

VIEWPOINT

**Reframing 'Value' to
Enable Scale**

Intelligent Investment

Unlocking Social and Affordable Housing

MARCH 2026



1 | Reframing 'Value' to Enable Scale

The misapplication of residential market pricing and valuation frameworks to Social and Affordable Housing (SAH) has entrenched a perceived feasibility gap, constrained delivery and discouraged institutional participation. This paper demonstrates how treating SAH as a restricted-market asset class enables feasibility to be re-priced through land values, unlocking sustainable supply without disproportionate reliance on public funding.



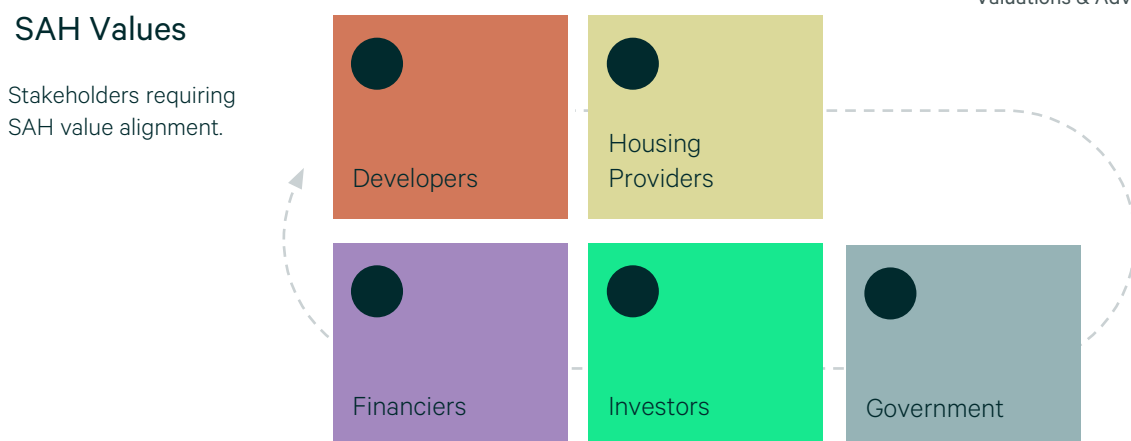
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The Australian housing market is under unprecedented pressure. Rising construction costs, complex project viability assessments, and the need for new financial models are delaying delivery of new projects all while demand for housing continues to increase. A fresh, forward-thinking approach is required to create sustainable and enduring solutions for all Australians.



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FIGURE 1: Social & Affordable Stakeholder Reliance

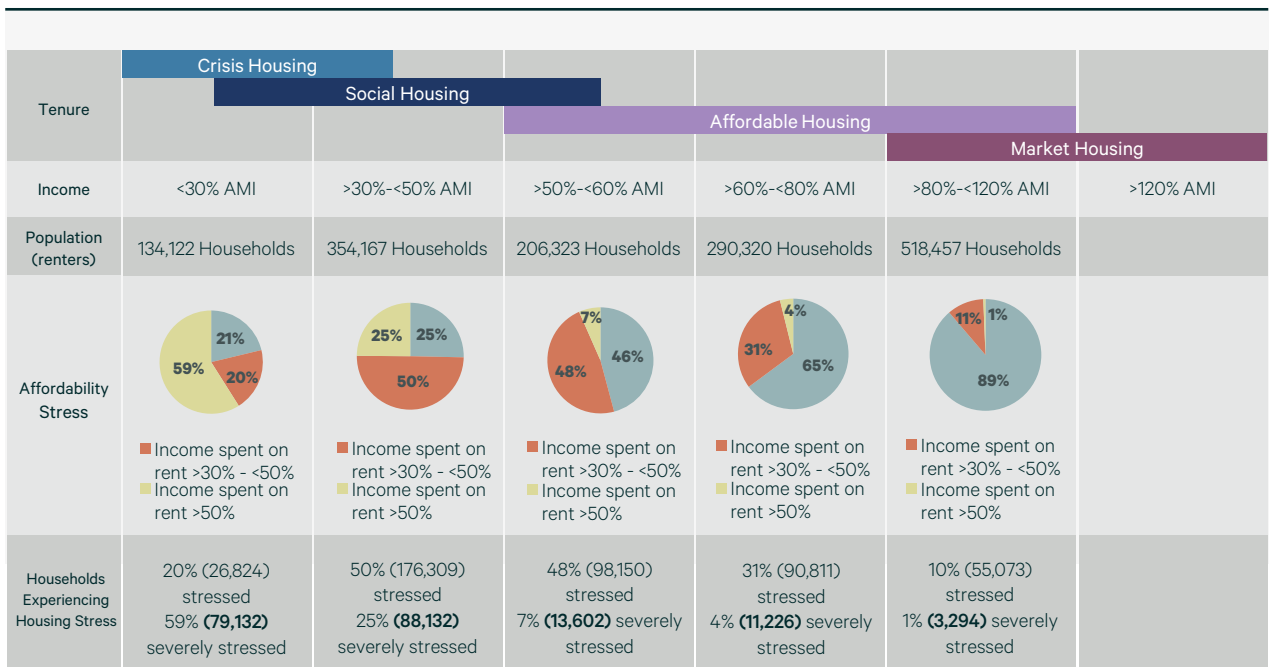


This paper does not seek to address the immediate challenges and market imbalances that are driving elevated costs across the residential sector. Instead, it proposes a long-term program of initiatives to help SAH develop into a sustainable, consistent asset class for institutional investment. Attracting private capital to the sector will support the continued strong growth of this important asset class, while reducing reliance on government funding and intervention.

Recent data from the Productivity Commission’s Report on Government Services (ROGS) highlights the depth of this imbalance. Social housing now accounts for just 3.6% of Australia’s total dwelling stock, down from nearly 5.7% in the 1980s, reflecting a long-term contraction in supply relative to population growth. At the same time, demand has continued to rise. Around 190,000 households are currently on public housing waitlists, up from approximately 169,000 in 2024 and 141,000 in 2018. Notably, 41% of households on the public housing waitlist are homeless or at risk of homelessness, compared to 26% in 2015, underscoring the increasing severity of need among applicants.

Additionally, housing affordability stress continues to escalate nationwide. Analysis using Average Median Income (AMI) bands shows a large share of low-income renter households in severe stress, with more than 764,000 renters spending over 30% of their income on rent. Lower income households experience disproportionately high pressure and face the greatest challenges securing stable housing.

FIGURE 2: Social & Affordable Housing Demand



Source: CBRE VAS, ABS 2021

This sustained misalignment between incomes and market rents underscores the essential role of regulated, discounted rent products like SAH, to provide greater stability for low to moderate income earners where the private residential market is unable to address this need. With the current imbalances in place expected to continue or even worsen, there will be ongoing strong demand for SAH.

To bridge the gap, increase investment, and deliver more SAH, a new approach is required. Rather than applying standard residential market pricing to assess the feasibility of SAH projects, which is not aligned with its intentional use and what is occurring in the market, CBRE Valuations & Advisory Services (CBRE VAS) proposes the recognition and inclusion of SAH as an identifiable and established asset class into the broader property market. This will in turn foster sustainable and enduring housing solutions for the long-term, utilising strategies and recommendations within this report which will benefit all Australians.

2 | Social & Affordable Housing: A Nuanced Approach

The SAH sector encompasses a diverse range of definitions across Australia, reflecting varying Housing Acts, Planning Acts, regulatory mandates, discounted rental schemes, and specific occupant criteria. This complexity, however, presents an opportunity. The nuanced definitional framework enables the delivery of bespoke housing outcomes tailored to specific geographical contexts (e.g., regional vs. metropolitan areas), varying housing typologies (e.g., apartments vs. detached houses), and diverse tenure models (e.g., social, affordable, or key worker housing). This flexibility underpins project viability and allows for tailored solutions.

The primary focus in this paper is on housing stock owned and managed by Community Housing Providers (CHPs) and the broader not-for-profit sector. From a CBRE VAS perspective, an umbrella definition of 'restricted market housing' is used. This category is distinguished by pricing or rental structures that are not solely determined by open market forces and may incorporate income-testing for eligibility. These properties are typically under the ownership of a CHP.

While SAH may physically resemble market housing, its intended or mandated use, together with ownership and regulatory constraints, defines it as Social and/or Affordable Housing. See Figure 2.

While acknowledging other mechanisms for Affordable Housing delivered, owned, and managed by the private sector, usually via a short-term restricted use (say 10 to 15 years), as well as housing targeted and sold to low to moderate income earners, these are considered to constitute a separate and distinct market segment that will not be addressed in this paper.

FIGURE 3: Key Differences in Characteristics: Market versus Restricted



3 | Challenges in the Market

The SAH sector faces several significant challenges that require careful consideration and strategic solutions. Addressing these challenges is vital to ensuring the sector's sustainable growth and attracting further investment.

- **Lack of Specialised Expertise:** A significant hurdle is the limited expertise and understanding of the SAH sector among many consultants. This includes a lack of familiarity with one or a combination of; institutional investment, residential markets, and the specific dynamics of SAH. Without this specialised knowledge, accurate valuations and informed decision-making are compromised.
- **Competition for Capital:** There is currently a lack of Private Market capital invested in the sector, both debt & equity. With funding currently provided by a small number of participants, development of expertise, knowledge and commitment to the sector is constrained.
- **The Feasibility Gap and Funding Dependency:** The persistent reliance on government funding to bridge the feasibility gap presents a challenge. The traditional approach of viewing SAH as a residential product often leads to this issue, and assumes the need for government intervention, when alternative funding models are possible.
- **Misunderstanding Value and Funding Gaps:** A common error is falsely recognising the discount (where applicable) as a funding gap. This “top down” approach, which assumes the need for government subsidies, often undervalues the true worth of the project.
- **Developer Confusion and Inconsistent Requirements:** Residential developers often face confusion due to inconsistent requirements, varying delivery outcomes, and a lack of clear guidelines. This can lead to delays, increased costs, and ultimately, a reduced supply of Affordable Housing.
- **Limited Local Council Expertise:** Many local councils lack the necessary experience and commercial understanding to effectively negotiate outcomes, particularly concerning complex SAH projects. This can lead to inefficient processes and suboptimal results.
- **Implications of Title Restrictions:** Title restrictions can significantly impact the underlying values of properties. It is imperative to fully understand and assess the implications of these restrictions during the valuation process.
- **Valuation Methodology utilising Build to Rent (BTR) Models:** The application of standard valuation methodologies to SAH projects within the BTR model can lead to inaccurate results. Specifically, capitalising SAH rent and assuming restrictions have no impact on value can misrepresent the true economic value.

The Feasibility Gap and Pricing of Affordable Housing

A key challenge in delivering SAH is its perceived impact on development feasibility, often described as a “feasibility gap” between development costs and returns, or between open-market and SAH values. Where SAH is appropriately priced, this gap could be absorbed into underlying land values over time rather than treated as an external funding shortfall. This approach is already established in the Australian Build to Rent sector, where investors accept discounted rental income as part of the core investment proposition.

Over time, feasibility constraints are likely to diminish as market structures mature and capital participation increases. International experience demonstrates this adjustment. In the United Kingdom, Affordable Housing requirements are embedded within development frameworks, enabling obligations to be capitalised into land values and supporting a mature market for the acquisition and long-term management of SAH assets. In Australia, greater consistency across planning requirements, Inclusionary Zoning and density incentive frameworks would materially improve feasibility outcomes by allowing Affordable Housing obligations to be more efficiently priced into development feasibility from the outset. Notwithstanding, there should be consideration to a transition period.

While we emphasise the importance of recognising the land value implications for SAH, this is not intended to replace subsidies. Rather, both approaches should coexist in the market and be applied appropriately.

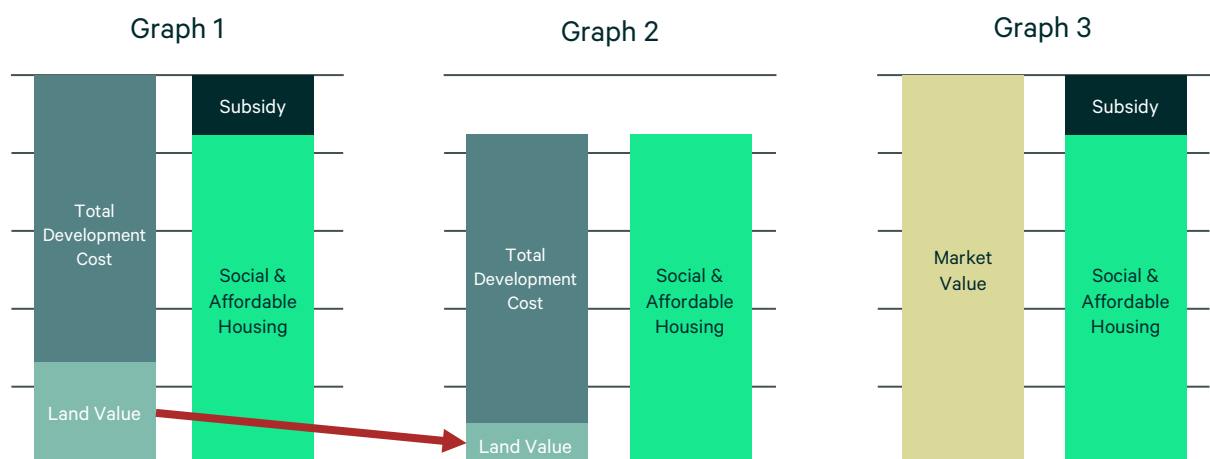
Graph 1 - illustrates that where land is acquired at full market value for a new development, a subsidy is required to enable delivery of SAH.

Graph 2 - demonstrates a scenario in which land is purposefully designated and restricted for SAH use, with the value impact absorbed into the land. In such cases, market pricing should not apply where use restrictions are in place. This would enable the market to produce outcomes without the commitment of scarce public sector funds and also allow investors to set their desired returns by ‘pricing’ the stock.

Graph 3 - shows that where market value is adopted as the purchase price, an ongoing subsidy will invariably be required to support delivery.

Collectively, these scenarios highlight key considerations for embedding SAH within the planning system, including the treatment of land use restrictions and the appropriate application of funding mechanisms.

FIGURE 4: SAH Assets - Value Implications with and without a Subsidy



Source: CBRE VAS Analysis

Inconsistent Title Restrictions and Regulatory Outcomes

Regulation is a key determinant of underlying land values for SAH. The language used in planning controls, housing policies and title restrictions directly influences how SAH obligations are interpreted and incorporated into development feasibility. Where regulatory settings lack clarity or consistency, developers face difficulty accurately embedding requirements into land values, even with strong sector understanding.

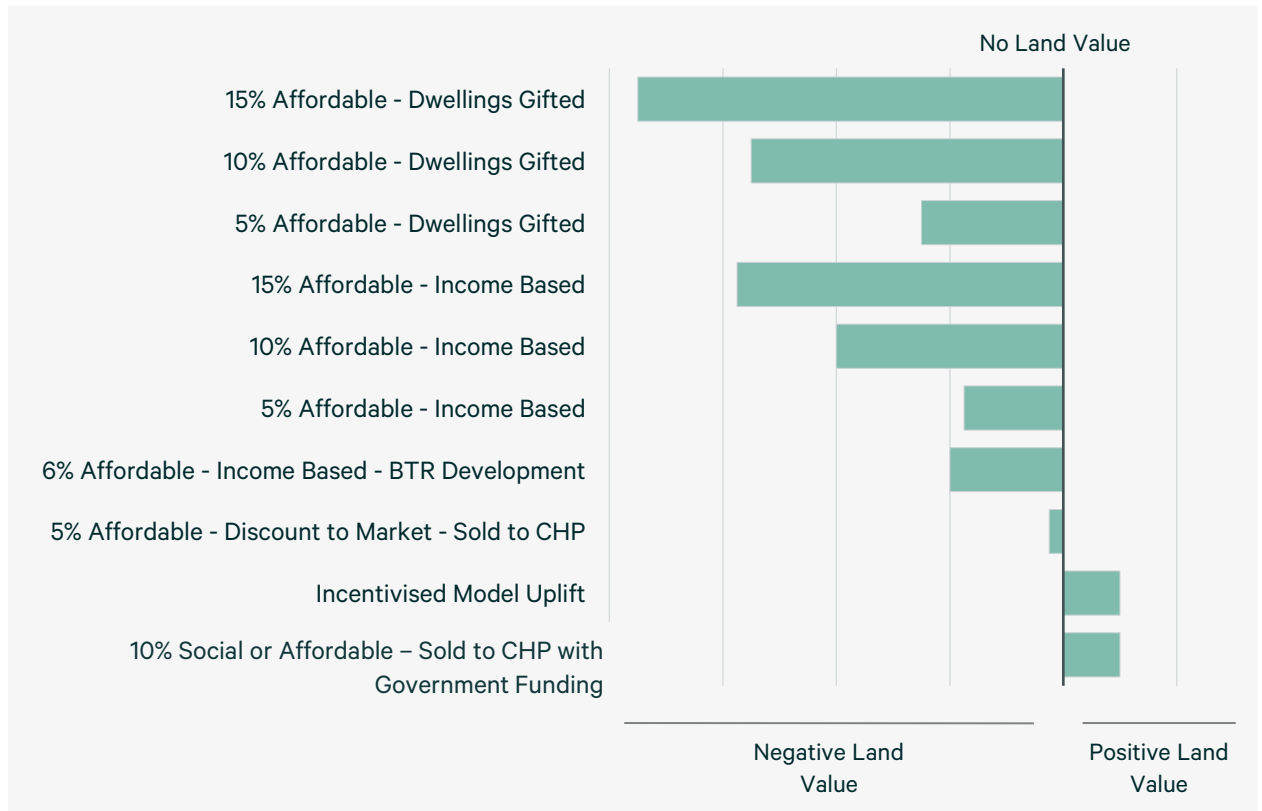
FIGURE 5: Examples of Regulatory Requirements set by LGA's

Dwellings to be gifted	Dwellings to be sold	Reference to Housing Act	5% of stock to be delivered for accommodation	10-year term for Affordable use	Reference to Key Worker accommodation
Land to be gift in lieu	Dwellings to be sold at a particular price	Reference to Planning & Environment Act	6% of stock to be delivered for accommodation	15-year term for Affordable use	Rent to be determined utilising 80% discount to market rents
Cash contribution	Stock sold must be reinvested back into LGA	Reference to no Act	10% of stock to be delivered for accommodation	Affordable use in perpetuity	Specialist Disability Accommodation in lieu of Affordable Housing

Fragmented planning frameworks and variable local government capability can result in materially different outcomes across sites, projects and jurisdictions, creating both favourable and unfavourable feasibility impacts depending on how requirements are applied. A more consistent, mandated regulatory approach supported by an appropriate level of flexibility would improve market certainty and enable developers to price SAH obligations into feasibilities and land values.

The analysis below examines the value impacts of differing regulatory and delivery requirements, based on a hypothetical 150 dwelling development. All scenarios assume that SAH obligations apply in perpetuity and, where dwellings are sold to a Community Housing Provider (unless otherwise noted), with the purchase price being an appropriate SAH value. The assessment applies a residual land value methodology to illustrate how variations in policy language and delivery settings influence outcomes. Accordingly, any apparent uplift in land values reflects the re-pricing of development feasibility, noting that the base schemes are assumed to be unviable prior to the application of these adjustments.

FIGURE 6: Affordable Housing Case Study – Land Value Impact Examples



Source: CBRE VAS Analysis

There are differing views on the appropriate duration and scale of Affordable Housing and Specialist SAH requirements, such as:

- that a 10–15 year SAH restriction is insufficient;
- that, where funding permits, SAH should be delivered in perpetuity; and
- that a minimum requirement of 10 per cent delivered in perpetuity across all new projects does not go far enough.

We broadly agree with these positions. Where land or dwellings are required for SAH purposes, restrictions should be applied for as long as practicable. However, these perspectives are often advanced without full consideration of commercial realities or the needs of all stakeholders, as demonstrated above.

In the current environment characterised by construction cost pressures, feasibility constraints, and presales challenges short term and transitional measures must be considered. This approach is necessary until appropriate delivery models can be embedded into planning and the construction market stabilises.

in perpetuity can be achieved where it is supported by consistent policy settings, robust valuation frameworks, and sustained capital participation.

This, in turn, enables increased institutional and bank funding, reducing sole reliance on public funding while supporting the sustained delivery of housing for those in need.

4 | Social & Affordable Housing: An Emerging Asset Class

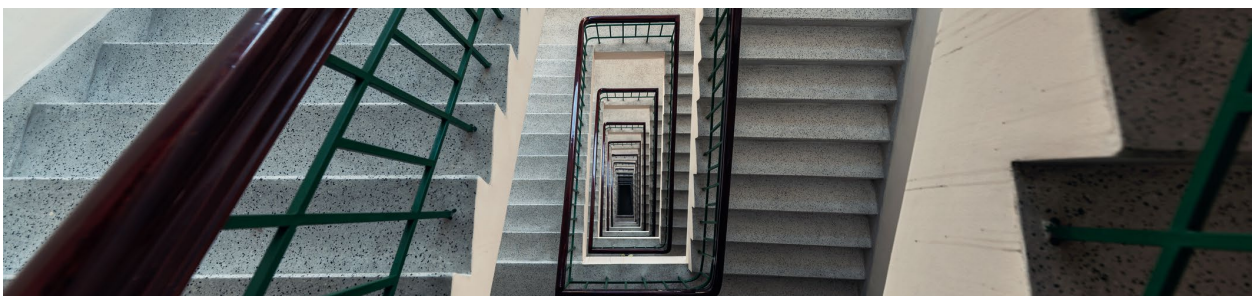
An 'asset class' represents a grouping of properties exhibiting similar characteristics, demonstrating comparable market behaviours, and governed by a unified legal and regulatory framework. These shared attributes typically extend to their respective risk-return profiles, rendering them attractive to investors with defined strategic objectives.

In our view, SAH is an emerging asset class that shares many characteristics with the Living Sectors (or residential investment) group of asset classes such as Build to Rent, PBSA, and Co-Living while also exhibiting certain infrastructure-like features. As the market continues to develop, SAH investment opportunities will often be delivered alongside other Living Sector opportunities. It is important to note, however, that while there are similarities with the broader Living Sectors, SAH has distinct nuances that require specialist understanding from stakeholders.

In the context of SAH, while the fundamental definition of an asset class still applies, there are other considerations and nuances that differentiate it from conventional residential or commercial property:

- **Impact Focus:** Beyond financial returns, SAH prioritises addressing critical social needs, such as providing stable housing for lower income individuals and fostering community development. This social mission attracts 'socially conscious' or Impact investors and those with ESG mandates.
- **Funding Models:** Unlike traditional real estate, SAH utilises a blend of public and private financing, including grants, subsidies, tax credits, and specialised loans, to bridge the affordability gap.
- **Regulatory Oversight:** SAH operates under extensive regulations from various governing bodies, ensuring governance, financial viability, consumer protection, and rent policies. This oversight provides a degree of stability and investor confidence. The regulatory policies exist within multiple layers of government.
- **Tenant Profiles:** Occupiers are typically low to moderate income individuals and families, often with government assistance, including key workers, seniors, or those experiencing housing instability.
- **Stable Risk Adjusted Return:** Despite potentially lower returns than market rate developments, SAH offers stable, predictable income streams due to consistent demand and often government backed payments, providing diversification and downside protection during economic downturns. This stability is particularly attractive in volatile markets.

SAH shares the fundamental definition of its own asset class in terms of property grouping and market behaviour. It's unique blend of social purpose, specialised funding, stringent regulation, distinct tenant profiles, stable, long-term social and financial returns positions it as a differentiated, and increasingly recognised, emerging asset class in Australia.



In the past few years there has been a significant re-emphasis on expanding supply within Australia's SAH sector. This renewed focus is bolstered by multi-level government support, enabling CHPs and not-for-profit organisations to access diverse capital sources for the substantial housing required. Government funding structures vary, encompassing direct subsidy arrangements, subsidised land access, and reduced financing costs.

This combination of government support, innovative funding mechanisms, the potential for large-scale investment, and growing investor interest in positive social impact investing has attracted institutional investors to this market. While still in its nascent stages, there is a substantial opportunity to establish SAH as a compelling institutional investment asset class in Australia if the right market settings are put in place.

The successful development and investment in SAH hinges on recognising it as a distinct Residential Investment asset class, operating within its own framework, and distinctly separate from the open residential market. This shift in perspective is crucial to unlock the sector's full potential and should include the following:

- **A "Restricted Market" Proposition:** SAH should be understood as a "Restricted Market" investment. Unlike traditional residential properties, its value is not driven solely by supply and demand dynamics of the broader residential market.
- **Unique Pricing and Value Drivers:** The value of SAH is not always directly comparable to market values, and any discounts or valuations must consider the specific characteristics of the project, local demographics and the regulatory environment. Market conditions can influence pricing, but not in the same way as in the open market.
- **Distinct Market Characteristics:** Open Market Housing relies on unrestricted sales, with prices dictated by supply and demand. SAH, in contrast, caters to low- to moderate-income households and is characterised by regulated rental pricing, government subsidies, and tax incentives. Access is typically through registered CHPs.
- **The Importance of Accurate Valuation:** A common misconception is treating SAH as merely residential real estate for valuation purposes. This mischaracterisation undermines investment and the sector's growth. Accurate valuation methodologies that acknowledge these distinct characteristics are critical.

The development of such an asset class would profoundly benefit the sector, providing a deep pool of funding for the continued professional management and growth of SAH stock. While ongoing government assistance will remain crucial, the influx of significant institutional capital will help reduce the heavy reliance on public finance and diversify funding streams for the sector.

We are at a pivotal stage in the evolution of this asset class. Investors are demonstrably keen to increase their involvement; however, they require the market to mature in ways that ensure consistency, transparency, professional and capable management, measurable operational and asset performance, and sustained government support.

5 | Government's Role and Impact on Delivery

Sustained delivery of SAH requires a consistent policy and planning framework that supports investable product at scale. Clear settings enable continued capital deployment and provide certainty for developers, investors and CHPs.

Over time, the residential market is likely to bifurcate. One segment will continue to operate on an open-market basis, accessible to the broader residential investment community. The second will comprise purpose-built, specialised SAH held by CHPs and their investors. This segment will be characterised by regulated income, transferable government support (including Commonwealth Rent Assistance and funding subsidies), and long-term use restrictions tied to housing outcomes.

To enable a sustainable, institutionally investable asset class and maintain supply at scale, several market conditions must be in place:

- **Open-market access:** CHPs will continue to acquire completed dwellings and development sites in the open market, often competing directly with for-profit developers and investors. In some cases, this will require paying full market value.
- **Project de-risking:** Well capitalised CHPs can materially reduce developer risk by pre-purchasing or forward-funding significant portions of projects, supporting feasibility and delivery. Scale acquisitions should enable pricing at a discount to open-market values as projects are de-risked.
- **Ongoing government support:** Subsidies remain critical to project viability and should be designed to enable institutional participation and support long-term investment, particularly in Social Housing. However, the inconsistent availability of funding and its subsequent withdrawal can slow market development. Over time, with the right industry settings, we believe Affordable Housing could, in some instances, move toward a self-funding model, with ongoing subsidies largely remaining necessary for Social Housing.
- **Public land contribution:** Government and not-for-profit entities can accelerate delivery by providing surplus land for social housing purposes through freehold transfer or long-term leases aligned with asset life, with transferability permitted only to capable CHPs or charitable entities.

Whilst the above points are important, the greatest opportunity to achieve consistent supply lies in embedding SAH requirements within planning frameworks. Mandatory Inclusionary Zoning, density incentives and standardised planning controls provide certainty, allowing SAH obligations to be efficiently priced into land values and improving overall feasibility.



Maintaining Supply

In Australia, SAH is typically delivered through four pathways: Mandatory Inclusionary Zoning, incentivised density or bonus uplift models, renewal precincts incorporating government land, and direct government funding. While each pathway presents distinct benefits and constraints, inclusionary and incentive-based mechanisms generally deliver the greatest impact at scale, particularly when applied consistently across jurisdictions and supported by clear policy settings.

FIGURE 7: MIZ Delivery Option Examples

Delivery Pathway	Inclusionary Zoning	Density/Bonus Uplift	Renewal Precinct	Government Land
Long Term Delivery Impact	High	High	Medium	Low

Mandatory Inclusionary Zoning (MIZ)

Mandatory Inclusionary Zoning is the most effective mechanism for delivering Affordable Housing at scale, as it embeds requirements directly into the planning system and ensures consistent outcomes across the market. When applied uniformly, MIZ provides certainty for developers, creates an even playing field, and enables SAH obligations to be efficiently capitalised into underlying land values. Over time, this normalisation reduces reliance on ad hoc negotiations or discretionary funding and supports a predictable pipeline of supply. The effectiveness of MIZ is strongest where base requirements, delivery options (in-kind dwellings, land or cash in lieu), trade-offs, and valuation frameworks are clearly defined and applied consistently across jurisdictions.

Incentivised Density and Bonus Uplift Models

Density bonuses and uplift incentives operate as a market responsive alternative to mandatory approaches, offering additional development yield in exchange for the delivery of SAH. These models can be highly effective in strong market conditions, particularly in well-located, high demand areas where additional floor space can be absorbed without undermining project outcomes. Incentive-based approaches provide flexibility in delivery and can improve feasibility without direct public funding. However, they are less effective in locations where additional density is not required (e.g. remote or regional locations) or is constrained by planning or infrastructure limitations. Clear rules around eligibility, feasibility testing and design quality are critical to ensuring consistent outcomes. responsive alternative to mandatory approaches, offering additional development yield in exchange for the delivery of Affordable Housing.

Renewal Precincts and Government Land

Urban renewal precincts and government owned land represent a targeted but important delivery pathway, enabling a higher proportion of SAH through land price intervention or long-term leasing arrangements. This approach allows governments and not-for-profit entities to directly influence outcomes in priority locations and to retain a degree of long-term control over asset use. While highly effective on a site-specific basis, delivery through government land is inherently constrained by the availability and location of land and is often subject to lengthy procurement and delivery timeframes. As a result, this pathway is best viewed as a complementary mechanism rather than a substitute for system-wide planning requirements.

Direct Government Funding

Direct government funding including grants, availability payments, and concessional finance plays a critical enabling role, particularly for social housing and projects with deep affordability outcomes. While funding alone does not deliver scale, it can materially improve feasibility, attract institutional capital and enhance the viability of other delivery pathways. The effectiveness of funding mechanisms is maximised where subsidies are consistent, asset-linked and transferable, enabling investors to underwrite long-term income streams with confidence. Over the long term, funding is most impactful when it supports, rather than replaces, planning led delivery mechanisms.

To effectively address the housing crisis, the government must strategically implement and optimise various delivery pathways for SAH. Inclusionary Zoning, incentivised density models, precinct renewals, and government funding each present unique opportunities and challenges. Successful implementation of Inclusionary Zoning hinges on clear and transparent requirements, streamlined approval processes, and a mix of delivery mechanisms, including cash contributions, onsite units, land contributions, and other hybrid approaches, all supported by independent SAH valuations. The government must also actively deliver SAH into the privatised market through leveraging existing programs, providing incentives to the private sector, fostering public-private partnerships, promoting innovative financing models, and implementing strategic land acquisition strategies.



Considerations of introducing Mandatory Inclusionary Zoning (MIZ)

There is already a substantial body of research and guidance available on this topic. However, it is important to recognise that development feasibility is already challenging in many locations, and the introduction of additional requirements must be carefully calibrated to avoid unintentionally constraining housing supply or deterring development activity. This is particularly important given that approaches to inclusionary zoning have varied across states and local government areas, at times with limited consideration of cumulative impacts on feasibility and the complexity of negotiations often exacerbated by scarce specialist expertise within some LGAs.

Any new framework should include appropriate grandfathering provisions and be underpinned by a clearly defined base case requirement to provide certainty to the market. To minimise fragmentation and unintended localised intervention, a consistent base position should be set at a State (or Federal) level, with any departures from that base case supported by transparent, before-and-after feasibility testing. At the same time, flexibility is essential. As detailed below, delivery mechanisms should allow for alternative outcomes that have an equivalent impact on underlying land values, enabling Community Housing Providers to respond to local needs and market conditions over time. For this to occur, a base case (MIZ) must be established initially, with introductory provisions considered.

For example, in areas where social housing demand is acute, a smaller number of dwellings may be transferred to a CHP. In higher value, boutique developments, an equivalent cash contribution may be more appropriate. In circumstances where operational costs materially exceed revenue, a hybrid approach combining a cash contribution with land provision may deliver a more sustainable outcome. Importantly, seeking to tailor requirements for different location and typologies can add material complexity and delay, particularly as market conditions evolve over time and would necessitate frequent review. Model to your heart's content, however it will only create more issues. Accordingly, the framework should prioritise a clear base case and minimal intervention, with well-defined pathways for equivalent outcomes where justified.

As detailed earlier in this paper, where land is purposefully designated and restricted for SAH use, with the value impact absorbed into the land. In such cases, market pricing should not apply where use restrictions are in place. This would enable the market to produce outcomes without the commitment of scarce public sector funds and also allow CHPs and investors to set their desired returns by 'pricing' the stock. Nonetheless, to attract institutional capital this would need to occur at scale.

FIGURE 8: MIZ Delivery Option Examples

	Option A	Option B	BASE (before)	BASE (after)	Option C	Option D
Definition	Nil	Social Housing (reference to Housing Act)	No requirements for Affordable	Affordable (reference to Planning & Environment Act)	Discount to Market (BTR)	Nil
Qty/Contribution	Equivalent cash contribution	3% 3 Dwellings		7% 7 Dwellings	10% 10 Dwellings	Equivalent land contribution
Value Impact	~\$4.5M	~\$4.5M	Nil	~\$4.5M	~\$4.5M	N/A

6 | Understanding and Measuring Returns

Sustained delivery of SAH requires a consistent policy and planning framework as the valuations of Affordable Housing projects require considerations of factors unique to SAH:

- **Restricted Market and Transferability:** The market for Affordable Housing assets is inherently limited, as sales are typically confined to other CHPs. Furthermore, associated tax benefits, such as GST discounts, land tax exemptions, and stamp duty concessions, are contingent upon transfer or sale to another CHP or charitable entity.
- **Revenue and Asset Specifics:** Valuations are based on the lower rental income characteristic of Affordable Housing. New developments often feature specialised designs, including smaller apartments, fewer bathrooms, and limited or no parking, differentiating them from open market residential units.
- **Government Subsidies:** Government subsidies, such as availability payments, are incorporated into valuations if they are directly linked to the asset and can be transferred with it, albeit with potential restrictions.
- **Permanent Ownership and Use:** CHPs are focused on providing SAH services rather than maximising investment returns or engaging in speculative development. Consequently, Affordable Housing assets are assumed to have a permanent, ongoing use, leading to infrequent transactions in the sector.
- **Maintenance and Lifecycle Costs:** Given the long-term hold strategy and limited access to ongoing funding, a higher allowance for maintenance and lifecycle costs is typically required compared to open market residential investments like apartment blocks or Build to Rent properties.
- **Valuation Methodology and Discount Rate:** A long-term Discounted Cash Flow (DCF) model is considered the appropriate valuation method, reflecting extended investment horizons, discounted rentals and varying subsidy levels. The limited transaction history in this nascent asset class makes the selection of an appropriate discount rate challenging, often requiring consideration of returns from other asset types and general investor requirements.
- **Regulatory Landscape:** Currently, specific valuation standards for specialised Affordable Housing do not exist within the Australian Property Institute framework. Nevertheless, the outlined concepts broadly align with the Royal Institution of Chartered Surveyors (RICS) Standards for Affordable Housing in the United Kingdom. It is anticipated that valuation standards and consistent market approaches will evolve rapidly as this asset class matures.

CBRE Valuations & Advisory Services serves as a vital bridge between the SAH sector, financiers, government, institutional capital, and developers. We are uniquely positioned to assist the integration of SAH as an identifiable and established asset class into the broader property market whilst fostering sustainable and enduring housing solutions for the long-term benefit of all Australians.

Liquidity Challenges

Due to usage restrictions designed to ensure continued affordability, SAH assets infrequently trade on the open market. While these restrictions diminish liquidity, investors in this sector must inherently adopt long-term investment horizons. The valuation techniques previously discussed are crucial for establishing performance benchmarks and facilitating investor entry into or exit from investment vehicles, even though direct transactions of the underlying assets are likely to remain rare.

Consistency of Funding & Investment

Institutional investors are funding SAH projects through Special Purpose Vehicles (SPVs) holding a charitable status, predominantly via subordinated debt rather than direct equity co-investment. While this structure is prevalent, the current myriad of inconsistent government support subsidies and funding arrangements across federal and state levels necessitates bespoke deal analysis, complex structuring, and negotiation for each investment.

To attract and sustain capital, greater consistency in government funding support is crucial. Investors require assurance of stable, ongoing government commitment, mirroring the established, transparent support programs seen in other real estate asset classes like childcare, aged care, and Specialist Disability Accommodation (SDA). A unified approach to subsidy formation from various government bodies is essential for market development and continued investment, ideally underpinned by bi-partisan political support for long-term sector stability.

Lenders & Financiers

When Housing Australia set up their initial funding programs, many banks thought that opportunities in the CHP sector would diminish as the banks struggled to compete with the cheaper pricing and longer-term funding on offer. With increased government funding driving development in the sector, we are regularly seeing the major Australian banks and some foreign banks actively involved in providing project finance funding to the CHP sector. With continued funding programs rolling out to support the sector, there will be an increased opportunities for bank funding. With long-term government cashflows available through availability payments, there is opportunity for both shorter term construction funding and longer-term investment funding. As the transactions and the financial dynamics of the sector are quite specialised, there is a need for the banks to set up specialist teams who understand the nuances of the sector and form the right relationships in the sector. Whilst loan servicing is highly dependent on the presence of long-term government cashflows, the valuation of SAH assets also provides banks with a broader array of options to understand and deal with SAH assets in the unlikely event that problems occur.

7 | Partnerships and Alignment of Interests

Effective partnerships are central to the long-term viability, investability and performance of SAH assets. Given the restricted-market nature of SAH, no single stakeholder can deliver sustainable outcomes in isolation. Instead, successful projects rely on aligned partnerships between Community Housing Providers, government, institutional investors, financiers and developers, each contributing distinct capabilities and risk capital.

From an investment and valuation perspective, partnerships play a critical role in managing risk, stabilising income and improving certainty around long-term outcomes. Well structured partnerships enable risks to be allocated to the parties best placed to manage them, for example, development risk to experienced developers, operational risk to CHPs with specialist housing management expertise, and funding risk to institutional capital supported by long-term government cashflows. This alignment underpins more predictable returns and supports the application of lower discount rates over long-term investment horizons.

For CHPs, partnerships with institutional investors and fund managers provide access to scale capital, balance sheet support and commercial capability, enabling portfolio growth beyond what is achievable through grant-based funding alone. In return, investors benefit from stable, regulated income streams, government-linked subsidies and exposure to assets with strong defensive characteristics and demonstrable social impact. Where structured effectively, these partnerships allow CHPs to retain operational control and mission alignment while leveraging external capital to expand supply.

Government also plays a critical enabling role within partnership structures. Consistent, asset-linked funding mechanisms, transferable subsidies and clear planning frameworks materially enhance bankability and investor confidence. When government support is predictable and embedded within the asset rather than tied to individual counterparties, partnerships can be structured with longer tenures, and reduced complexity improving valuation certainty and liquidity at the SPV level. Government supported programs should be based around clear and consistent parameters which will avoid the need for bespoke negotiations on individual transactions.

Partnership models continue to evolve and may include forward-funding arrangements, long-term lease structures, availability-based payment models, co-investment vehicles or SPV's with charitable status. While structures vary, the most successful partnerships share common characteristics: clear allocation of risk and return, transparent governance, alignment between financial performance and housing outcomes, and a shared long-term commitment to asset stewardship.

As the SAH sector matures, partnerships will become increasingly central to establishing SAH as a credible institutional asset class. Strong, repeatable partnership frameworks reduce transaction friction, support consistent valuation outcomes and enable capital to be deployed at scale. Ultimately, it is through these partnerships that financial sustainability, social outcomes and long-term housing supply can be delivered concurrently.

8 | Supporting & Progressing Community Housing Providers

A consistent valuation approach will significantly benefit the CHP sector by enabling the effective leveraging of restricted stock, ensuring asset acquisition costs align with intended use affordability, and enhancing access to institutional capital.

It is essential that CHPs maintain primary focus on the provision of the accommodation service. Community Housing Providers are 'not for profit', however they are also crucial as SAH Asset Managers for Fund Managers and the Institutional investors that support them.

As the SAH market matures and attracts institutional investment, CHPs must enhance their internal capabilities to accommodate greater scale and meet the increased focus and transparency demanded by institutional investors.

Key requirements for CHPs include:

- **Strategic Asset Acquisition:** Leveraging restricted stock and basing asset acquisition costs on their affordability for the intended use.
- **Organisational Scaling:** Achieving greater operational scale to unlock efficiencies.
- **Advanced Corporate Skills:** Developing more sophisticated corporate expertise across treasury, finance, asset management, and large-scale development capabilities.
- **Enhanced Financial Capacity:** Strengthening balance sheets to facilitate project funding and ensure overall financial viability. Larger, more diverse portfolios with greater financial firepower will allow greater investment which could include Social Housing with less reliance on government subsidies.
- **Sector Consolidation:** Managing consolidation within the sector to enable smaller CHPs to gain the necessary scale and skills for attracting external capital, while meticulously preserving the level and personalisation of existing services.
- **Co-investment:** Engaging in co-investment models for social housing projects to align interests with investors.

While evolving corporate skills and financial power are crucial, CHPs must consistently prioritise their core purpose of providing and managing social housing.



Recommendations

Recommendations for Government

Local, State and Federal Government plays a critical enabling role in establishing the conditions necessary for sustained SAH delivery. Clear, consistent and transferable policy settings are essential to improving feasibility, reducing reliance on ad hoc subsidy and attracting long-term private and institutional capital.

Embed SAH within planning frameworks - Mandatory Inclusionary Zoning, supported by density incentives and standardised planning controls, should form the backbone of SAH delivery at scale. Clear base-case requirements, consistent application across jurisdictions and well-defined delivery options provide certainty and allow obligations to be efficiently priced into underlying land values.

Ensure policy clarity and consistency - Planning controls, housing policies and title restrictions should use clear, consistent language to avoid materially different outcomes across sites and jurisdictions. Inconsistent requirements undermine feasibility, distort land pricing and increase transaction friction for developers, CHPs and investors.

Allow flexibility in delivery mechanisms - While certainty is critical, flexibility must be retained to allow equivalent outcomes that have a similar impact on land values. This includes the ability to deliver SAH through in-kind dwellings, cash contributions, land provision or hybrid approaches, enabling responses to local housing need, project typology and operational viability. Clear process, settings and eligibility should be considered.

Provide appropriate grandfathering provisions - Any new requirements should include grandfathering arrangements to avoid disrupting projects already in the planning or delivery pipeline and to maintain development confidence during policy transitions.

Structure funding to support institutional participation - Subsidies and availability payments should be asset-linked, transferable and consistent over time. Predictable, long-term government support materially enhances bankability, valuation certainty and investor confidence, particularly for Social Housing.

Leverage public land strategically - Government-owned land can play a targeted but important role in accelerating delivery through freehold transfer or long-term leasing arrangements aligned to asset life, with transferability restricted to capable CHPs or charitable entities.

Adopt SAH-specific pricing and valuation frameworks - Government should avoid assessing SAH using open residential market prices or assumptions where assets are subject to restricted use, regulated income and limited transferability. Applying market residential benchmarks to SAH distorts feasibility, misrepresents value and discourages participation from institutional investors and developers. Recognising and consistently applying SAH-appropriate valuation frameworks would improve pricing transparency, support feasibility and materially increase market participation.

Promote competitive, specialist-led feasibility and valuation analysis - Government should broaden its approach to feasibility modelling and valuation advice by encouraging a more competitive market of specialist practitioners with demonstrated experience in SAH, rather than relying predominantly on generalist accounting firms or non-specialist consultants. Greater diversity of expertise would improve the quality, consistency and commercial realism of modelling, reduce systemic bias toward subsidy-based solutions and support more robust, market-aligned outcomes.

Recommendations for the Broader Market

Alongside government action, the broader SAH stakeholders must continue to evolve to support scale, professionalism and consistent investment outcomes.

Lenders and Financiers - Establish specialist teams with a deep understanding of SAH structures, cashflows and valuation methodologies. Lenders should proactively review their current valuation policies and internal processes and procedures. This review should consider the unique characteristics of SAH assets and ensure that valuation methodologies accurately reflect their value as restricted-market characteristics, long-term income profiles and asset-linked government support.

Community Housing Providers - Embrace strategic partnerships to unlock scale capital and commercial capability while retaining operational control and mission alignment. CHPs should continue to strengthen balance sheets, enhance corporate and asset management capability, and actively assess opportunities for portfolio optimisation and consolidation where appropriate. Recognise that competition is healthy and drives better outcomes; embrace it and hone your negotiation skills. Carefully assess existing portfolios and identify opportunities to optimise the use of funding and revenue streams. Commercialise with an intent of purposefulness by pricing SAH its true worth.

Investors and Fund Managers - The formation of a transparent and consistent SAH asset class provides a strong pipeline of opportunities for Fund Managers and Institutional Investors. The evolving asset class is particularly attractive to 'Impact' investors and those with longer term investment timeframes. Form long-term partnerships with CHPs and specialist advisors, engage with industry bodies and contribute to the development of consistent market standards and valuation frameworks.

Developers - Adopt a long-term perspective by factoring SAH requirements into feasibility assessments from the outset. With clear planning settings and valuation frameworks, SAH obligations can be efficiently priced into land values, reducing uncertainty and supporting delivery outcomes.

The Broader Housing Ecosystem - Address the perceived feasibility gap through a shared ecosystem approach, where value is appropriately allocated across landowners, developers, investors, financiers and government. When SAH is correctly understood, priced and valued, delivery can be achieved without disproportionate reliance on public funding.

CBRE Valuations & Advisory Services makes these recommendations to realise the full potential of SAH as a sustainable, institutionally investable asset class. Coordinated action is required across government, the housing sector and capital markets. The recommendations are intended to support market maturity, improve feasibility outcomes and enable delivery at scale.



Conclusion

The challenge of delivering SAH in Australia is not one of intent, but of structure, consistency and market alignment. Treating SAH through the lens of conventional residential valuation and feasibility frameworks has constrained its growth and reinforced a perceived feasibility gap that is often mischaracterised as a funding shortfall rather than a pricing and value issue.

SAH must be recognised as a distinct asset class within the Living Sectors, with its own risk profile, income characteristics and long-term value drivers. When appropriately understood and priced, the feasibility gap can be absorbed through land values and shared across the development ecosystem, rather than relying disproportionately on government intervention.

A sustainable pathway forward requires coordinated action. Consistent planning mechanisms particularly Mandatory Inclusionary Zoning and well-designed incentive frameworks are essential to embedding SAH delivery into the development process and creating certainty for all market participants. At the same time, ongoing government support, access to surplus land, the maturation of CHPs as institutional counterparties are critical to attracting private and institutional capital at scale.

The opportunity is clear. With the right policy settings, valuation frameworks and market discipline, SAH can transition from a fragmented, subsidy dependent sector into a mature, investable asset class. This evolution will reduce pressure on public funding, support long-term housing supply, and deliver enduring social outcomes ensuring that SAH is not treated as an exception to the market, but as an integrated and valued component of it.

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