

Cbus wants government bond guarantees to help solve housing crisis



Superannuation fund Cbus wants the federal government to guarantee bonds to finance social housing and increase supply. **SMA Projects**



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by **Sally Patten**

One of the country's biggest superannuation funds has called on the federal government to establish the appropriate regulations and guarantee bonds to finance social housing projects, thereby increasing the supply of residential accommodation.

Cbus, which manages more than \$37 billion of assets on behalf of construction workers, welcomed Treasurer Scott Morrison's speech on Monday in which he said the government was keen to find a way of making affordable housing [attractive investments for super funds](#).

"We thought [the speech] was encouraging. We think it is on the right track if it replicates the UK model, which has been proven," Cbus chief executive David Atkin said.

In the late 1980s the UK established a not-for-profit entity that acts as a bond aggregator. The aggregator provides loans to affordable housing associations, which rent properties to tenants, and then raises capital by issuing bonds to long term investors such as super or pensions funds.

Mr Atkin urged the government to facilitate the creation in Australia of a similar bond aggregator and said that in the first instance the government would need to guarantee the bonds, at least partially. Once the market had established a track record, argued Cbus investment manager of public markets Brett Chatfield, the government could step away from providing guarantees.

"This would give us the confidence for us to start making investments. If this type of structure were put in place, we believe it would interest other super funds," Mr Atkin said. It is envisaged the bonds issued by the aggregator would have maturities of between 10 and 15 years.

"Super funds don't want to hold the property. This is one way of getting scale and providing lower cost financing," Mr Chatfield said, adding that in the UK about \$5 billion of bonds had been issued by the aggregator.

[In his speech](#), Mr Morrison conceded that the establishment of affordable housing programs would "require de-risking the income stream and mitigating tenant risk". The Association of Superannuation Funds of Australia said an alternative model to increase the housing supply would be for the government to provide tax breaks or infrastructure support to certain developers. These developers would sign long-term rentals for tenants, including to retirees who chose to move out of the large family home into more modest accommodation. The mortgage payments would be securitised and the bonds sold to super funds. The land used for the developments could be crown land close to transport.

ASFA chief Martin Fahy said some of the incentives federal and state governments could provide would be to waive land taxes, sell land to developers at a discount or help provide the necessary infrastructure. The government might also need to provide incentives for retirees to downsize from the family home.

"Obviously, coordination across Commonwealth and state and territory jurisdictions is essential to successfully addressing housing affordability," Mr Atkin said.

David O'Sullivan, chief investment officer of BUSS(Q), warned that residential property as an asset class was difficult to manage for large investors because it tended to be in small parcels. He added that the bond aggregator model was "potentially" attractive.