

GIVE ME

SHELTER



Leave No Young Australian Behind

The long-term costs of youth homelessness to Australia

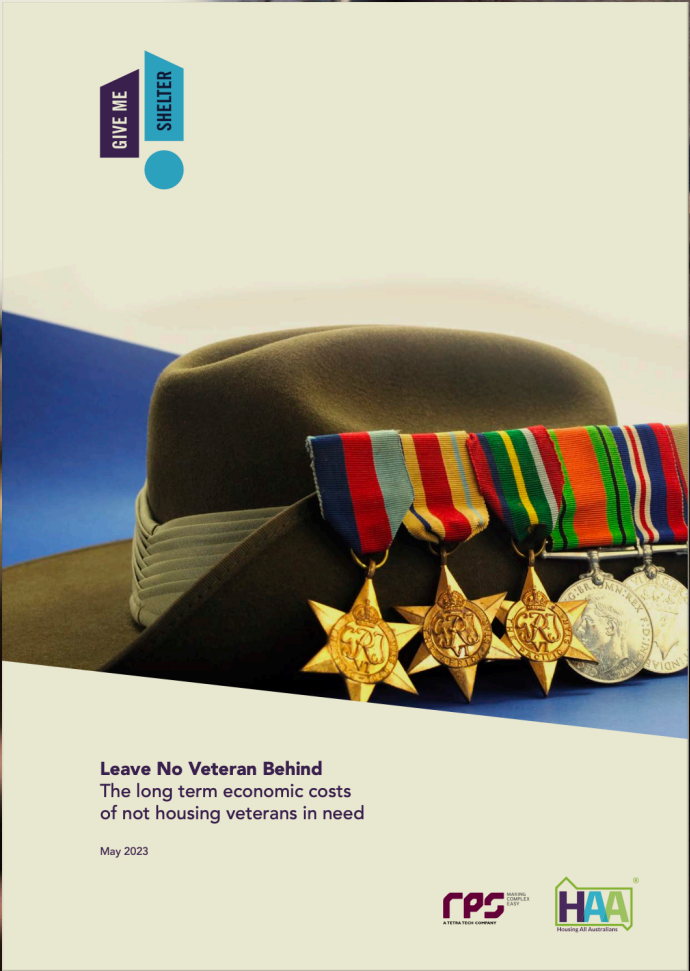
Cost-benefit analysis report

Authored by SGS Economics and Planning, for Housing All Australians

April 2024



Key findings from previous
Give Me Shelter report series



6,000 or 5.3%
of Australia's
half million
current and
former service
people were
found to be
experiencing
homelessness
in the past year.

The cost of homelessness
among our veterans has
been estimated at \$4.6
billion over 30 years.

Key findings from previous
Give Me Shelter report series



Download the full
series of Give Me
Shelter reports.

\$25
BILLION
PER YEAR

Failure to act on shelter needs will
cost the community \$25 billion
per year by 2051.*

\$110
BILLION
IN BENEFITS

If we invest in social and affordable housing
today we'll gain \$110 billion in benefits.*

*In present value terms

Acknowledgements

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While this feedback was gratefully received, all responsibility for the design and application of the methodology applied in this study remains with the authors, SGS Economics & Planning Pty Ltd.

Authored and Prepared by SGS Economics & Planning



Supporters of this national research project include:



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Front cover photo by courtesy of Ken Spence



Foreword

Australia’s housing crisis is not a problem for government to solve alone. It is our collective problem. And that includes business.

Shelter is a fundamental human need and without it we have consequences that manifest themselves in poor physical and mental health, family violence, additional policing and justice costs, and long-term welfare dependency.

Housing All Australians believes that it is in Australia’s long term economic interest to house our people, rich or poor, otherwise the cost of managing these unintended consequences will become unaffordable to future generations.

Unless the private sector is educated about the strong and compelling underlying business case behind housing all Australians, the status quo will prevail. As part of the Give Me Shelter series of economic reports, this report also clearly demonstrates that if we house all young people, we will save significant long-term costs for society.



We need a national housing strategy that views the investment as the economic infrastructure for a prosperous future Australia. If we want to maximise the productivity of all citizens, we need to ensure their fundamental needs are met.

Housing All Australians is setting the framework for this economic discussion to take place.

SGS was commissioned to prepare this report on youth homelessness because of the critical importance of breaking the cycle of homelessness and long-term welfare dependence in Australia. This starts with preventing the youth of Australia from becoming homeless, recognising that 30 per cent of chronically homeless adults were also homeless as youth. We thank SGS and the generous and concerned organisations who invested in this project and enabled it to come to fruition.

As government does not build housing, it is in the self-interest of business to advocate and share the contents of this report. By creating ‘respectful unrest’ through educating people about what they don’t know we can create the political self-interest needed, on all sides of politics, to change long-term policy settings. We hope the findings of this research series will continue to contribute to the national conversation on providing the fundamental human need of shelter to all Australians. We must give it our best shot. The only thing we have to lose is the future we want for our grandchildren.

Rob Pradolin, founder and director,
Housing All Australians

Housing All Australians acknowledges and pays respect to the past, present and future Traditional Custodians and Elders of this nation and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples.

Key Findings of Give Me Shelter: Youth Report

Every \$1 the Australian community invests in social and affordable housing for youth will deliver \$2.6 in benefits. This rate of return is comparable to, or better than, those achieved in many other major Australian infrastructure investments.

Failure to act on shelter needs will be costing the community \$4.5 billion* per year by 2051.

The benefits of providing adequate housing are estimated at \$7.3 billion*.

* In present value terms

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Executive Summary

Underinvestment in youth homelessness is creating a widening gap in the provision of supported accommodation for some of Australia's most vulnerable people.

This report focuses on the fundamental housing and service needs of young people aged 19 to 24 who are considered to be 'homeless'. It considers the impacts of this need, if it goes on unabated, on the Australian economy and taxpayers. It will be these taxpayers who would be footing the high costs of long-term homelessness.

Providing supported accommodation for youth facing homelessness (or unstable housing circumstances) is necessary to protect these people from poverty. A 'housing first' approach ensures youth are given a safe and stable environment in which to live, thereby providing the foundation for other needs to be met such as access to education, training and employment opportunities.

As essential infrastructure, the provision of affordable housing also provides a raft of benefits to the wider Australian community, including more productive economies with good access to essential workers, and better neighbourhoods characterized by diversity and inclusion.

The costs for Australia are substantial if youth homelessness is inadequately addressed.

Serious housing stress is not only distressing and damaging for the young people experiencing homelessness, it creates major costs for the community at large.

Publicly funded health services have to attend to households where physical and mental wellbeing is under great pressure from housing insecurity. These avoidable costs are particularly acute where youth homelessness is involved.

A proportion of youth become homeless as a result of family or domestic violence, which creates significant costs over their lifetime.

Young people who repeatedly engage in risky behaviours such as crime have a higher propensity for homelessness. Lack of secure housing and a stable home environment can foster anti-social behaviour and criminal activity, which themselves trigger expensive government interventions in the policing and justice system.

Secure and stable housing allows youth to better engage in education, training and the labour market.

The lives of those who care for young people will also be positively impacted as young people are lifted out of homelessness. These benefits encompass improved family relationships, reduced financial stress and increased social inclusion.

Failure to fix youth homelessness will be costing the wider community \$2.7 billion per year by 2051.

The Australian community (including tax payers) would see significant economic returns by taking decisive action on youth homelessness.

The Australian community would generate substantial returns on resources if governments invested in eliminating youth homelessness.

The present value cost to taxpayers to fully eradicate youth homelessness over 30 years is estimated at \$4.5 billion. Meanwhile, the benefits/cost savings to the Australian community are estimated at \$7.3 billion in present value terms. This is a benefit-cost ratio of 2.6:1. In other words, for every \$1 invested by taxpayers to induce delivery of social and affordable housing for youth, the Australian community gets back \$2.6 in benefits.

Importantly, not all of the \$7.3 billion in benefits from eliminating youth homelessness accrue to governments in budget savings alone. As shown in Table 1, it partially accrues to households themselves in improved incomes and improvements in health.

TABLE 1/ NPV RESULTS

Item	Commonwealth Government	State/Territory Governments (combined)	Individual households
Outlays	\$1,435 m	\$1,435 m	\$0
Savings/Benefits	\$1,020 m	\$2,670 m	\$3,641 m
Difference (NPV)	- \$414 m	\$1,235 m	\$3,641 m

Source: SGS Economics and Planning (2023)

Eliminating the nation of youth homelessness would require both provision of affordable housing and a range of ‘wrap around’ services for young people in need.

The benefits arising from this investment in housing and services include health cost savings, reduced domestic violence, reduced costs of crime, enhanced human capital, and enhanced quality of life for carers.

The \$7.3 billion in benefits generated by tackling youth homelessness would be partly captured by State, Territory and Commonwealth Governments in reduced fiscal outlays. This relates to savings in health, social assistance, and justice expenditures.

TABLE 2/ CBA RESULTS, STATE AND TERRITORIES

State and Territory	Net Present Value	Benefit Cost Ratio
New South Wales	\$965 m	1.94
Victoria	\$1,468 m	2.79
Queensland	\$790 m	2.95
Western Australia	\$226 m	2.54
South Australia	\$495 m	3.34
Tasmania	\$53 m	2.36
Northern Territory	\$391 m	3.16
Australian Capital Territory	\$73 m	2.80
Australia	\$4,462 m	2.56

Source: SGS Economics and Planning (2023)

A national effort to eliminate youth homelessness over 30 years would see all State and Territory Governments enjoy budget savings greater than their outlays on housing and service provision, as shown below:

- Victoria, + \$432 million
- Queensland, + \$240 million
- New South Wales, + \$182 million
- South Australia, + \$160 million

- Northern Territory, + \$123 million
- Western Australia, + \$62 million
- Australian Capital Territory, +\$22 million
- Tasmania, + \$14 million



Marija 23, Canberra

Story shared with thanks to YFoundations.org.au, the NSW peak body providing a voice for children and young people at risk of and experiencing homelessness, as well as the services that provide direct support to them.

Marija (pronounced My-ya), became homeless at 15 years old due to unresolved conflict with her parents. After sleeping rough for several months and couch surfing with friends, Marija's school referred her to youth support services and she was provided with case management and emergency housing. She was able to get on the Priority waitlist for social housing and moved into her own unit when she was 18 years old, after her final year of college. Marija completed Year 12 along with other Vocational, Education and Training (VET) qualifications and is now working within the Community Sector in the Housing Support Unit (HSU) specifically for women and children. She is currently studying for a Diploma in Leadership and Management and has recently ended the cycle, becoming a homeowner at 22 years old.

I was expected to follow strict house rules and behave in a way my parents would approve, modelling a "good Croatian, Catholic girl". At 14, I started to grow independence, different perspectives and opinions that they didn't agree with or encourage. They wanted me to go to church every Sunday and participate in religious celebrations, like holy communion – which I didn't want to do. I started to accept shifts at McDonalds

on Sundays to avoid attending church with them which further deteriorated the relationship. As my mental health declined, I started to sneak out of my family home to get away and breathe. When my father found out he gave me an ultimatum which ended up physically escalating. I then found myself without a home to return to.

For three months, I slept rough and couch-surfed with friends where I could. It was scary. In 2017 on the first day of Year 11, I went to school and broke down in tears, telling my teacher what I had experienced over the summer holidays; that I had no stable home or family support. The school referred me to a support service that connected me with One Link who made a referral to crisis housing.

I was studying towards my Year 11 and 12 Certificates but found it hard to stay connected and engaged when no one else at school understood what I was going through. I had responsibilities and appointments to attend and would often need to catch multiple buses to get there- I had to grow up quickly and learn to manage my own money and basic living skills when other teenagers had their parents to take care of them. I lost a lot of friends and missed out on social activities.

My case manager through the Take Hold Program at the Ted Noffs Foundation had a great impact on me. It was incredible to have the consistent support of a non-judgemental adult. We met every week at the same place/time which gave me consistency when everything else in my life was unstable. He supported me in navigating the entire housing process, from the streets, to emergency accommodation for three months, into transitional housing for 18 months and then my first social housing property. He kept me accountable to my other commitments like school, football and cadets whilst supporting me through my mental health challenges.



Introduction

There is a continued urgency to address homelessness and housing stress in Australia for all cohorts. Youth who experience homelessness are particularly vulnerable to the effects of housing instability and insecurity. This has wide ranging impacts on the Australian community and economy. This report measures the future costs, including foregone benefits, for the community from continued inertia in dealing with youth homelessness.

1.1 About Housing All Australians

Housing All Australians (HAA) was established in 2019 to facilitate a private sector voice, through a commercial lens, to reposition the discussion and advocate that the provision of housing for all Australians, rich or poor, is fundamental economic infrastructure upon which to build a successful and prosperous economy.

HAA's objective in commissioning this economic assessment of youth homelessness is to start to shift the consciousness of Australian taxpayers regarding the future cost to our children of inadequate investment in housing all Australians. HAA believes that "we need to educate the public about what they do not know and create what we are calling 'respectful unrest', because without 'respectful unrest', there will never be any political self-interest to solve these long-term policy issues".

HAA believes Australia's chronic shortage of affordable social and public housing is set to create an intergenerational time bomb where the future economic costs of managing the unintended consequences of homelessness, such as mental and physical health, family violence, policing, justice and long-term welfare dependency, will explode.

HAA's role is:

- To harness the goodwill that exists within the private sector to develop strategies, take actions and raise awareness in respect to the fundamental human need for shelter.
- To increase the availability of, and access to, affordable housing for those on low incomes to relieve poverty, distress or disadvantage.
- To provide a forum for the sharing of facts, ideas, experience, and private sector skills around the creation of affordable housing options throughout Australia.

The present value cost to taxpayers to fully eradicate youth homelessness over 30 years is estimated at \$4.5 billion. Meanwhile, the benefits/cost savings to the Australian community are estimated at \$7.3 billion in present value terms.

1.2 About SGS Economics and Planning Pty Ltd

Established in 1990, SGS is an urban and public policy consultancy which supports policy and investment decisions for more sustainable cities and regions.

SGS works for the public interest with its commitment to social good woven into the fabric of the company's culture. A certified Benefit Corporation (B Corp), SGS is part of a global movement of people and organisations working for a more equitable, prosperous and sustainable society.

SGS comes to this task with a depth and breadth of experience across affordable housing, policy development and development economics.

1.3 Project context

"It can no longer be said that we are, in general, affordably housed; nor can it be said that the 'housing system' is meeting the needs and aspirations of as large a proportion of Australians as it did a quarter of a century ago"

Pawson, Milligan & Yates (2020)

The 2022 Give Me Shelter report on 'The long-term costs of underproviding social and affordable housing'¹ measured the costs and benefits for stronger national action on social and affordable housing². It argued that social and affordable housing is a type of essential infrastructure, that is, a necessity for successful communities and a productive economy. This framing recognises that serious housing stress is not only damaging for lower income households, but it also creates major costs for the community at large. The report found that failure to act on shelter needs will be costing the wider community \$25 billion per year by 2051, measured in 2021 dollars.

The current report has been prepared to demonstrate the costs of failure to take action to address a sub-sector of housing need – youth homelessness.

There is a significant and growing unmet need for housing homeless young people. For example, in Victoria, there were 4,965 homeless youth aged 19-24 in 2021, of which only 1,061 were in supported accommodation, leaving an unmet need of 3,904.³

Unmet need for this cohort is forecast to increase to 20,300 by 2036 Australia wide, assuming service provision does not increase beyond its current level. There are significant concerns that youth homelessness may grow at higher rates than what has been estimated, as housing affordability continues to worsen.

The National Housing and Homelessness Agreement between the Commonwealth Government and State and Territories includes children and young people as a national priority homelessness cohort.⁴ Other than specifying budget allocations for each State and Territory, there are currently no clear policy targets for addressing youth homelessness and little focus on young people in the provision of social and affordable housing from either State or Federal levels of government.

Immediate action is needed to address youth homelessness to improve the lives of our young people in the first instance, and to avoid the mounting costs to Australian society of continued lethargy on this issue.

¹ Available: <https://housingallaustralians.org.au/wp-content/uploads/2022/06/Give-Me-Shelter-HAA-Synopsis.pdf>

² Note there is a further HAA report which addresses the affordable housing needs of veterans. Available: https://housingallaustralians.org.au/wp-content/uploads/2023/06/HAA_Give-Me-Shelter_Leave_No_Veterans.pdf

³ <https://www.abs.gov.au/statistics/people/housing/estimating-homelessness-census/latest-release#data-downloads>

⁴ Commonwealth of Australia, National Housing and Homelessness Agreement 2018, Available: chrome-extension://efaidnbmnnnibpcjpcglclefindmkaj/https://federalfinancialrelations.gov.au/sites/federalfinancialrelations.gov.au/files/2021-07/NHHA_Final.pdf

For every \$1 invested by taxpayers to induce delivery of social and affordable housing for youth, the Australian community gets back \$2.6 in benefits.

1.5 Report Structure

The report is structured in five parts. Following this introductory section:

- **Section 2** provides an overview of the *CBA methodology and framework*.
- **Section 3** presents a summary of the literature on the expected impacts from continuing underinvestment in youth homelessness across Australia. This section includes a discussion of the approach and assumptions adopted regarding quantification and monetisation.
- **Section 4** presents the findings of the cost benefit analysis, using an estimate of total future costs to the community over the analysis period. Findings are presented for each state and territory in terms of net present value and as a benefit-cost ratio measure.
- **Section 5** provides a summary of findings and conclusions.

1.4 Project purpose

HAA has commissioned SGS to measure the costs of underinvestment in youth homelessness including reference to the broader impacts on the Australian community and economy.

This report has been compiled through a three-stage process:

- **Stage 1: A literature review** examine the basis for measuring the future costs which will be avoided through adequate investment in addressing youth homelessness.
- **Stage 2: Interviews with housing experts** across Australia seeking feedback on the proposed methodology.
- **Stage 3: Development of a cost-benefit analysis (CBA) and economic narrative** to accompany HAA's representations to government and stakeholders.



Callum*, 18 Victoria

Story shared with thanks to The Ladder Project Foundation ([Ladder.org.au](https://ladder.org.au)), an independent not-for-profit organisation born out of the Australian Football League (AFL) industry. Ladder delivers tailored, holistic development and mentoring programs to help young people in need across Australia.

Callum was referred into the Ladder program by his Employment Coach at WorkWays. Callum was 18, residing at an overcrowded, unsafe boarding house and had no clear direction of where his life was heading.

During Callum's initial meeting with Ladder, his Ladder Development Coaches noticed he appeared anxious, withdrawn from the conversation, was unable to identify his interests and could not communicate clearly. Despite his hesitation and with the support of his Development Coaches, Callum decided to engage in the Ladder program.

Callum completed his first day of the program and in his entry survey he disclosed he was unsure how to communicate with others, he did not value or respect himself and did not know how to manage problems or where to get help. To ensure Callum's concerns could be addressed and that he felt comfortable and continued to attend the Ladder program, his Development Coaches worked one-on-one with Callum during program breaks to build a meaningful relationship.

By the second week of the program, Callum's Development Coaches could see a significant improvement in his self-confidence and social

skills. Callum was now starting to communicate with his peers in the program and engage in group conversation. He overcame his initial challenge to find a meaningful purpose for his time in the program and did not miss a day during the six-week program.

Callum successfully graduated from the Ladder program and completed a 180 from who he was before he engaged with Ladder. In his exit survey, he strongly agreed that he felt more positive about his future, he was able to identify his strengths and his self-worth, confidence and emotional wellbeing had improved since completing the program.

"Ladder has helped me transition from challenging situations to better ones. They have truly changed my life," Callum said.

Callum has continued engaging and receiving support from Ladder through the Alumni program. The Ladder program helped Callum develop his resume and become job ready, and he's recently gained successful employment in the hospitality sector. Through Ladder's support, Callum has also obtained secure housing that provides him with a more suitable environment to pursue his self-identified goals. Now that he has more time, Callum has decided to pursue studies and is currently looking at IT courses.



Cost-benefit analysis framework

This analysis measures the cost to all Australians from inadequate policies to address youth homelessness. This cost includes foregone productivity from young people who are unable to acquire skills and employment due to homelessness. It also includes health care and social intervention outlays made by governments as a response to youth homelessness.

2.1 Definition of youth homelessness

According to the ABS, young people aged 19 to 24 are considered to be 'homeless' if they are:

- living in an improvised dwelling, tent or sleeping out,
- in supported accommodation for the homeless,
- staying temporarily with another household and do not have a usual residence, also known as 'couch surfing',
- staying in a boarding house or other temporary lodging, or
- living in a severely crowded situation.

We have focused on the relatively narrow age of 19 to 24, recognising that this excludes a significant sub-grouping of young people, namely those aged between 12 and 19. This latter group is also exposed to the risk of homelessness. However, the profile of homelessness for this group will include both unaccompanied individuals and those suffering homelessness as part of a family household.⁵ As such, the cohort aged below 19 is qualitatively different. Confining the CBA to the 19-24 age range means that we can draw clear conclusions about policy targeted specifically at young people who are experiencing, or at risk of experiencing, homelessness, as households in their own right. To the extent that younger people may also be homeless as individuals rather than as part of family households, the findings of our analysis may be extrapolated to them.

⁵ <https://www.aihw.gov.au/reports/children-youth/australias-children/contents/housing/homelessness>

2.2 Cost benefit analysis framework

A conventional CBA framework is applied to measure the cost of inadequate responses to youth homelessness.

The CBA starts with a ‘business as usual’ or ‘Base Case’ in the treatment of youth homelessness. Assuming that nothing changes in homelessness policy, this Base Case would see youth homelessness growing over the analysis period (set at 30 years in this instance) reflecting population growth and typical economic and housing market conditions.

A ‘Project Case’ is then postulated in which new and expanded policy responses would see youth homelessness reach ‘Functional Zero’ by the end of the analysis period. This would mean that there are sufficient homelessness services for people entering homelessness, and is less than or equal to the number of people exiting homelessness through being housed. Any occurrences of homelessness are rare, brief and non-recurring.⁶

The Project Case would involve the application of capital, land and other resources over and above costs that would have been incurred in the Base Case to gradually bring down and eventually eliminate youth homelessness. These marginal costs would be offset by the benefits attaching to reduced homelessness including, as noted, improved productivity and avoided costs in health, justice and long term welfare dependency.

The difference between the present value of the costs involved in stepping up the homelessness response and the present value of the benefits generated by this move is effectively the cost that the Australian community bears by failing to deal with youth homelessness.

⁶ <https://www.ahuri.edu.au/analysis/brief/what-does-functional-zero-mean-relation-homelessness>

2.3 Policy responses to homelessness

The CBA framework applied here is agnostic about what policy tools or approaches are used to solve youth homelessness.

In theory, appropriate housing could be provided for otherwise homeless young people through one or a combination of the following three strategies:

- Government applying its own capital (or providing it to community housing organisations) to build the required housing which would be made available at an affordable rent for targeted individuals.
- Government inducing private investors to provide the housing in question by topping up the net revenue they would receive from affordable rents to their required hurdle rate of return.
- Government providing the targeted households/ individuals with extra income so that they might secure rental housing of their choice in the private market.

It is beyond the scope of this report to assess which of these strategies or what combination is most appropriate. However, regardless of which of these strategies is applied, Government will bear broadly the same cost per assisted individual. Nominally, this is the difference between what these households can afford to pay and the revenue required for economic production of the accommodation they need. In practice, the incomes of the homeless youth households in question are very low and their tenancy management costs are relatively high. Accordingly, there is likely to be negligible net revenue to service debt or provide returns on equity. We therefore factor the full production cost of housing, including a land component, into the CBA analysis, as explained in Section 3.

2.4 The Base Case

SGS prepared projections of youth homelessness (aged 19-24), disaggregated to State and Territory levels, using ABS Census latest release on estimating homelessness (2023)⁷ and population forecasts for each state.

Table 3 indicates the projections for youth homelessness numbers through to 2051, based on a business-as-usual policy scenario. These projections also assume that economic and housing market conditions remain much the same as they are today in relative terms. This means that the propensity for youth homelessness across the population will remain unchanged. Arguably, this is an optimistic scenario as Australia’s evident housing affordability crisis may induce a higher propensity for homelessness among young people in the years ahead.

TABLE 3/ ESTIMATED YOUTH HOMELESSNESS (AGED 19-24) (PERSONS)

	2021	2026	2031	2036	2041	2046	2051
New South Wales	4,903	4,758	5,422	5,607	5,505	5,855	6,061
Victoria	4,965	5,104	5,762	6,176	6,574	7,003	7,432
Queensland	2,719	2,883	3,237	3,261	3,524	3,771	3,980
Western Australia	1,070	1,062	1,149	1,173	1,213	1,252	1,292
South Australia	1,079	1,220	1,427	1,590	1,763	1,937	2,111
Tasmania	342	322	354	346	323	333	332
Northern Territory	1,590	1,692	1,787	1,756	1,814	1,891	1,939
Australian Capital Territory	234	241	275	294	304	320	329
Australia	16,902	17,282	19,414	20,302	21,019	22,364	23,475

Source: SGS Economics and Planning (2023). Based on ABS Census and State Population Forecasts.
⁷ <https://www.abs.gov.au/statistics/people/housing/estimating-homelessness-census/latest-release>

2.5 The Project Case

The Project Case assumes that investment of additional resources in youth homelessness would ramp up gradually over the next 30 years so that the number of such households would be reduced to ‘functional zero’ by 2051.

The cumulative build-up of households assisted into secure accommodation under the Project Case is shown in Table 4. It should be noted that this ‘gradualist’ approach requires the full 30 years for the elimination of youth homelessness. Alternative scenarios could see a greater proportion of the current ‘backlog’ of need cleared earlier. These would come at a heavier program cost, but would also bring forward the benefits of lifting young people out of homelessness. We have not tested the economic benefits of an accelerated assistance scenario.

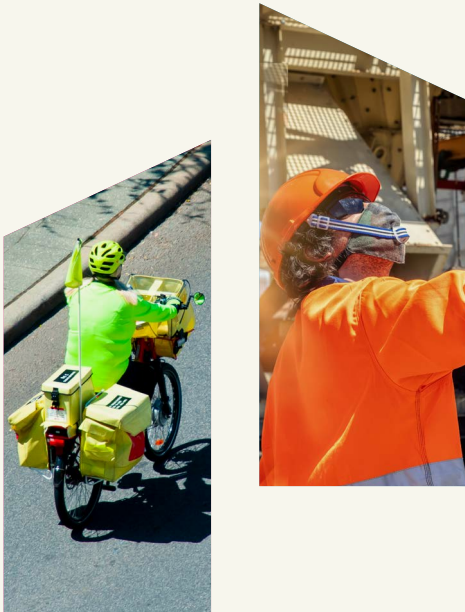


TABLE 4/ YOUTH LIFTED OUT OF HOMELESSNESS (AGED 19-24) (PERSONS) - CUMULATIVE

	2021	2026	2031	2036	2041	2046	2051
New South Wales	202	1,010	2,020	3,030	4,040	5,050	6,061
Victoria	248	1,239	2,477	3,716	4,955	6,193	7,432
Queensland	133	663	1,327	1,990	2,653	3,316	3,980
Western Australia	43	215	431	646	861	1,077	1,292
South Australia	70	352	704	1,056	1,407	1,759	2,111
Tasmania	11	55	111	166	221	277	332
Northern Territory	65	323	646	969	1,293	1,616	1,939
Australian Capital Territory	11	55	110	164	219	274	329
Australia	783	3,913	7,825	11,738	15,650	19,563	23,475

Source: SGS Economics and Planning (2023).

2.6 Parameters

The CBA was undertaken using the following parameters:

- Time horizon: 30 years
- Discount rate: 4 per cent real
- Terminal values: Each of the benefit streams with the exception of the ‘human capital’ impact is assumed to terminate in year 30, even though most are likely to continue indefinitely. The assumption of zero terminal values makes for a conservatively low assessment of net community benefit.

In the case of the previous Give Me Shelter report, the cost benefit analysis was done using a real discount rate of 7 per cent, which is typically used for commercial projects. In this report, we applied a discount rate of 4 per cent which is more in line with government guidance for infrastructure projects and social programs.

2.7 Interpretation of results

The results of the CBA are expressed via two performance measures: Benefit Cost Ratio (BCR) and Net Present Value (NPV). An overview of each measure, including guidance on interpretation, is provided in Table 5.

When the NPV of the project is positive, and the BCR is greater than 1, the CBA indicates that the project case represents a sound investment for the community.

TABLE 5/ INTERPRETATION OF PERFORMANCE MEASURES

Performance measure	Estimation method	Decision rule
Net Present Value (NPV)	A number generated by deducting the present value of the stream of costs from the present value of the stream of benefits (with the present value of costs and benefits determined by using an appropriate discount rate).	<ul style="list-style-type: none">• Accept options with a positive NPV.• Reject options with a negative NPV.• The greater the NPV, the better.
Benefit Cost Ratio (BCR)	Ratio of discounted present-day benefits to discounted present-day costs.	<ul style="list-style-type: none">• Accept options with a BCR that exceeds 1.• Reject options with a BCR less than 1.• The greater the BCR the better.

Source: SGS Economics and Planning (2023)

Scoping of marginal costs and benefits

This section incorporates findings from the literature review. It appraises expected marginal costs and benefits (including avoided costs) associated with moving from the Base Case to the Project Case.

3.1 Cost versus the Base Case

Implementation of the Project Case would involve two additional costs versus the Base Case – the cost of securing appropriate housing and the cost of providing ‘wrap around’ services for newly accommodated households.

Cost of accommodation

The cost of providing stable accommodation for the households in question is taken as the new build cost of the required dwellings plus the attendant land component. This approach implicitly assumes that rents received for the dwellings will only be sufficient to cover operating costs (including maintenance and depreciation).

We have assumed that:

- The dwellings will be newly constructed in locations with good access to education, training, jobs and other service opportunities, and they would be delivered through projects of scale so that construction and other efficiencies can be tapped.
- The dwellings will be standard studio apartments (as opposed to rooming house beds or institutional forms of accommodation), based on the principle that assistance is likely to be more effective if the young people in question

According to the Productivity Commission, the average cost of these services per homeless person per year is \$3,220.12 Evidence suggests that the households in question will typically require this assistance for around 5 years after access to permanent housing.

gain access to permanent rather than transitional housing as per the ‘Housing First’⁸ program philosophy.

- The households accessing these dwellings will on average maintain tenure for 5 years,⁹ after which they will graduate to other forms of stable and secure housing, and their vacated apartments would become available to other youth homeless households.

Relevant Group: All.

Quantification method and key assumptions: The average size of dwelling is assumed to be 35 sqm, which is in line with the internal area specified for studios in the NSW Apartment Design Guide.¹⁰

The capital cost per dwelling is calculated based on the formula:

Capital cost = Building cost + Land value + Margins for profit and risk

To estimate the building cost, SGS applied a rate of \$2,425 - \$3,320 per sqm (varies by State and Territory) based on the Rawlinsons Construction Cost Guide.

Land value varies significantly by location. We researched the average sales price of a studio in major capital cities based on recent transactions from real estate agencies and calculated each city’s respective weighting relative to the Australian average. The land value plus margins for each jurisdiction was estimated by multiplying the nation-wide average land value plus margins (i.e. price minus build cost) with their corresponding city weighting. This likely provides conservatively high provisioning costs as development profit margins are built in. These may not be relevant under some procurement models.

Data Source: Rawlinsons Australian Construction Handbook (2023)¹¹. Post-COVID sales data from Domain and Realestate.

TABLE 6/ CALCULATION OF CAPITAL COST

Capital City	Building cost per sqm	Average price of studio per sqm	Weight	Land value plus margins per sqm	Total capital cost per dwelling
Sydney	\$3,020	\$11,081	2.1	\$4,903	\$277,322
Melbourne	\$2,915	\$4,838	0.9	\$2,141	\$176,953
Brisbane	\$3,005	\$3,676	0.7	\$1,627	\$162,103
Perth	\$3,165	\$4,649	0.9	\$2,057	\$182,773
Adelaide	\$2,795	\$3,858	0.7	\$1,707	\$157,579
Hobart	\$3,150	\$5,270	1.0	\$2,332	\$191,875
Darwin	\$2,425	\$4,054	0.8	\$1,794	\$147,664
Canberra	\$3,320	\$5,257	1.0	\$2,326	\$197,616
Australia	\$2,974*	\$5,335*	1.0	\$2,361	\$186,736

Source: SGS Economics and Planning (2023). *SGS adopted a simple average approach to derive value for Australia.

⁸ <https://www.ahuri.edu.au/research/brief/what-housing-first-model-and-how-does-it-help-those-experiencing-homelessness>
⁹ Based on average tenure length of social housing tenants. <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/households-and-waiting-lists#Length>
¹⁰ <https://www.planning.nsw.gov.au/-/media/Files/DPE/Guidelines/apartment-design-guide-2015-07.pdf>
¹¹ <https://www.rawlhouse.com.au/>

Wrap around services

Wrap around services refer to the additional support and assistance which newly housed young people will typically require to maintain their tenancies as a platform for engagement in education, training, employment and other opportunities. They could include, but are not limited to:

- Assistance to sustain housing tenure
- Mental health services
- Family services
- Disability services
- Drug / alcohol assistance
- Legal / financial services
- Immigration / cultural services
- Domestic / family violence services
- General services

Relevant Group: All.

Quantification method and key assumptions: According to the Productivity Commission, the average cost of these services per homeless person per year is \$3,220.¹² Evidence suggests that the households in question will typically require this assistance for around 5 years after access to permanent housing.¹³

SGS applied inter jurisdiction wage differentials¹⁴ to reflect the difference in delivery costs for these wrap around services across states.

Data Source: Productivity Commission (2022). Report on Government Services - Specialist Homelessness Services.¹⁵



3.2 Benefits versus the Base Case

We have limited our consideration of benefits versus the Base Case to externalities – that is benefits accruing to the community at large. We have not factored in housing utility enjoyed privately by the occupants of the studio apartments in question. This makes for a conservative approach.

The external benefits generated through the outlays on housing and wrap around services include health cost savings, reduced domestic violence, reduced costs of crime, enhanced human capital and benefit to carers.

Health cost savings

Access to safe and secure housing would likely allow otherwise homeless young people to achieve healthier lifestyles, including better mental health and general wellbeing. Investment in wrap around services would also provide them with better access to health services.

Relevant Group: All.

Quantification method and key assumptions: The literature suggests that lifting a young person out of homelessness would generate annual health cost savings of \$9,928¹⁶ per person per year.

SGS applied inter jurisdiction wage differentials¹⁷ to reflect the difference in avoided costs for health services across states.

Data Source: Mackenzie, D., Flatau, P., Steen, A., & Thielking, M. (2016). The cost of youth homelessness in Australia research briefing.

¹²To avoid double counting of costs, SGS removed the component of accommodation assistance. Inflation adjusted for 2022.
¹³Based on average tenure length of social housing tenants. <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/households-and-waiting-lists#Length>
¹⁴Wage differentials broadly indicate differences in delivery costs as labour is the primary input in these services. They are measured by the difference in average weekly ordinary time earnings for full-time adults of each state.
¹⁵<https://www.pc.gov.au/ongoing/report-on-government-services/2022/housing-and-homelessness/homelessness-services#:~:text=Recurrent%20government%20expenditure%20on%20specialist,in%20the%20population%3B%20table%2019A.>
¹⁶Inflation adjusted for 2022.
¹⁷Ibid.

Reduced domestic violence

Young homeless people may be the victims and/ or perpetrators of domestic violence. Providing secure housing will save the community in avoided intervention, trauma, policing and justice costs.

Relevant Group: This benefit will attach to 16 per cent of homeless youth households. According to the literature, this is a reasonable assumption regarding the percentage of homeless youth seeking housing assistance primarily because of domestic violence.¹⁸

Quantification method and key assumptions: The literature suggests that the annual cost per domestic violence victim is \$69,901¹⁹ across Australia. To avoid double counting of benefits, SGS removed components related to health system, justice system and productivity loss as these are covered elsewhere in our analysis. The final value adopted is \$31,086 per person.²⁰

SGS applied inter jurisdiction wage differentials²¹ to reflect the difference in avoided costs for domestic violence services across states.

Data Source: Deloitte Access Economics (2019). Economic cost of violence against children and young people.

Reduced costs of crime

Similarly, appropriate housing with support services would protect otherwise homeless young people from crimes like theft and assault, as well as diverting some from committing such crimes.

Relevant Group: All.

Quantification method and key assumptions: The avoided costs of crime arising from provision of secure accommodation are estimated at \$10,721²² per person per year.

SGS applied inter jurisdiction wage differentials²³ to reflect the difference in avoided costs in justice system across states.

Data Source: Mackenzie, D., Flatau, P., Steen, A., & Thielking, M. (2016). The cost of youth homelessness in Australia research briefing.

Enhanced Human Capital

A key benefit of providing secure and appropriate housing for young homeless people is that they will be better able to engage in training and the labour market.

Using evidence from the literature we have estimated the value of this benefit by applying assumptions around:

- The propensity of newly housed young people to participate in the labour market
- The number of years of gainful employment these people would enjoy compared to a situation where their housing requirements remained unresolved, and
- Pay rates in sectors which typically employ these individuals.

Relevant Group: This benefit is applied to 60 per cent of homeless youth. This is the percentage of youth reported as achieving improved academic performance after moving to public housing.²⁴

Quantification method and key assumptions: The literature suggests an average earnings uplift of 14 per cent for completing VET versus Year 12, 18 per cent uplift for a diploma versus Year 12, and 35 per cent uplift for a bachelor's degree versus Year 12. To be conservative, SGS applied a 18 per cent earnings uplift to youth lifted out of homelessness.

In dollar terms, that is an uplift of \$16,685²⁵ per person per year.

¹⁸ AIHW (2022). Specialist homelessness services annual report 2021–22.
¹⁹ This estimation includes health system, education, justice system, child protection, housing and homelessness costs, productivity losses, deadweight losses, quality of life and lifespan.
²⁰ Inflation adjusted for 2022.
²¹ Ibid.
²² Ibid.
²³ Ibid.
²⁴ Ravi, A., & Reinhardt, C. (2011). The Social Value of Community Housing in Australia, Community Housing Federation of Australia.
²⁵ The average annual earnings for a full-time adult in Australia is \$94,000 based on ABS (2022). SGS multiplied the annual figure by 18 per cent to derive this value.

SGS applied inter jurisdiction wage differentials²⁶ to reflect the difference across states.

In a departure from our treatment of other benefits which, as noted, are assumed to have a zero terminal value, the human capital enhancement benefit was assumed to continue to apply to youth for an additional 10 years after they move out from social and affordable housing.

Data Source: Ravi, A., & Reinhardt, C. (2011). The Social Value of Community Housing in Australia, Community Housing Federation of Australia.

Leigh (2008). Returns to Education in Australia. Economic cost of violence against children and young people.

Benefit to carers

The lives of those who care for young people will be positively impacted as young people are lifted out of homelessness. These include improved family relationships, reduced financial stress and increased social inclusion.

Relevant Group: All.

Quantification method and key assumptions:

For every dollar of social return generated by the Kids Under Cover program, 30 cents are attributed to the value of improved wellbeing of carers. To be conservative, SGS applied 30 per cent of the total costs (as distinct from the higher value social returns) of providing secured housing and wrap around services to estimate the benefits to primary carers.

Data Source: Kids Under Cover (2017). Kids Under Cover - Social Return on Investment Report.

²⁶ The average annual earnings for a full-time adult in Australia is \$94,000 based on ABS (2022). SGS multiplied the annual figure by 18 per cent to derive this value.

The lives of those who care for young people will be positively impacted as young people are lifted out of homelessness. These include improved family relationships, reduced financial stress and increased social inclusion.

Cost-benefit analysis

This section presents a discounted cash flow analysis of the marginal costs and benefits associated with initiatives to reduce and eventually eliminate youth homelessness across Australia. It provides an estimate of the costs that are expected to accumulate if there is no intervention. Results are presented for state and territory jurisdictions. Fiscal implications for governments are also shown.

4.2 Results by State and Territory

The CBA has also been applied to each State and Territory. These results are presented in Table 8. Variation across States arises because of variation in rates of need, incomes and studio acquisition costs.

We see positive Net Present Values and Benefit Cost Ratios greater than 1 in all states, implying that addressing youth homelessness delivers positive economic and community outcomes in all regions of Australia. Victoria has the highest Net Present Value (\$1.5 billion), followed by New South Wales (\$965 million).

South Australia has the highest BCR, with each dollar invested in youth homelessness delivering \$3.3 worth of benefits the community. This is followed by Northern Territory, with each dollar invested delivering \$3.2 worth of benefits.

4.1 Results for Australia as a whole

Table 7 shows the results of the CBA, demonstrating the impact of initiatives to fully address youth homelessness across Australia by the year 2051.

Applying the assumptions described above, the results outlined in the table indicate that addressing youth homelessness will result in a benefit cost ratio (BCR) of 2.6:1, which represents a net positive economic and community outcome for Australia. The Net Present Value of the stream of marginal costs and benefits is estimated at \$4.5 billion over the 30-year analysis period.²⁷

²⁷ Were a discount rate of 7 per cent to be applied (instead of 4 per cent), the Net Present Value would be \$2.4 billion, with a BCR of 2.2:1 – for the whole of Australia.

TABLE 7: CBA RESULTS - AUSTRALIA

Category	Net Present Value	Proportion
Costs		
Cost of accommodation	\$2,679 m	93%
Wrap around services	\$191 m	7%
Total costs	\$2,869 m	100%
Benefit categories		
Health cost savings	\$1,633 m	22%
Reduced domestic violence	\$818 m	11%
Reduced costs of crime	\$1,764 m	24%
Enhanced human capital	\$2,255 m	31%
Benefit to carers	\$861 m	12%
Total benefits	\$7,331 m	100%
Net Present Value	\$4,462 m	
Benefit Cost Ratio	2.56	

Source: SGS Economics and Planning (2023)

TABLE 8: CBA RESULTS - STATE AND TERRITORY

State and Territory	Net Present Value	Benefit Cost Ratio
New South Wales	\$965 m	1.94
Victoria	\$1,468 m	2.79
Queensland	\$790 m	2.95
Western Australia	\$226 m	2.54
South Australia	\$495 m	3.34
Tasmania	\$53 m	2.36
Northern Territory	\$391 m	3.16
Australian Capital Territory	\$73 m	2.80
Australia	\$4,462 m	2.56

Source: SGS Economics and Planning (2023)

4.3 Fiscal Impacts

Some of the benefits identified in the CBA will accrue directly to governments in the form of reduced budget outlays. We show broadly the

segmentation between State and Commonwealth Governments, and private interests (individuals and private businesses) in Table 9 (in percentages) and Table 10 (in dollar amount).

TABLE 9: SEGMENTATION OF FINANCIAL BENEFITS (%)

Benefit category	Assignment of monetised benefits		
	State/Territory Government	Commonwealth Government	Individual households
Health cost savings ²⁸	28%	42%	30%
Reduced domestic violence ²⁹	21%	5%	74%
Reduced costs of crime	100%	0%	0%
Enhanced human capital	12.5%	12.5%	75%
Benefit to carers	0%	0%	100%
Northern Territory	100%	100%	100%

²⁸ Australian Institute of Health and Welfare (2021), Health expenditure Australia 2019-20, Available: <https://www.aihw.gov.au/reports/health-welfare-expenditure/health-expenditure-australia-2019-20/contents/spending-trends-by-source>
²⁹ Deloitte Access Economics (2019). The economic cost of violence against children and young people, p.50, Available: <https://www2.deloitte.com/au/en/pages/economics/articles/economic-cost-violence-againstchildren-young-people.html>



TABLE 10: SEGMENTATION OF FINANCIAL BENEFITS (\$ MILLION)

Benefit category	Assignment of monetised benefits		
	State/Territory Government	Commonwealth Government	Individual households
Health cost savings	\$452 m	\$697 m	\$482 m
Reduced domestic violence	\$172 m	\$41 m	\$606 m
Reduced costs of crime	\$1,764 m	-	-
Enhanced human capital	\$282 m	\$282 m	\$1,691 m
Benefit to carers	-	-	\$861
Northern Territory	\$2,670 m	\$1,020 m	\$3,641 m

Source: SGS Economics and Planning (2023)

We have estimated the direct financial savings to governments were they to invest in the subsidies required to meet social and affordable housing need. These savings are primarily related to:

- Reduced outlays for health care,
- Reduced outlays in domestic violence services,
- Reduced outlays in the criminal justice system, and
- Income tax revenue arising from enhanced human capital.

Lifting youth out of homelessness over the next 30 years will generate a NPV of \$1 billion for all State Governments. While the costs of housing provision were assumed to be borne evenly between State and Commonwealth Governments, most budget savings are enjoyed by the States, hence results are showing a negative NPV for the Commonwealth.

TABLE 11: ESTIMATED FISCAL IMPACTS - COMMONWEALTH VS. STATE/TERRITORY GOVERNMENTS

Item	Commonwealth Government	State/Territory Governments (combined)
Total government outlays	\$1,435 m	\$1,435 m
Total savings to government budgets	\$1,020 m	\$2,670 m
Difference (NPV)	-\$414 m	\$1,235 m

Source: SGS Economics and Planning (2023)

All State and Territory governments would benefit from budget savings greater than their outlays on social and affordable housing provision, as shown in Table 12.

The Victorian Government would enjoy the highest difference between current outlays to eradicate

youth homelessness and the savings it would make elsewhere in the budget as a result of eradicating youth homelessness over 30 years. The total difference between these amounts is \$432 million. The next highest fiscal gain is for the Queensland Government at \$240 million.

TABLE 12: ESTIMATED FISCAL IMPACTS – STATE/TERRITORY GOVERNMENTS

State and Territory	Net Present Value
New South Wales	\$182 m
Victoria	\$432 m
Queensland	\$240 m
Western Australia	\$62 m
South Australia	\$160 m
Tasmania	\$14 m
Northern Territory	\$123 m
Australian Capital Territory	\$22 m

Source: SGS Economics and Planning (2023)



Conclusion

In recognition of the continuing growth in the number of young people experiencing homelessness and housing instability, and the continuing underinvestment in housing assistance measured across the country, Housing All Australians (HAA) partnered with SGS to research the evidence base for stronger national action.

To this end, HAA and SGS have sought to test the returns to the community (including tax payers) from eliminating youth homelessness.

This research employed a conventional CBA methodology to measure the future costs that will be avoided through adequate investment in appropriate youth housing and wrap around services.

A review of national and international literature reveals several primary impact categories suitable for consideration and quantification via cost-benefit analysis in relation to young people experiencing homelessness. These include:

- Improved health outcomes
- Reduced incidence of anti-social and criminal behaviours
- Reduced incidence of domestic violence
- Enhanced human capital
- Improved wellbeing of carers

These categories represent the benefits that would be foregone because of failure to address youth homelessness (as expressed under the base case). While included on the benefits side of the equation, these savings would not be realised under the base case, and hence represent an accumulating future cost to Australian society. Foregone net benefits would amount to \$2.7 billion per annum by year 30.

Applying the assumptions described above indicate that meeting the need for social and affordable housing will result in a benefit cost ratio (BCR) of 2.6:1, which represents a net positive economic and community outcome for Australia.

The development of social and affordable housing will result in a benefit cost ratio (BCR) of 2.6:1, which represents a net positive economic and community outcome for Australia.



This report was written by SGS Economics & Planning for Housing All Australians.
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