

# Reducing Homelessness Through Commercial Incentive for Real Estate Agents

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## PROJECT DESCRIPTION

The Macarthur Real Estate Engagement Project (MREEP) is the name of the collaboration between real estate agents, homelessness service providers and various government agencies, including housing and community services in Western Sydney. Formation of the project was led by the non-profit entity, Western Sydney Community Forum (WSCF), whose mission is to strengthen the capacity of the social sector. It has a membership of more than 200 social sector organisations and helped bring the players together with the ultimate aim of reducing homelessness.



The project has staged objectives: firstly, to ensure tenants at risk of eviction are introduced to available support services to reduce new cases of homelessness; and secondly, as trust builds between real estate agents and the social sector, provide people in temporary or refuge housing situations with access to private rental opportunities.

This case study describes the achievement of the first objective and how it has increased trust and paved the way for the second objective to be pursued. The Project is now operational and largely independent of funding support.

Early on, it was identified that commercial incentive for real estate agents – who manage rental contracts on behalf of owners – would improve the likelihood of success, along with increasing the utilisation of existing social support resources.

## THE OPPORTUNITY

Back in 2011, WSCF consulted with homelessness services providers operating in South Western Sydney (NSW, Australia) as national and state policy reforms sought to shift the sector's culture away from crisis management and towards prevention. A key theme across the region was the lack of exit points from homelessness services into private rental properties.

At that point in time, private rental vacancies were very low and social housing waiting lists were very long. Many people were experiencing difficulties in accessing the private rental market with large numbers attending open house inspections for new rental properties. In such a competitive private rental market, homeless people had little chance of competing for a property.

WSCF saw an opportunity to strengthen working relationships with real estate agents in order to reduce the growing list of long-term homeless clients.

With the backing of short-term funding from the state government, the decision was made to work in Macarthur where there was evidence of willingness to collaborate. The starting point was to look at what community services players could offer real estate agents in order to start relationship building and taking a preventative approach. As a result, the Macarthur Real Estate Engagement Project (MREEP) was formed.

### THE STRATEGY

The Project strategy is built on understanding the needs and self-interest of both community services providers and the real estate industry, which included:

- Supporting tenants at risk of eviction benefits community services providers and the government by preventing people unnecessarily entering the homelessness service system.
- Averting tenant evictions benefits real estate agents by saving stress, time and money, as well as saving rental loss and remediation costs for their clients, the property owners.

A single point of contact for real estate agents helped create a referral channel to community services providers who could assist tenants. A new pathway into the social service system has been opened up at an early intervention point, rather than at crisis point.

*“The starting point was to look at what community services players could offer real estate agents in order to start relationship building and taking a preventative approach”*

From a commercial perspective, the strategy improves productivity in the value chain through operational cost savings for real estate agents and benefits for their clients in the form of reduced capital / remediation costs and the aversion of rental losses.

### RESULTS - VALUE FOR BUSINESS AND SOCIETY

In the first two years of operation (2012 – 2014), there were 102 referrals from five real estate agents. This has now grown to nine private real estate agents in the Macarthur region who regularly refer tenants showing signs of rental crisis.

Social outcomes:

- 57 tenancies have been saved
- For tenants who can be contacted, there is a 77% tenancy saving success rate
- About half of tenants referred through the MREEP process had never previously been in contact with the social service system and would potentially have been evicted.
- Real estate agents are beginning to trust community service providers and are contacting them with notifications of vacant properties.

For the five original participating real estate agents, business outcomes include:

- An estimated \$56,000 in hard costs saved from preventing the 57 evictions
- Real estate agents have a higher prospect of keeping property owners as clients and gaining future sale commissions (valued at an average of \$9,000 per tenancy)
- A saving of approximately \$6,370 in rental income per tenancy for property owners, or \$363,090 in total
- Capital / remediation costs of approximately \$4,000 saved per tenancy for property owners, or \$228,000 in total

- The creation of a direct relationship between real estate agents and community service providers that helps head off tenancy problems.

### LESSON LEARNED, CHALLENGES AND OUTLOOK

Partner diversity has been a strength of the Project and balancing competing needs has been challenging at times. Installing a dedicated project facilitator has been critical in maintaining information flows between members of the collective.

A Project member with real estate experience has been critical in acting as an “industry translator”, assisting and guiding the working party to better target messaging, including a cost benefit analysis for real estate agents. This data has helped in marketing and attracting new agents in a far more “business-like” way. In April 2014 the project relaunched to the local real estate industry with an on-line presence and referral capacity.

The language used by the Project changed over time. An example of this progression from welfare to business messaging can be found in comparisons over time. In 2012, it was:

*“Develop mutually beneficial relationships between Real Estate agents and services that work with the homeless and disadvantaged.”*

By 2014, it had become:

*“We work with local real estate agents to reduce rent loss, introduce and sustain tenancies.”*

The Project was initially established through a state government grant, with WSCF providing the facilitation role. This has now been integrated into the business-as-usual roles of two non-government agencies, highlighting the enabling role that the social sector can play in shared value creation.

There remains a small element of external funding, whereby homelessness services may provide small amounts of bridging finance when tenants first strike problems. The challenge for the project is to fund this support mechanism from commercial benefits.

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A project report was launched in late 2014 outlining how the project is structured and operates and the key elements of the Project model, including back-end resources. With skilled facilitation, the model could be replicated in other areas. As a result of MREEP success, the project model is now being implemented in other areas of Sydney.

Authors’ Note: **Eva Gerencer** played an active role in, and had oversight of, identifying the opportunity, project formation and its development. As a member of the Australian hub, the Shared Value Project, **Phil Preston** helped draft and bring the case study to the shared value community.

A full [report](#) entitled “Lessons Learnt from the Macarthur Real Estate Engagement Project” can be accessed from [wscf.org.au](http://wscf.org.au)

**CASE STUDY:** A real estate agent attended a routine property inspection. She noticed that the female tenant was distraught. She witnessed verbal abuse from the male tenant towards the female tenant. On returning to the office she rang the NSW Housing referral partner for some advice. She then rang the female tenant and asked about her welfare and offered the female tenant a contact to talk to. The female tenant rang the NSW Housing referral partner. The officer established that she was living in a domestic violence situation and was able to offer her a Start Safely subsidy. The female tenant moved away as a result of the subsidy and support and is now safe.

**CASE STUDY:** A real estate agent rang one of the referral partners – Centrelink – about a tenant who was behind in rent. The tenant had a serious illness and was due to go into hospital and the landlord wanted the tenant evicted. The Centrelink officer rang the tenant, checked her record and established that she was not getting the correct payment due to a child support system problem. The record was fixed and the tenant was paid arrears, her family payment doubled and her rent assistance was increased. The officer met with her and introduced her to a local welfare service that helped her with electricity bills. She was able to pay the rental arrears and remain in the property.

*“The real challenge was gaining trust and developing a working relationship with property managers – they are often under-resourced and have to deal with never ending problems of managing landlords and tenants. Initially, we were offering too many diverse services for the property manager to navigate instead of a one-stop shop approach. We created a simple process with clear cost benefit analysis and reassurance that it wouldn’t interfere with their work.”*

- Ken Barnard, real estate industry expert and Project member

*“MREEP has provided a lot of assistance to tenants who find themselves in arrears. For our business, successfully avoiding eviction means that landlords get rent paid, they are happier with our service and we save time and money. A case in point is a lady with five children whose husband left her and she fell behind with the rent - the partners of MREEP helped her and saved her tenancy.”*

- Real estate agency property manager

