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# Does rental sector relief rely on private capital?



Shared equity schemes and rental investment trusts must be part of the picture in solving Australia's rental crises, a new research paper argues.

The third instalment of LongView and PEXA's housing affordability white paper series has been released, this time examining how private capital could be mobilised to address the country's tight vacancy rates.

Rentals across the country have become increasingly competitive over the past year, with housing experts advocating for a range of initiatives to ease pressures, particularly for governments to increase their rates of housing stock back to the double-digit percentages seen during the 70s and 80s.

But PEXA and Longview argue that governments alone "will never be able to make a meaningful difference to bridge the widening purchase and rental affordability gap for Australians, nor the rental experience".

The firms are calling for investment from sources like superannuation funds, banks, family offices and high-net-worth individuals to take part in shared-equity and trust ownership. They also argue that existing landlords might be convinced to redeploy their funds — currently a \$2 trillion investment — into shared schemes or trust ownership that could

help them better serve Australia's housing needs.

"The simple truth is that our housing crises have just grown too big for governments to handle alone," PEXA chief executive Glenn King said.

"For example, the average total change in property prices each year amounts to a third of Australia's GDP, more than the Australian federal government's entire budget. Even if the government spent every dollar they have giving grants to home buyers, the purchase affordability problem would still worsen."

Corporate Australia, they argued, must play a part in uncovering radical solutions to the country's housing shortage.

The research analysis, which also looked at build-to-rent and rent-to-buy schemes, singled out shared equity and trust financing as the two greatest untapped sources of housing funding.

Shared equity involves an investor putting up some of the purchase price to facilitate a property purchase by a home owner, thus reducing the mortgage deposit barrier faced by home buyers while offering good exposure to capital growth for investors.

Institutional ownership, meanwhile, involves the creation of real estate investment trusts that hold a large number of rental properties. The report's analysis found that with the reform of some tax regimes that penalise large landholders, this option could not only offer good returns for investors but also translate to a radically better renting experience by professionalising the landlord sector and lengthening the average time a property stays a rental.

[Click Here to read the official link Article](#)

Ultimately, Australia's landlords are looking to make a good investment, and PEXA and LongView believe that if these investment classes become more accessible, many property investors would be happy to park their funds in one of the modernised schemes rather than the traditional model of owning single homes outright.

“While there is a lot of discussion lately about the role of government and especially superannuation funds, the single biggest source of capital, by far, is the \$2 trillion already invested by Australia's private landlords — much of it poorly,” explained LongView executive chair Evan Thornley.

Governments, he said, can play a part by creating an environment where landlords are attracted to moving out of direct ownership of individual properties and into owning shares of large funds.

“These solutions need enabling infrastructure like a liquid secondary market for shares in the fund, which will improve the liquidity of these models and make it easier for investors of all stripes to meet their financial needs while supporting housing models which improve the lives of Australians,” he added.

“And ultimately, that's the game. We need to recycle the private capital and housing stock that is already in the system in more effective ways to solve the problems we are facing.”