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Topic: Affordable Housing Risk and Returns in a Responsible Investment Portfolio: Evidence from Australia

Research Status: PhD studies still active

Publication & Symposiums:

Submitted or presented seminar and conference presentations

Morawakage, P.S., Roca, E., Liu, B., Chung, R. and Earl, G. (2020). A Win-Win Partnership for Affordable Housing Solutions by Connecting Responsible Investors, Housing Associations and Government, 9th Global Affordable Housing Conference, Washington, D.C., United States of America, 21 October, 2020. *This abstract was selected under the best ten papers out of more than 100 submissions to the 9th Global affordable Housing Conference orgniaized by the World Bank.*

Morawakage, P.S., Roca, E., Liu, B., Chung, R. and Earl, G. (2020). Housing Asset Pricing in a Spatial Context. Mini Symposium: Spatial Data Modelling, Brisbane, Australia, 18 November, 2020

Morawakage, P.S., Roca, E., Liu, B., Chung, R. and Earl, G. (2020). Housing Asset Pricing in a Spatial Context is a Puzzle. AFE Research Seminar, Brisbane, Australia, 06 November, 2020

Morawakage, P.S., Roca, E., Liu, B., Chung, R. and Earl, G. (2020). Affordable Housing Risk and Returns in a Responsible Investment Portfolio: Australia and the World. 2020 Affordable Housing Symposium, Brisbane, Australia, 31 January, 2020

Morawakage, P.S., Roca, E., Liu, B., Chung, R. and Earl, G. (2019). Affordable Housing Risk and Returns in a Responsible Investment Portfolio: Australia and the World. 2019 AFE Higher Degree Research Symposium, Brisbane, Australia, 24 October, 2019 (Won the best poster award)

Research Reports

Morawakage, P.S., Earl, G., Roca, E., Liu, B. and Chung, R. (2019). A Review of Social Housing Sector and its Risk: NFP Housing, Public Policy, Risk, Basel III and APRA's Proposed Capital Framework (2019),

<https://www.slic.edu.au/wp-content/uploads/2020/04/APRA-Report-Griffith-University-Final-Version-28-10-201947063.pdf>

Morawakage, P.S., Earl, G., Roca, E., Liu, B. and Chung, R. (2019). National Regulatory System for Community Housing (NRSCH)Review: Lessons from other Jurisdictions and Reflections on Future NRSCH Reviews (2019),

<https://www.slic.edu.au/wp-content/uploads/2020/04/Draft-report-template43120-CHIA-reg-system.pdf>

Research/PhD Abstract

The study aims to connect socially responsible impact investors and the affordable housing industry in Australia a solution to the lack of private investments for the provision of much needed affordable housing. Emerging innovative finance models fund global and sustainable development and create opportunities for the affordable housing sector. To date in Australia governments and housing associations have not paid much attention to this opportunity. Investors using innovative finance models are called socially responsible impact investors (SRI), as they account for the environmental, social and governance (ESG) performances of their investments. Therefore, evaluating the risks and returns of affordable housing as a financial asset from SRI investors' perspectives will significantly contribute to the connectivity of affordable housing providers with the rising global sustainable investments sectors. Therefore, the overriding objective of the thesis is to evaluate the profitability of affordable housing as an investment for socially responsible investors.

First, we employ downside risk-adjusted returns to evaluate 'affordable housing assets' against ESG focused investments from the SRI investors' perspective. To undertake this work we collected a unique set of data from AURIN and other databases relating to 20 postcodes in the Greater Brisbane region, Australia, from 2010 to 2019. We then apply a dynamic panel model to identify the industry-specific risk factors that affect affordable housing returns in Brisbane, Australia.

Findings indicate, downside performance measurements such as VaR and CVaR of affordable housing assets have more 'protection' than ESG investments and generate an annualized return of 6.7%. Moreover, risk-adjusted returns after rent yield from affordable housing are also more efficient than ESG investments. Allowing for spatial dependence and heterogeneity with AMG estimation, this study further identifies that houses in affordable submarkets perform better than houses in expensive submarkets in terms of risk and risk-adjusted returns.

Therefore, this study demonstrates that affordable housing is a safe and profitable social impact investment that serves the socially responsible impact (SRI) investors' needs. Eventually, our findings may enable the affordable housing sector to access lower-cost funding arrangements and expand the supply of affordable housing.

My Third and final study focusses on the optimization of responsible investors' portfolio investments by including affordable housing assets.