

# Asset management – activities

## **Tenancy management**

- ◆ Allocation, contracting with tenants, rent setting and collection, accounts, arrears, sanctions

## **Property management**

- ◆ Investment, acquisition, disposal, condition assessment, property registers, refurbishing, cyclical and urgent maintenance

# Asset management – philosophy

## **Strategic life cycle approach**

- ◆ Whole of life approach, maintenance/construction tradeoff, optimum allocation of stock to clients

## **Sustainability**

- ◆ Environmental, social and economic

## **Roles and responsibilities**

- ◆ Participation and stakeholder involvement

# Social landlords and stock

<i>Sector</i>	<i>Dwellings</i>	<i>Agencies</i>
Public housing	362967	8
Community housing	24316	1000
Crisis housing	5507	1183
ATSI housing	23490	750
Government employee housing	25000	25
Defence housing	17000	1

# The issues

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Changing demographics</li><li>• Changing client base</li><li>• Greater social inequality</li></ul> | <ul style="list-style-type: none"><li>• Ageing housing stock</li><li>• Readjustment of strategies</li><li>• Dispersal of stock</li><li>• Financial viability</li></ul> |
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# Strategies for estate renewal

- ◆ Initially concentrated on developing state of the art systems and converting the stock into a marketable asset
- ◆ Increasing concern for engaging the community
- ◆ Financial viability is the big sleeper and in fact motivates the bulk of initiatives

# Financial viability

SHAs have been wedged in a situation of

- ◆ very high demand
- ◆ rapidly increasing operating costs, especially maintenance on the aging stock
- ◆ diminishing financial support, and
- ◆ reduced income from tenants.

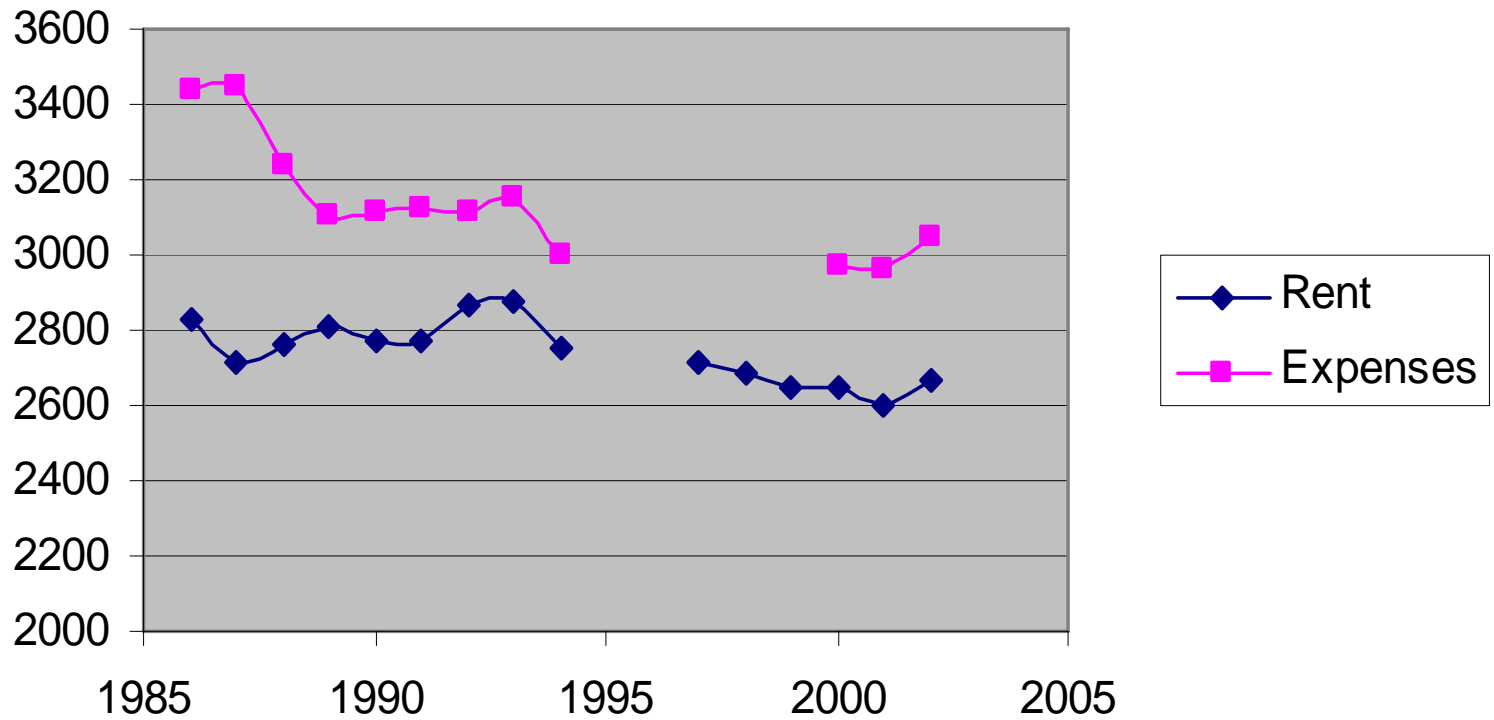
# Sustainability

- ◆ Public housing in Australia has never been sustainable. Full costs have never been charged
- ◆ Did not matter as long as capital grants were increasing
- ◆ When this stopped in Europe, housing allowances paid the deficit

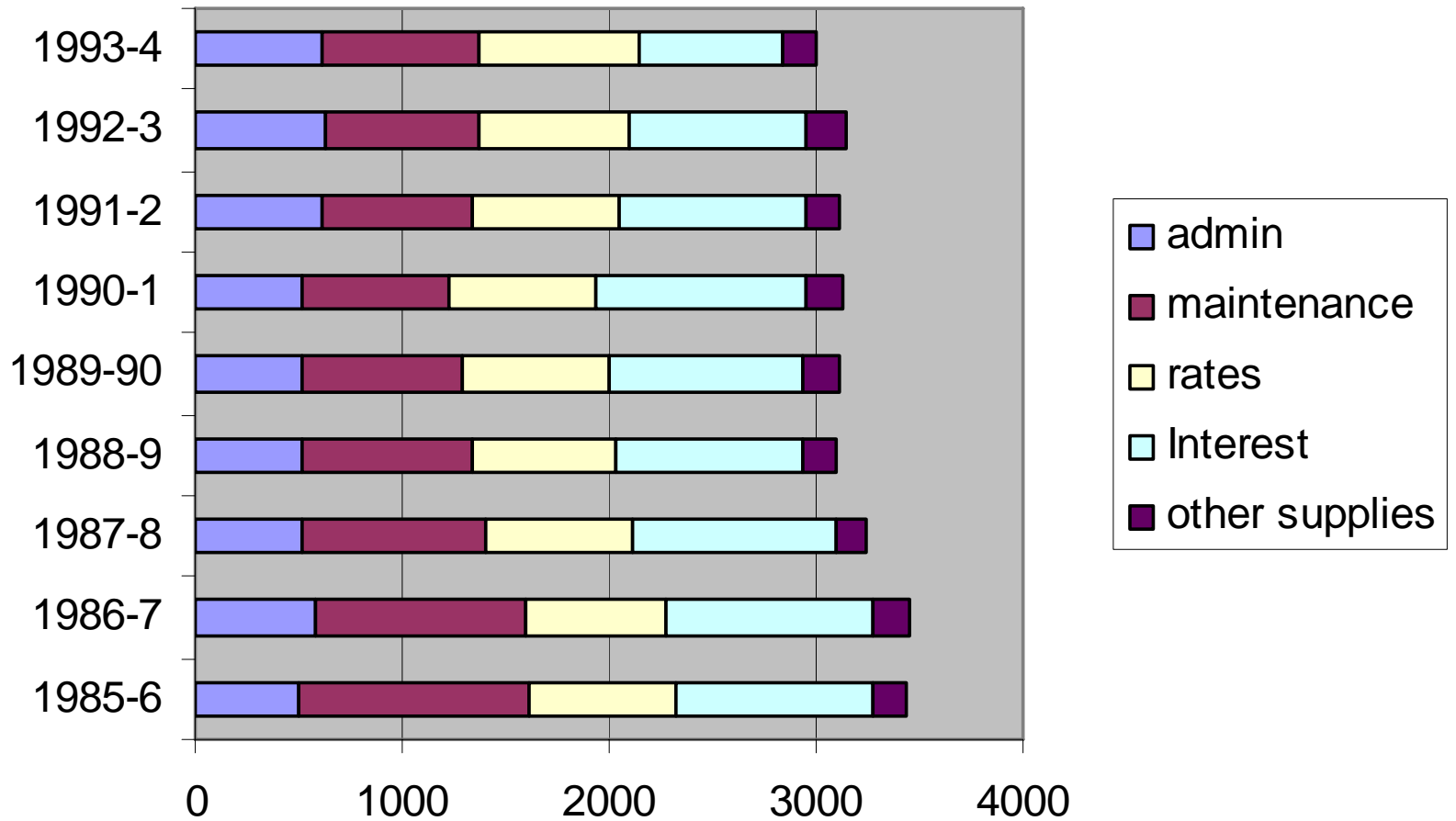
# First blowout mid 80s

- ◆ Rents falling, interest bill rising
- ◆ Staples Review and 1989 CSHA staves off disaster
  - Stops borrowings
  - Requires States to contribute cash
  - Deficit falls from 22% to 8% in five years

## Real rents and expenses per house



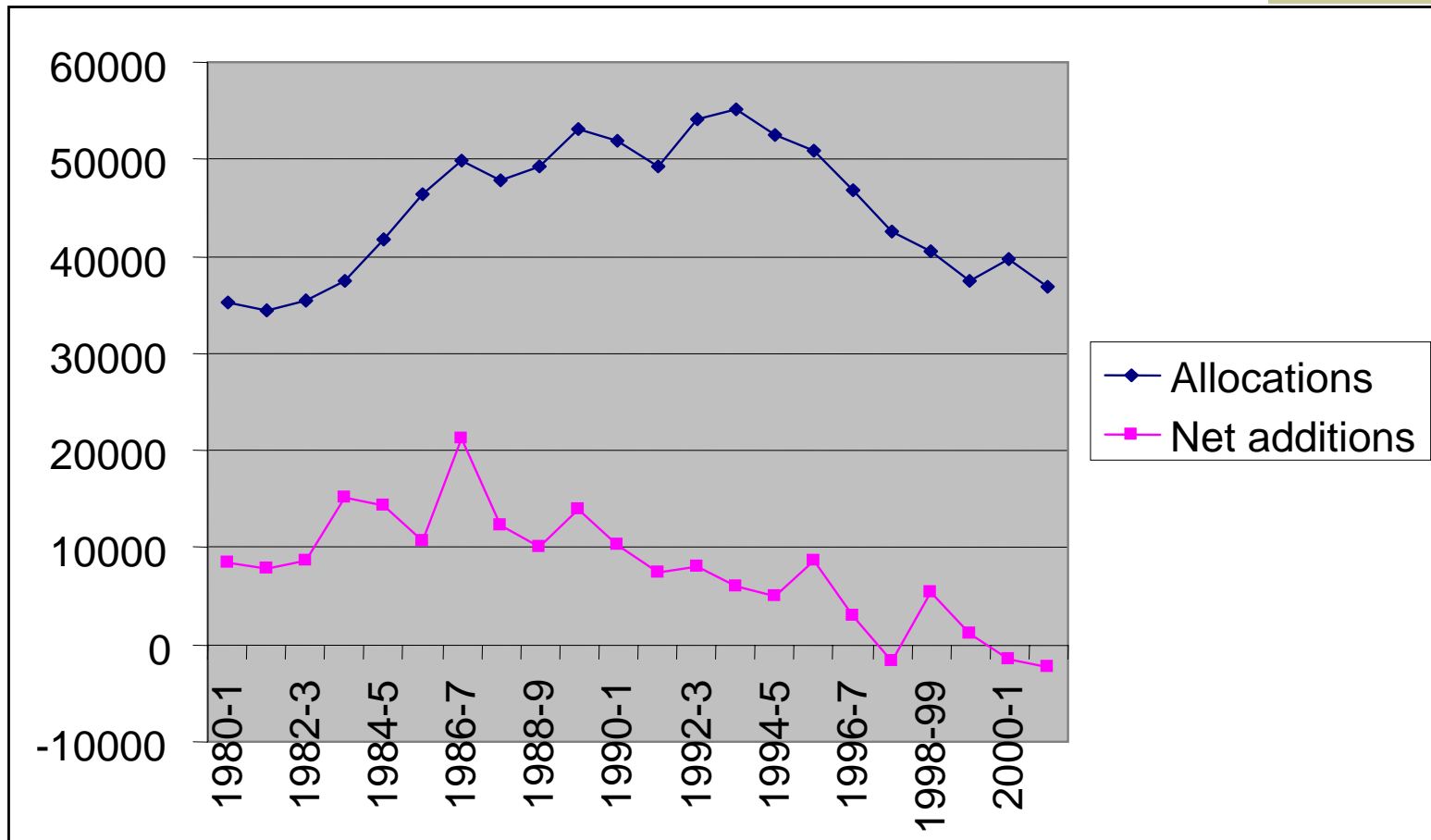
# Real expenditure per dwelling



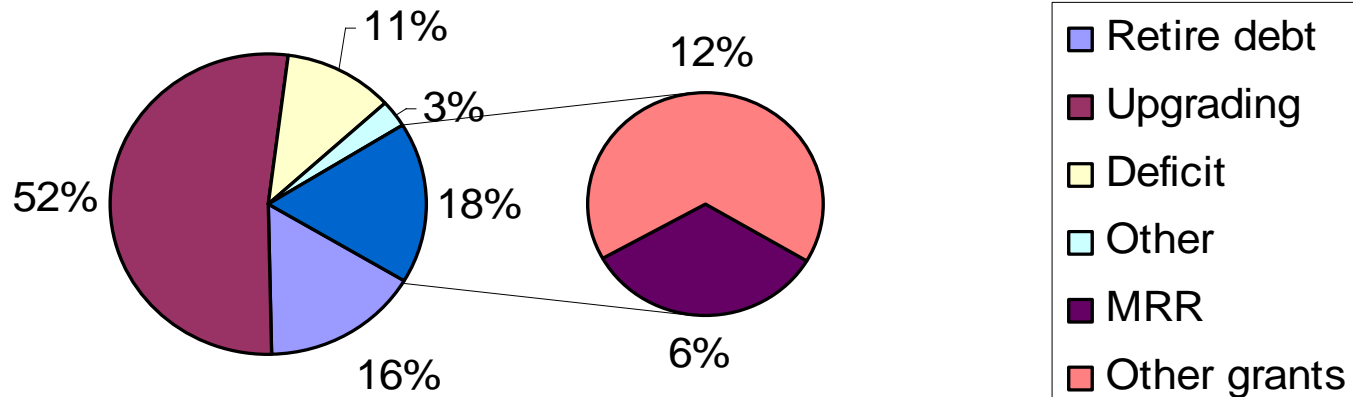
# Second blowout from 2000

- ◆ Caused by
  - Rising maintenance bill
  - Single adult households and special needs
  - Falling real grants
- ◆ Disguised by
  - using increasing proportion of CSHA funds,
  - selling off the stock
  - Cross-subsidy from HPA etc

# Allocations and net additions



# Use of grant funds 2000-1



# Simulation

- ◆ 1. Grants stay at 2000-2001 levels in real terms;
- ◆ 2. Real rents per dwelling decline at 1.2% per annum in line with the historical trend
- ◆ 3. Repairs and administration costs per dwelling rise at 2% per annum real
- ◆ 4. Dwelling prices and rates rise at 3% per annum real.
- ◆ 5. 2% of market value on replacements to keep the average age of the stock the same, so that the actual maintenance activity does not increase with time. Requires an expenditure of \$1078 mill in 2000-1, rising annually with the price of housing.

# Results

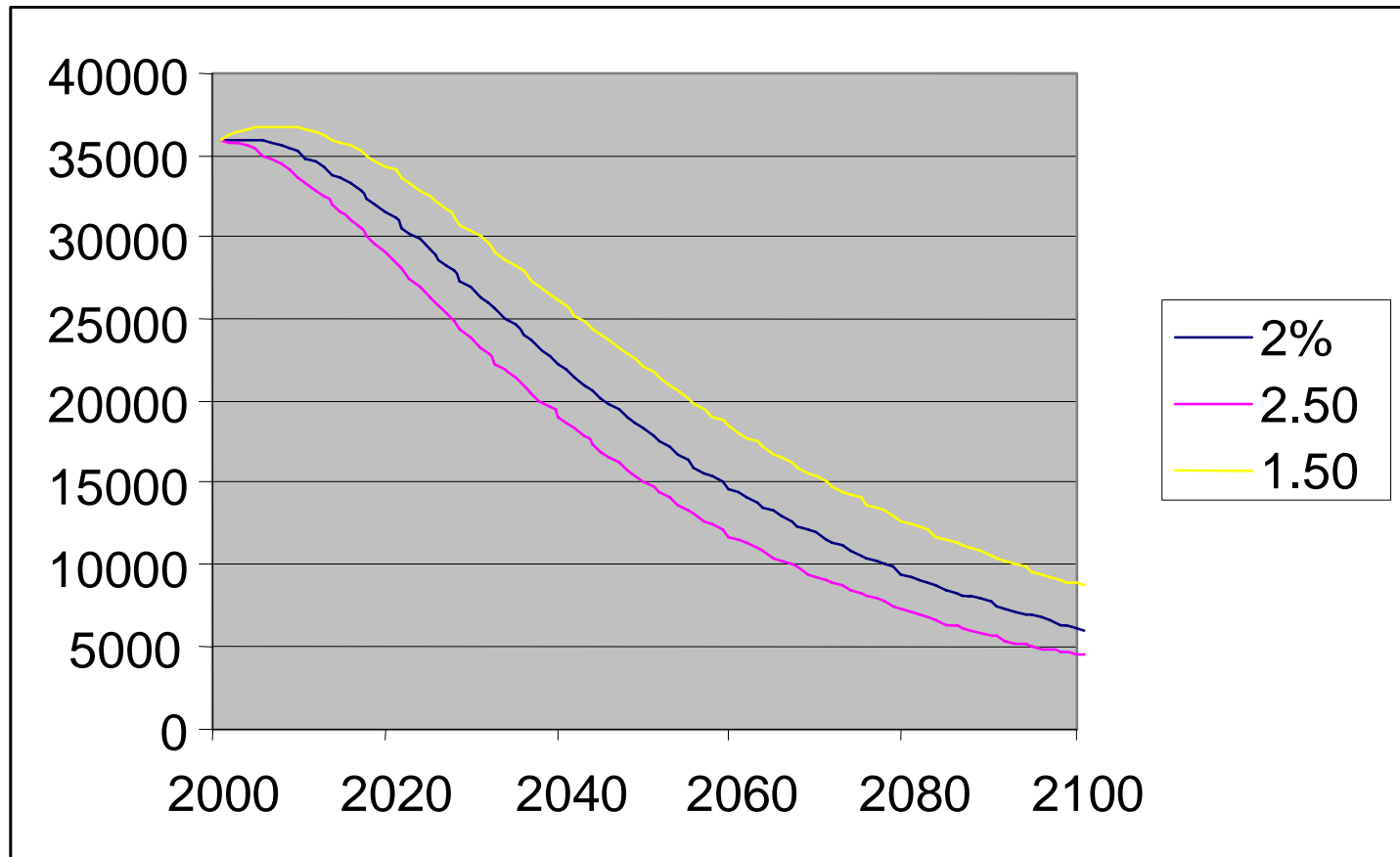
All grant funds are used up by 2002-2003, as the net deficit turns positive;

Gross deficit is positive by 2003-4 (ie direct costs excluding interest exceed rents);

The SHAs have to discontinue paying MRR and other grants entirely by 2006-7;

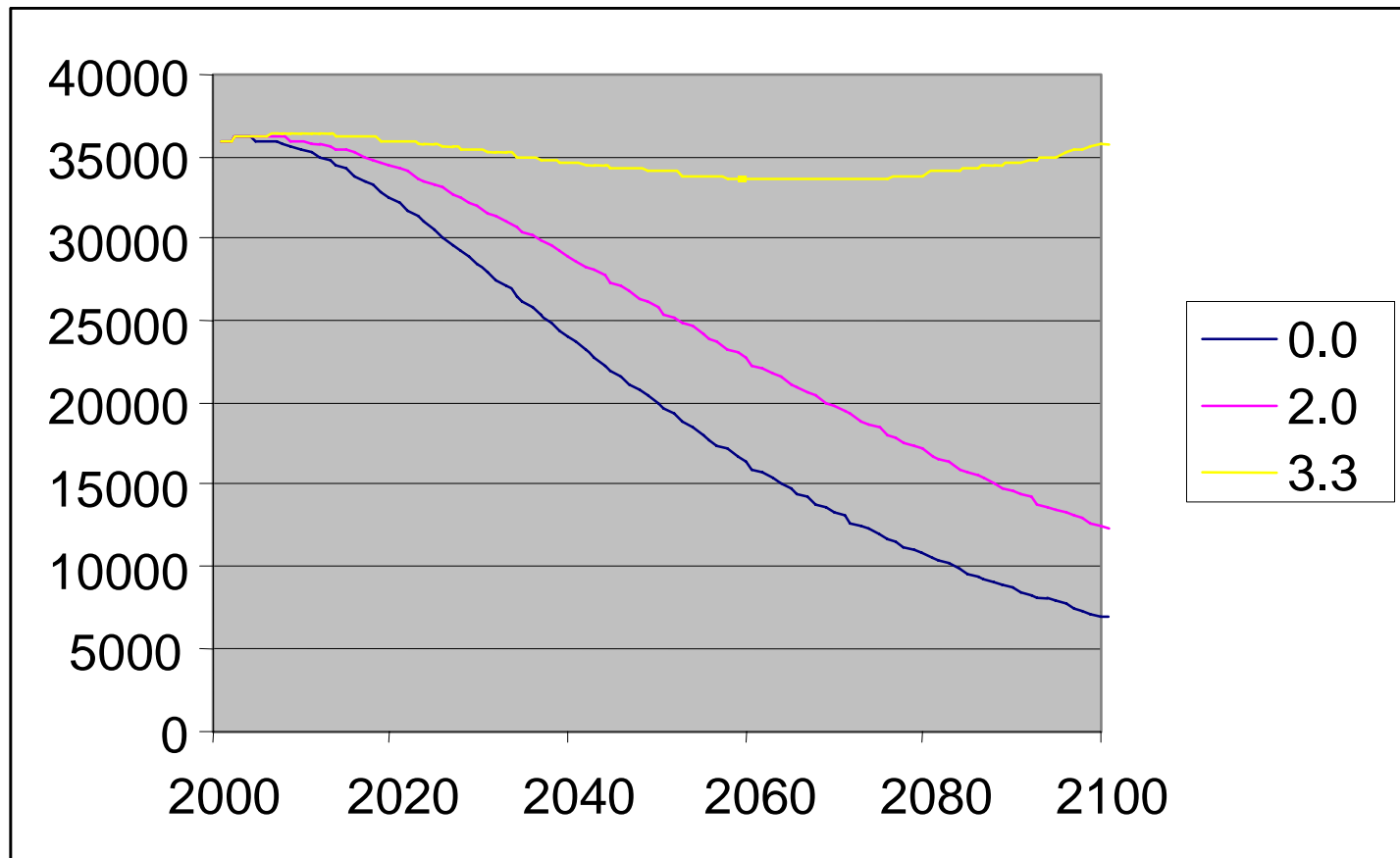
The stock reaches half its current level by 2050, and a quarter of current levels by 2085

# Various depreciation rates



# Rising rents

For stability, rents have to increase at 3.3% a year indefinitely



# Conclusions

- ◆ Fundamental long term contradiction in way public housing is funded
- ◆ Net deficit must be zero – raise rents or fund as Community Serviced Obligations
- ◆ SHAS should keep assets that rise in line with costs – eg land
- ◆ Data collection should be reassembled to monitor the situation