Engagement and Impact 2018

The University of Adelaide

ADE15 (SS) - Impact

Overview

Title

(Title of the impact study)

SA home run: boosting affordable home ownership, jobs and revenue

Unit of Assessment

15 - Commerce, Management, Tourism and Services

Additional FoR codes

(Identify up to two additional two-digit FoRs that relate to the overall content of the impact study.)

Socio-Economic Objective (SEO) Codes

(Choose from the list of two-digit SEO codes that are relevant to the impact study.)

90 - Commercial Services and Tourism

Australian and New Zealand Standard Industrial Classification (ANZSIC) Codes

(Choose from the list of two-digit ANZSIC codes that are relevant to the impact study.)

62 - Finance

Keywords

(List up to 10 keywords related to the impact described in Part A.)

Homeownership

housing finance

shared equity mortgages

low-income households

household budget impacts

state economic impact

State Government lending organisation

Sensitivities

Commercially sensitive

No

Culturally sensitive

No

Sensitivities description

(Please describe any sensitivities in relation to the impact study that need to be considered, including any particular instructions for ARC staff or assessors, or for the impact study to be made publicly available after EI 2018.)

Aboriginal and Torres Strait Islander research flag

(Is this impact study associated with Aboriginal and Torres Strait Islander content?
NOTE - institutions may identify impact studies where the impact, associated research and/or approach to impact relates to Aboriginal and Torres Strait Islander peoples, nations, communities, language, place, culture and knowledges and/or is undertaken with Aboriginal and Torres Strait Islander peoples, nations, and/or communities.)

No

Science and Research Priorities

(Does this impact study fall within one or more of the Science and Research Priorities?)

No

Impact

Summary of the impact

(Briefly describe the specific impact in simple, clear English. This will enable the general community to understand the impact of the research.)

University of Adelaide research has informed and contributed to the operations of HomeStart Finance, benefitting end-users ranging from low-income local communities to HomeStart itself as well as the Government of South Australia. HomeStart used the research to support two successful applications for increased funding from the SA Government, resulting in an additional $355M being added to HomeStart's borrowing limit between 2011 and 2013. This increase was used, in part, to issue a further 362 shared equity loans, creating more than 850 jobs and generating over $97M in GSP for the State between 2011 and 2016. This contributed to SA suburbs with a significant HomeStart presence having 3.5% and 8% higher homeownership rates than similar suburbs in Victoria and NSW, respectively.

Beneficiaries

(List up to 10 beneficiaries related to the impact study)

1.HomeStart Finance clients (members of the South Australian community who have borrowed money from HomeStart Finance to purchase a home)

2.HomeStart Finance executive and middle management

3.South Australian Government and the South Australian Government Financing Authority (SAFA)

Countries in which the impact occurred

(Search the list of countries and add as many as relate to the location of the impact)

Australia

Details of the impact

(Provide a narrative that clearly outlines the research impact. The narrative should explain the relationship between the associated research and the impact. It should also identify the contribution the research has made beyond academia, including:
- who or what has benefitted from the results of the research (this should identify relevant research end-users, or beneficiaries from industry, the community, government, wider public etc.)
- the nature or type of impact and how the research made a social, economic, cultural, and/or environmental impact
- the extent of the impact (with specific references to appropriate evidence, such as cost-benefit-analysis, quantity of those affected, reported benefits etc.)
- the dates and time period in which the impact occurred.

NOTE - the narrative must describe only impact that has occurred within the reference period, and must not make aspirational claims.)

HomeStart Finance is a South Australian (SA) Government agency which provides innovative mortgages to low- and middle-income households, including some who may otherwise be unable to access finance from mainstream lenders. It is wholly financed by the South Australian Government Financing Authority (SAFA).

The research was tasked with following households who used a shared equity mortgage up to several years after taking out the loan. The research allowed HomeStart to categorically demonstrate, and independently verify, that their lending activities were socially and economically beneficial for their clients. Specifically, the research showed

that HomeStart loans enable homeownership for low-income households who would otherwise be unable to qualify for finance, and subsequently, that these households are both socially and economically better off relative to renting SA households. HomeStart clients reported greater neighbourhood satisfaction and community involvement after buying their home, while at the same time being able to save on some of their non-discretionary expenditures in favour of increased spending on discretionary items like holidays and groceries (Mihaylov and Zurbruegg, 2010; 2013; 2014). These research findings contributed to the following specific impacts for:

State Government and SAFA: HomeStart used the research (as part of larger funding applications) to demonstrate the positive social and economic impacts of their operations to the State Government of South Australia when applying for increased funding from SAFA in 2011 and 2013. As a result, the research contributed to SAFA increasing HomeStart's borrowing limit by $150M in June 2011 (HomeStart Finance, 2011), and a further $205M in June 2013 (HomeStart Finance, 2013). While these increases broadly funded all HomeStart lending, a portion of this funding was specifically used to issue the shared equity loan, which was the focus of the associated research. This resulted in HomeStart issuing a further 362 new shared equity loans between July 2011 and December 2016 (HomeStart Finance, 2015; 2016), affecting the living circumstances of more than 1,000 individuals (including children) in SA. Economic multiplier estimates based on the demographics, spending patterns, and economic activity of existing HomeStart shared equity borrowers as of 2010 suggest that the shift from renting into homeownership for these families, and the subsequent increase in demand for housing, along with other flow-on economic effects of their spending, generate around $268,000 in Gross State Product (GSP) and approximately 2.35 new jobs per mortgage issued in SA (Burgan, Mihaylov and Zurbruegg, 2010). The 362 new loans issued between 2011 and 2016 are therefore estimated to have further generated more than $97M in GSP and the equivalent of more than 850 new jobs across SA over the period.

HomeStart Finance: The research has also impacted the product development and other internal operations of HomeStart Finance. It has contributed to HomeStart gaining a deeper understanding of its clients and their outcomes following the decision to take out a mortgage and purchase a home – a significant and rigorous long-term follow-up which is uncommon across most residential mortgage lenders in Australia. Although HomeStart has requested that details surrounding this are kept confidential (on the basis of proprietary and client confidentiality grounds), to evidence this, in a November 2017 signed testimonial HomeStart CEO John Oliver writes "… our research partnership with ICFS has greatly informed and supported the further development of our innovative home finance products, particularly in the field of shared equity". Moreover, John Oliver writes that this is "equally significant" as the fact that "the research has enabled HomeStart to demonstrate the direct impacts of our lending activities on SA households, the indirect knock-on effects for the State economy, and our overall positive impact on homeownership rates".

SA Households: The research has also had an indirect impact on SA households, and in particular low-income renting families. The research found that 68% of the households originally surveyed were renting prior to qualifying for a HomeStart shared equity mortgage. The subsequent move into homeownership for these households was associated not only with improved neighbourhood satisfaction and community involvement, but also with several notable budgetary impacts. Entering homeownership meant that these borrowers no longer needed to save for a loan deposit, needed to move house less often, and had greater flexibility to choose a location close to their workplace and other amenities. The cumulative effects of these changes resulted in these households reporting benefits such as additional discretionary income to redirect towards groceries and holidays, and a greater use of public transport. Between July 2011 and December 2016, these benefits continued to accrue to the 362 households whose mortgages were funded by SAFA on the basis of HomeStart funding applications in part supported by the research presented here. Perhaps most importantly, subsequent research evidences that the funding increases from SAFA have combined to enable HomeStart to exert a significant impact on local homeownership rates across SA during the period between 2011 and 2016. Census data showed that SA suburbs with a significant HomeStart presence had, on average, a 3.5% higher homeownership rate relative to demographically similar Victorian suburbs, and an 8% higher homeownership rate than similar suburbs in New South Wales (Li, Mihaylov and Zurbruegg, 2016). This is significant not only because lending agencies such as HomeStart did not operate in the eastern states over this period, but also because the research showed that HomeStart made the greatest difference for the lowest income local government areas (i.e. in the cities of Salisbury, Playford and Onkaparinga).

Associated research

(Briefly describe the research that led to the impact presented for the UoA. The research must meet the definition of research in Section 1.9 of the EI 2018 Submission Guidelines. The description should include details of:
- what was researched

Between June 2010 and January 2013 HomeStart Finance commissioned 3 research reports from the International Centre for Financial Services (ICFS) at The University of Adelaide Business School. The research was longitudinal in nature, and tasked with tracking over time (1) the social and economic benefits which accrue to households who purchase homes with HomeStart mortgages, and (2) the resulting flow-on effects for the local economy which can be attributed directly to HomeStart lending. Following review of HomeStart's internal data, the ICFS research team designed a comprehensive complementary questionnaire aimed at capturing detailed lifestyle and financial decision-making data on HomeStart clients. The survey was further refined at a pilot workshop with 13 HomeStart customers, and later repeatedly administered by the ICFS to a population of HomeStart clients. It attained above average response rates, enabling the ICFS research team to perform advanced econometric analyses contrasting the lifestyle and financial outcomes of HomeStart clients with those of renters and other homeowners from the general Australian population over time (using the Household, Income and Labour Dynamics in Australia survey). The data was also used to perform cost-benefit analyses for the multiplier effects of the lending throughout South Australia's economy. All findings were documented within the 3 reports and at live presentations for senior HomeStart executives and State Government officials.

FoR of associated research

(Up to three two-digit FoRs that best describe the associated research)

15 - Commerce, Management, Tourism and Services

16 - Studies in Human Society

References (up to 10 references, 350 characters per reference)

(This section should include a list of up to 10 of the most relevant research outputs associated with the impact)

1.Burgan, B., Mihaylov, G. and Zurbruegg, R. (November 2010) Breakthrough loan social and economic impact study: Stage 3. ICFS research report, pp. 1-39.

2.HomeStart Finance (2011) Annual report 2010-2011, available online.

3.HomeStart Finance (2013) Annual report 2012-2013, available online.

4.HomeStart Finance (2015) Annual report 2014-2015, available online.

5.HomeStart Finance (2016) Annual report 2015-2016, available online.

6.Li, S., Mihaylov, G. and Zurbruegg, R. (December 2016) Do HomeStart loans improve homeownership rates in South Australia? ICFS research report, pp. 1-27.

7.Mihaylov, G. and Zurbruegg, R. (June 2010) Breakthrough loan social and economic impact study: Stage 2. ICFS research report, pp. 1-72.

8.Mihaylov, G. and Zurbruegg, R. (January 2013) Breakthrough loan social and economic impact study: Stage 4. ICFS research report, pp. 1-65.

9.Mihaylov, G. and Zurbruegg, R. (February 2014) The socioeconomic impact of shared appreciation mortgages on borrowers: Empirical evidence from South Australia. Urban Studies, 51(2), pp. 371-389.

Additional impact indicator information

Additional impact indicator information

(Provide information about any indicators not captured above that are relevant to the impact study, for example return on investment, jobs created, improvements in quality of life years (QALYs). Additional indicators should be quantitative in nature and include:
- name of indicator (100 characters)
- data for indicator (200 characters)
- brief description of indicator and how it is calculated (300 characters).)