

THE BARNETT MODEL

EVALUATING THE OUTCOME AND SCALABILITY OF AN AFFORDABLE HOMEOWNERSHIP MODEL

INTRODUCING THE BARNETT MODEL AND THE MELBOURNE APARTMENTS PROJECT

The Melbourne Apartments Project (MAP) is a 34-unit building in North Melbourne. It is the first project delivered by the Barnett Foundation using the Barnett Model. 28 units were sold to households who agreed to give up their social housing tenancies upon moving into MAP. MAP responds to two key barriers impacting lower income households in Australia; high deposit requirements and an inability to qualify for and service a loan large enough to afford a home in a well-located area.

The model requires participants to pay at least a \$25,000 deposit and source a loan to cover the remaining development costs of an apartment (about 63% of market value). The remaining 37% of market value is not payable until the homeowner sells their unit. This component, referred to as a 'Barnett Advance' in this project, does not attract interest or fees and functions as a deferred second mortgage. This model substantially decreases weekly mortgage repayments as shown below.

	MAP participant	Regular purchaser
Market value of property	\$600,000	\$600,000
Deposit	\$25,000	\$60,000
Mortgage	\$353,000	\$540,000
Lenders Mortgage Insurance	-	\$10,000
MAP Advance (interest free second mortgage)	\$222,000	-
Interest Rate (25 year loan)	5.5%	5.5%
Weekly mortgage repayments	\$501	\$766

The Barnett Model aligns with current Victorian and Australian policy that supports homeownership options for lower income households through shared equity schemes. Schemes like Homes Vic and Buy Assist are pilot projects that allow the state government or a not-for-profit entity to take a proportional interest in a property, providing up-front equity to reduce deposit and repayment requirements. Despite this, there are no existing mechanisms to support developer-led shared equity schemes like MAP.



LIVING IN THE MELBOURNE APARTMENTS PROJECT

Interviews and surveys undertaken in this research suggest that MAP residents are extremely satisfied with their new homes. Most of the MAP residents had lived in social housing for over 15 years and had strong connections to their communities and neighbourhoods in inner-Melbourne. Many had given up on purchasing a home until they saw the MAP opportunity. Interviews revealed significant improvements in feelings of safety and security, a sense of ownership, satisfaction with home design and great satisfaction with the capacity to build equity in this project. Similarly, many resident's housing costs remained the same or even decreased when moving from social housing to MAP. All residents felt they had been supported through the home purchase process. Interviews revealed some anxiety about future abilities to make repayments. Some deposits were gathered with significant help from friends and family. While interviews revealed all households were keeping up with repayments at present, this may require monitoring over time.

SCALING THE BARNETT MODEL

Government, private sector and not-for-profit actors could support the scaling of this project addressing the four key issues hindering its growth; 1) development costs 2) access to capital 3) access to reinvested funds and 4) response to target market needs.

	Local government	State government	Federal government	Social impact investors	Housing Associations	Private industry	Barnett Foundation	Charitable groups
Reduce cost of construction								
<i>Defer payment or discount land</i>								
<i>Provide pro bono services</i>								
<i>Provide tax concessions</i>								
Access to capital								
<i>Provide social impact investment funds at reduced rate</i>								
<i>Create a revolving loan fund</i>								
<i>Establish a homeownership assistance program</i>								
Access to reinvested funds								
<i>Apply a shared appreciation loan structure</i>								
Respond to the target market								
<i>Combine a Barnett model with social rental and market housing</i>								



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