Urban Taskforce AUSTRALIA

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Housing Australia underwrites interest rate risk

CEO of the Urban Taskforce, Tom Forrest, said today that the announcement by Housing Australia regarding a new Interest Rate Risk Management "product" is a strong show of support for social and affordable housing supply.

The new Interest Rate Risk Management product, introduced by HA, will support Community Housing Providers with HAFF Round 3 projects.

This effectively sees the Australian Government underwriting the risk of interest rates rising in between the application stage and the completion of construction. This, in turn, provides certainty which is critical to investment from private sector partners.

This move throws the weight of the Commonwealth behind the HAFF projects, helping to ensure that proposed new social and affordable housing can be delivered without significant price shocks caused by changes in interest rates.

The Interest Rate Risk Management Product is welcomed by the development sector as a strong show of support for the delivery of social policy, in the form of HAFF funded housing projects.

By underwriting social and affordable housing, the Federal Government is also supporting market housing, using the HAFF funded projects as a basis for the delivery of larger housing projects in which affordable housing and social housing will be incorporated.

The new "product" will see adjustments made to the "availability payments" in line with interest rate movements, helping to mitigate the risk of movements in interest rates and make affordable housing a more reliable vehicle for mainstream financial lenders.

It is a sensible policy that will mitigate the risks faced by community housing providers in that critical pre-construction period.

The new product recognises the risks faced by developers in delivering lower-cost housing and takes active measures to mitigate them.

It is time that all sides of politics got behind the HAFF and recognised their new market oriented approach to the current housing supply crisis.

Today's announcement of a welcome new product to effectively underwrite CHPs against the risk of interest rate variations will render those investment opportunities more attractive to large financial institutions. This is a positive move.

End

*The comments and analysis above can be attributed to **Tom Forrest**, CEO, Urban Taskforce.*

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*The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*