

FINANCIAL REVIEW

Sites set on affordable housing

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Date: 26/08/2006
Words: 584
Source: AFR

Publication: The Financial Review
Section: Property
Page: 15

In London, the starting price for a two-bedroom apartment in Lend Lease's new joint-venture housing project at Greenwich, about 15 minutes from the centre of London, is #500,000 (\$1.24 million). No nurse or teacher could afford that, let alone a cleaner or shop assistant.

So the government has stepped in to mandate that 35 per cent of the 7000 dwellings under construction be "affordable". Soon that number is going to 50 per cent.

In Australia things can't be that far behind, says Lend Lease Communities chief executive Rod Fehring.

At Melbourne's Docklands, Fehring and his colleagues are working to bring about what could be Australia's first batch of key worker apartments in its Victoria Harbour precinct.

It is in negotiations with Melbourne Affordable Housing, the Docklands Authority and the state government for between 40 and 80 dwellings depending on what sort of structure can be agreed.

According to Fehring, the initiative is part of accepting that Australia is heading down the same path as Britain and an opportunity to help shape the emerging model in a way that a company such as Lend Lease is comfortable with, he says.

"Now there is a lot of doubt about whether that's a good way to go but the thing is it's starting already. We're involved in a number of projects where it's been mandated to deliver a number of affordable houses."

At Lend Lease's St Marys project in Sydney's outer west for instance, 5 per cent of houses need to be affordable; in the ACT its Forde project for 1400 dwellings will have an affordable component - how much is still being negotiated - and at Rouse Hill between 3 per cent and 5 per cent of the 1800 planned dwellings will be affordable.

But as the expectations for more affordable housing grow, the challenges will be immense.

What's needed, says Fehring, is the certainty that low-cost portfolios can be properly managed, that the housing manager has an adequate balance sheet to deal with body corporate needs and that the management works to protect the value of the overall asset.

"The management requires the ability to meet its body corporate fees, it needs to have the financial wherewithal; it needs to demonstrate how it manages the tenant mix; and if it represents key workers, how do we know that's the case, because from our point of view we can't afford to get the social mix wrong. Not just now but in perpetuity.

"We're there for 20 years and this product will be there for a lot longer than that.

"We think a good start is the Melbourne Affordable Housing."

Melbourne Affordable Housing chief executive Jan Berriman certainly thinks so.

She says the embryonic Power Housing Australia group which is working under the guidance of the Loddon Mallee Housing Service to create a single national coalition of community housing groups, can leverage from combined strength to provide developers with the comfort levels they are seeking.

Such a group will also encourage big investors that may want to participate, such as the financiers, and groups such as superannuation funds which will see low-cost housing as a good investment that provides

steady - "not excellent, but solid" - returns bolstered by escalating capital values.

key points

- * Housing authorities are keen to promote affordable housing for key workers.

- * They are watching a similar trend in cities like London