Investec wants to build on Adelaide experience to develop housing in NSW

Investec Australia wants to use the experience of its recently completed rent-to-buy affordable housing project in Adelaide to get into the burgeoning NSW $22 billion social housing building program.

The local offshoot of the South African investment bank said its $30 million mixed housing project in the SA capital that produced a mixture of market property and key worker housing showed that affordable housing could successfully be created by institutional investors.

"A lot of affordable housing is provided as a small component of developer stock," said Nils Miller of Investec Australia's infrastructure finance and investment team. "But where government can work with counterparties such as us... we think more effective funding structures and institutional investors can enter the market and invest into these sorts of projects."

The project at Bowden, on the north-western edge of the Adelaide CBD, developed 86 dwellings, 54 of which were sold at market price and another 32 of which were earmarked for occupiers such as healthcare professionals and hospitality and hotel
workers under a scheme that offered them a discounted rental rate for up to three years while they saved for a deposit to purchase their home. While infrastructure investors are willing to fund housing development and make a lower return than commercial developers, they require scale and a mitigation of risk in other ways. Investec established the social and affordable housing aspect of the project in partnership with provider Community Housing Limited (CHL) and state urban renewal agency Renewal SA. The project was completed at the start of last year and 29 of the 32 affordable units have been taken up by occupiers who entered into contracts to buy them.

**Social benefits**

The NSW Communities Plus program, which promises the development of 40,000 private housing units, 500 affordable housing dwellings and 23,000 new and replacement social housing units offered the chance for investors who looked at housing returns akin to infrastructure returns – possibly because they did not have to pay commercial land prices to acquire sites – to repeat developments such as Bowden on a much larger scale, Mr Miller said.

"It’s really about looking at what different asset classes can be compiled into one project and allocation of the lowest cost of capital to each of those assets classes," he said.

"If a land owner wants to sell land for the highest price, it should go to a developer. But if the government wants to enable a longer-term social benefit... some of those social benefits need to be taken into account."