

**Submission
No 65**

OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES

Organisation: Aware Super

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Mr Alex Greenwich MP
Committee Chair
Legislative Assembly Select Committee on Essential Worker Housing
Parliament of NSW

Email: EssentialWorkerHousing@parliament.nsw.gov.au

Office
Level 28, 388 George Street
Sydney NSW 2000
T | 02 9238 2500

Postal
PO Box R1827
Royal Exchange
NSW 1225

Service
T | 1300 650 873
F | 1300 722 072
enquiries@aware.com.au

aware.com.au

Dear Chair

RE: Inquiry into Essential Worker Housing in NSW

Aware Super welcomes the opportunity to provide a submission in response to the Legislative Assembly Select Committee's Inquiry into Essential Worker Housing (EWH) in NSW.

Although a small part of the residential housing market, the build-to-rent (BTR) sector plays an important role in providing rental homes to the community, including essential workers.¹

NSW is amid a housing affordability crisis and there is an urgent need for an increase in all types of housing supply to help address this issue.

EWH is a critical piece of the housing puzzle. The demand for essential workers across all of NSW remains strong, despite a general lack of housing stock in regional areas and significant increases in the cost of housing in metropolitan areas.

Housing affordability remains a key concern institutional investment. Cost pressures continue to adversely impact EWH development.

About our EWH program

As an investor in BTR housing, Aware Super provides high-quality homes for people, including essential workers, who would like to live close to where they work.

Since 2018, Aware has committed more than \$1 billion to 13 sites (operational and in development), totalling 1545 units across Melbourne, Sydney, Perth, and Canberra. This includes both at-market BTR and EWH accommodation.

Aware partners with Community Housing Providers (CHPs) for the selection and management of its EWH and generally adopts the selection criteria used by aligned CHP partners. Essential industries include aged care, health care, education, emergency services, law enforcement and childcare.

Our EWH program offers units at 20% below market rent while ensuring appropriate risk-adjusted returns and the best financial interests of our members. The program's operational efficiencies support investment sustainability while delivering a positive impact for tenants.

Factors affecting essential worker housing investment

In 2023, EY estimated that the lack of affordable housing for essential workers in Sydney was costing individuals, employers and communities around \$17.5 billion per year in opportunity cost.

¹ EY 2023, BTR assets represent 0.2% of the total value of Australia's residential market.

The current economic environment has been challenging for investors, including Aware Super, that are looking to develop new housing including EWH.

Factors impacting feasibility of housing and EWH investments include the recent sharp increase in interest rates, sustained inflation and elevated construction costs. These market conditions are further exacerbated by planning delays, the availability of well-located land, a labour and skills shortage and disrupted supply chains.

Aware Super supports the delivery of BTR and essential worker housing that assists supply and affordability. State government policies that better facilitate project feasibility would improve EWH investment conditions.

Summary of recommendations

Aware appreciates the NSW Government's ongoing efforts to address the current housing shortage through recent planning reforms, and prioritising diverse housing supply near transport hubs and town centres.

The following recommendations are proposed for the Committee's consideration toward additional planning and investment levers to help build EWH housing.

1. Simplify the Government's BTR land tax concession

The NSW Government should provide greater up-front certainty to investors about concession eligibility, particularly for applicants with pre-existing DA approvals that may not have originally been for BTR developments.

As part of this, the 'classes of workers' criteria should be removed to simplify the concession claims process. This would align with Victoria's policy approach, reduce the administrative burden on applicants, and help streamline the eligibility process during the feasibility stage. The classes of workers criteria could be applied in other ways or at other stages in the construction process.

2. Expand the State's affordable housing definition

The NSW Government should develop a wider definition for affordable housing to include non-CHP providers of discount to market EWH housing.

This would allow EWH discount to market providers to obtain the same or similar benefits and priority status as affordable housing providers (as currently defined by the NSW Government).

3. Align EWH provider GST and tax incentives with CHPs

The NSW Government should work with the Commonwealth to allow non-CHPs providing affordable housing, including EWH discount to market providers, to access the same concessions and incentives as CHPs to reduce development costs. This could be achieved by:

- Expanding GST tax concessions (via the nominal consideration rule) to include non-CHPs providing affordable housing, including an EWH discount to market providers.
- Aligning income tax rates for income gained from affordable housing (including an EWH discount to market dwellings) to that of CHPs.

4. Continue Government land release for housing investment and reduce acquisition costs for EWH dwellings

The NSW Government should make more land available for affordable housing development either by releasing government land or by prioritising large scale rezoning. When releasing government land for development, the Government should consider reducing land acquisition costs for providers of affordable housing, including EWH discount to market dwellings.

5. Establish an immediate housing fund to support affordable and EWH housing investment

The NSW Government should consider introducing a housing fund to assist direct institutional investment in affordable housing.

An 'affordable housing investment fund' could provide flexible assistance to reduce investment risk in affordable housing e.g. availability payments to top-up rental income or up-front capital payments. Any fund should prioritise simplicity and not be restricted solely to CHPs.

Conclusion

We commend the Committee for examining EWH issues and look forward to further housing policy considerations as a result of this Inquiry.

Should you require further information, please do not hesitate to contact [REDACTED]

Yours sincerely

Damian Graham
Chief Investment Officer

About Aware Super

We're Aware Super – Chant West's Super Fund and Pension Fund of the Year* for 2024. We're here to help you grow your savings, whether retirement is 2 or 20 years away. As one of Australia's largest profit-for-members funds, we always remember whose money it is and whose future we're looking after. Along with super returns of 8.97% p.a.** (over ten years, for our High Growth option), and expert super advice and guidance for right now, it's what makes us super helpful.

* Zenith CW Pty Ltd ABN 20 639 121 403 AFSL 226872/AFS Rep No. 1280401 Chant West Awards issued 22 May 2024 are solely statements of opinion and not a recommendation in relation to making any investment decisions. Awards are current for 12 months and subject to change at any time. Awards for previous years are for historical purposes only. Full details on Chant West Awards at <https://www.chantwest.com.au/fund-awards/about-the-awards/>

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