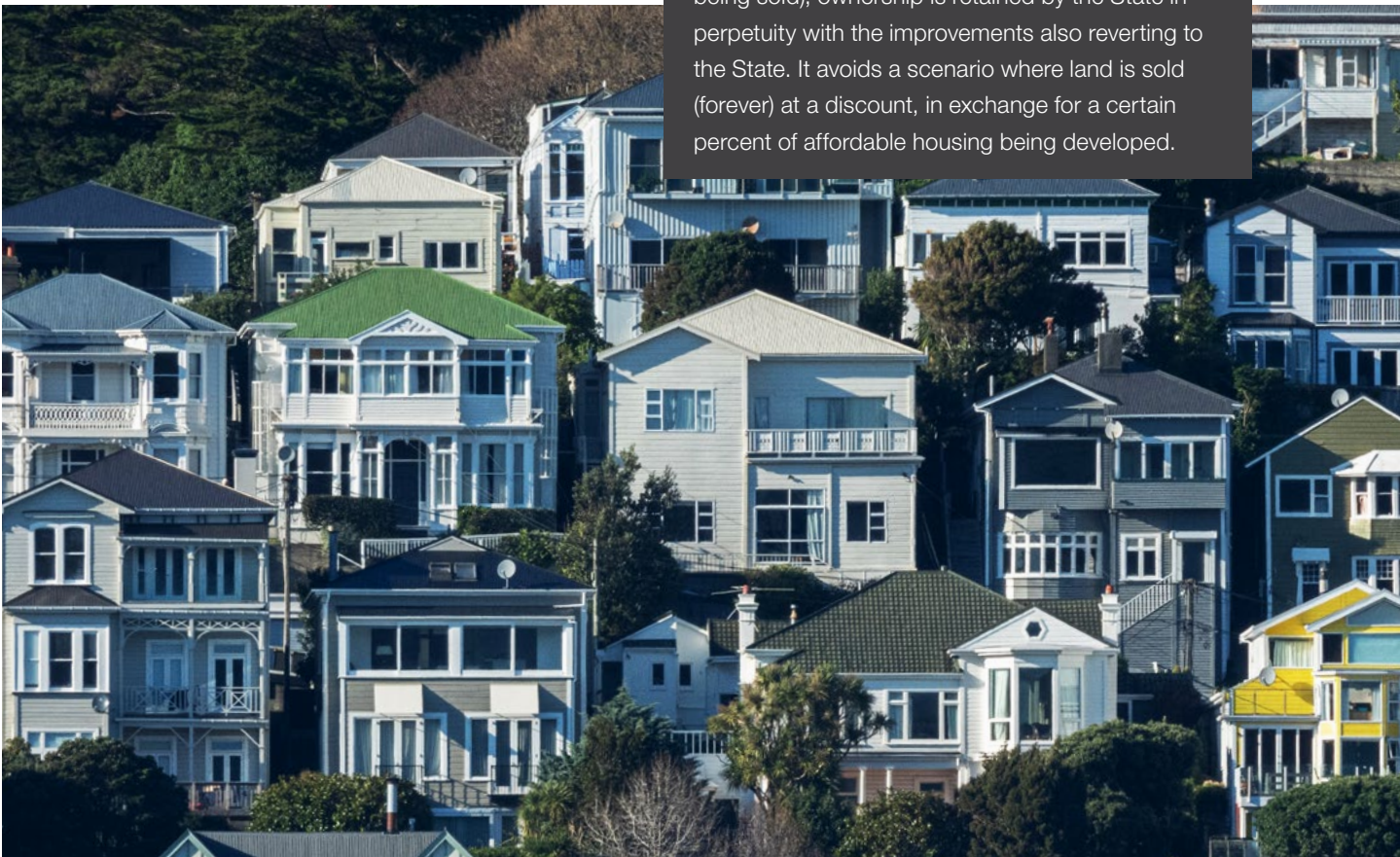
### Case study: terminating leasehold for affordable rentals

As part of its AUD\$5.3b 'Big Housing Build' programme, the Victorian State Government in Australia is piloting an 1,100 unit leasehold model for rental housing (including affordable rentals) in collaboration with the private sector.

The State-owned land is being leased to a consortium comprising a community housing provider, developer and various project funders (including senior debt from the National Housing Finance and Investment Corporation, a Commonwealth entity) for a term of 40 years. Upon expiry of the lease, the land and buildings will revert to the State Government.

This is a new approach to the delivery of rental accommodation (the pilot will include a mix of social, affordable and market rents). It is intended to attract institutional capital into the rental market, effectively via an income underwrite for 40 years, which is attractive to such investors.

While this model is likely to result in a tradeoff in land receipts (the land is leased instead of being sold), ownership is retained by the State in perpetuity with the improvements also reverting to the State. It avoids a scenario where land is sold (forever) at a discount, in exchange for a certain percent of affordable housing being developed.



27 AHURI – Private sector involvement in social and affordable housing – Williams, Williamson et al. 2020.



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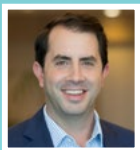


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