

3 August 2020

ARE MUM AND DAD INVESTORS THE UNSUNG HEROES FOR THE 'INVISIBLE' HOMELESS?

With the focus of Homelessness Week's 'Everybody Needs a Home' campaign highlighting various community groups all pleading with government for more cash to combat homelessness, one section of the homeless population remains largely invisible, and they'll stay that way if banking and government policies aren't overhauled.

A minor change to banking policy and government regulation, could see mum and dad investors flood an additional 2 million affordable places to live for the invisible homeless population in under 12 months, which is in stark contrast to the mere 30,000 social housing properties being lobbied for by Homelessness Australia, which would cost the taxpayer \$3.7B and is projected to take 4 years.

Housing affordability expert Ian Ugarte said a mix of red tape and outdated lending policies has hamstrung mum and dad investors who are in a position to help stem the tide of those who have more recently found themselves homeless – those he calls the 'invisible' homeless.

"The invisible homeless are not those sleeping rough. They are the people who have fallen on hard times and find refuge in their car or on friends' couches. They still turn up to work, if they have a job, and while they don't 'look' homeless, they have nowhere to call their own.

"Unfortunately, banks and politicians continue to bury their heads in the sand and ignore some simple and obvious changes that could go a long way to significantly reducing the growing number of these invisible homeless, the majority of whom are women aged 55 and older. These same policies severely hamstring property investors who may want to diversify their properties for the greater good," said the Small is the New Big Co-founder.

Ugarte said just throwing more money at the problem is like "putting a finger in the dam" and said Australia needed to adopt smarter ways to tackle the growing problem, which in the face of a pandemic, was only going to get worse.

The Solution at a glance:

1. 500,000+ Australian investors have 2+ properties
2. Each mum and dad investor convert just one of their investment properties into 4 x micro-apartments (with a private bathroom, bedroom and kitchenette)
3. 500,000 properties x 4 micro-apartments = 2 million affordable places to live
4. Taxpayer cost = \$0 (as opposed to the \$3.7B request from Homelessness Australia)

"The first thing banks could do would be to apply the same lending criteria to micro-apartment developments as they do to more traditional investment properties.

“Mum and dad investors find it hard to get the necessary finance to fund a micro-apartment development or home conversion (creating 4-5 small apartments within the walls of a ‘traditional’ home) because the banks refuse to recognise the rental yield from these developments in the same way as a single dwelling. They treat it like a high-risk investment,” he said.

And while Victoria may be leading the country in Coronavirus infections, Ugarte said Victoria was also leading the country in terms of a simplified application and approvals process when it came to micro-apartment conversions and new builds.

“The rest of the states and territories would significantly reduce unnecessary red tape by adopting Victoria’s policies around council approvals for micro-apartment developments,” Ugarte explained.

Ugarte said that if the banks and local authorities made these simple changes, it would help mum and dad investors easily convert a 4-bedroom, 2-bathroom rental into 4 micro-apartments, each with a private bathroom, bedroom and kitchenette, which is ideal for people seeking a more affordable place to live.

“We know there are more than 500,000 investors with more than one investment property in Australia, many of whom are financially haemorrhaging from job losses and little-to-no rent coming in from their investments.

“If the regulations made it easier for mum and dad investors to convert their properties into micro-apartments, not only would they stem the financial pain they themselves are in, they would also provide homes for up to 2 million of the most vulnerable in our community. That’s a win-win if ever I’ve seen one.

“Homelessness Week is the perfect time for our governments and the banks to step up and do their bit to redress outdated policies and help mum and dad investors ease the housing affordability crisis, lessen the strain on the government purse and make Homelessness Week a thing of the past.”