



Australian Government
The Treasury



Ministerial Submission

MS24-001231

FOR INFORMATION - Counting purpose-built student accommodation towards the National Housing Accord target

TO: Minister for Housing, Minister for Homelessness, Minister for Small Business - The Hon Julie Collins MP

CC: Treasurer - The Hon Jim Chalmers MP

KEY POINTS

- Your office asked for advice on counting purpose-built student accommodation (PBSA) towards the National Housing Accord (Accord) target.

PBSA and the Accord

- The Australian Bureau of Statistics (ABS) does not include PBSA in its *Building Activity, Australia* data series. This is the series all jurisdictions have agreed to use to count the number of homes delivered under the Accord. This is because the ABS definition of a residential dwelling does not include facilities that are shared or where there is no intention of long term use.
- The ABS has advised that it will not change its definition of a residential dwelling which is used for a number of data sets and not just the building activity series.
- Counting new PBSA towards the Accord will require the development of a new data set and for this number to be manually added to the ABS' existing building activity series.

Options for counting PBSA towards the Accord

- A separate data set backdated to 1 July 2024 from either the ABS or a commercial source will be needed to count the PBSA accommodation. Both are being examined.
- *Option 1 (ABS count):* Treasury has requested ABS to prepare a standalone data series on quarterly PBSA completions by state and territory backdated to 1 July 2024.
 - The ABS advises that it may be able to use some existing data as an estimate but has reservations as to its accuracy.
 - The ABS is conducting a feasibility study on producing a reasonable dataset on PBSA completions. The ABS advised it will take approximately 8 weeks to assess feasibility and another 4 months to produce the data if deemed feasible.

- *Option 2 (procuring a commercial property data firm to collect the data):* Some commercial firms (Jones Lang LaSalle and Savills) have previously published research estimating total PBSA stock in Australia and future completions.
 - Treasury has begun discussions with Jones Lang LaSalle and Savills to test their capabilities. Treasury is also consulting with other commercial firms and industry representatives to test if other options are available.
- Treasury will keep you informed about how these options progress.

Next Steps

s 34(3)

- You would also need to get agreement from states and territories through the Council on Federal Financial Relations to include new PBSA towards the Accord targets.
- If these things were agreed, it would make it easier for states to meet the targets and could provide an opportunity to re-prosecute negotiations with states to sign up to the \$3 billion New Homes Bonus.

Comment

- Including PBSA in the Accord targets is not without risk (see Attachment A for more information).
 - Some commercial data sources count PBSA beds rather than dwellings. This is inconsistent with how homes are counted under the Accord (dwellings not beds).
 - It could create a precedent to include other forms of accommodation not covered by the ABS building activity series (residential aged care facilities and hospices; and commercial accommodation like hotels, motels and serviced apartments).
 - It may be criticised by stakeholders as changing the rules to make it easier to meet targets without delivering more dwellings that people could live in permanently.
- Existing PBSA data suggests it will not be a decisive factor in states' ability to achieve the target. Extrapolating data from a 2023 Savills estimates of the PBSA pipeline suggests that around 12,000 new PBSA beds could come on line during the Accord period.
- It is not yet clear what impact the 2024-25 Budget measure requiring universities to supply more PBSA if they increase their international student numbers will have on the Accord target.

Clearance Officer

Nicholas Dowie
Assistant Secretary
Housing Strategy Branch

s 22

5 July 2024

Contact Officer

s 22

CONSULTATION

Labour Market, Environment, Industry and Infrastructure Division and the Australian Bureau of Statistics

ATTACHMENT A – FURTHER DETAILS

2024-25 Budget measure to require universities to supply more PBSA


- In the 2024-25 Budget, the Government announced it would set limits on the number of international student enrolments. In order for universities to increase their enrolments above this limit, they would be required to establish new supply of PBSA.
- To meet this obligation, the Department of Education will bring forward a proposal to ERC in the 2024-25 MYEFO to consider how to set PBSA requirements for universities. This proposal will be part of the submission on the International Education and Skills Strategic Framework and National Planning Level.

ABS methodology for PBSA data

- To be considered a dwelling by the ABS, a building must satisfy two criteria. First, it must have independent living facilities (i.e., own kitchen and bathroom). Second, it must be available for long-term, ongoing tenancy.
- PBSA often involves shared facilities and is usually rented out on a semester or academic year basis. Therefore, the ABS does not consider PBSA to be a residential dwelling and it is not included in ABS dwelling completions data.
- A building must satisfy both criteria to be counted as a dwelling. Even though some private PBSA providers offer studio apartments that are fully self-contained, it will likely not be available for long-term, ongoing tenancy and therefore will not be classified a dwelling.
- The ABS does keep a record of some ‘accommodation units’ in PBSA projects as part of its data collection process. This statistic is most analogous to a count of beds. It is not an official statistics would not be robust enough to publish on its own.
- When preparing the *Building Activity, Australia* data series, the ABS collect approval permits from state, territory and local government planning portals. Every quarter, the ABS also uses a sample of these approvals to estimate completions.
- Projects that either have more than 5 dwellings or a total cost of more than \$5 million are automatically factored into these estimates (therefore, PBSA is typically included in the sample).

Risks

- There are methodological issues with the data that would need to be overcome.
 - Existing PBSA data typically counts ‘beds’ rather than dwellings. This reflects the fact that many tenants rent either a bed or bedroom in a building with shared facilities.
 - Treasury does not consider a count of beds is equivalent to a count of dwellings.

- Counting PBSA towards the Accord creates the precedent for other forms of accommodation to be included in the Accord count.
 - There are several other building types that are not currently considered residential dwellings by the ABS and are therefore not included in the ABS series, such as aged care homes, serviced apartments and hotels. Counting PBSA towards the Accord target may lead to calls for these building types to also be included.
 - While there is a clear rationale why buildings such as serviced apartments and hotels should not be counted under the Accord, Treasury’s initial view is that residential aged care homes should not be counted. This is because aged care homes are not independent living facilities, and residents rely on shared facilities and staff members for comfort and liveability. The average length of stay in these facilities is less than two years.
 - Broadening the Accord target creates a risk that the Government may be criticised for ‘moving the goalposts’ to make the target easier to achieve, and undermine the credibility of the target.
- While counting PBSA towards the Accord target may make it easier to achieve, research indicates doing so will not be a decisive factor in states’ ability to achieve the target.
 - In 2022, the Property Council of Australia estimated there were 123,000 PBSA beds operational in Australia. **s 47E(d)**

 - In December 2023, Savills anticipated a drop off in new privately built student accommodation coming online, given higher construction costs and planning delays. It expects 7,700 privately built beds coming online over the next three-years. Using this as a base-line, we could expect up to 12,000 new PBSA beds coming online during the Accord period.
 - Noting the National Housing Supply and Affordability Council’s State of the Housing System 2024 report projected a shortfall of around 257,000 dwellings from the Accord target, counting PBSA completions towards the Accord target is unlikely to make it materially easier to achieve.
 - **s 47E(d)**
