



Never Stand Still

Faculty of Built Environment

City Futures Research Centre

Housing policy update: Australia

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Presentation overview



1. Housing affordability
 - Issues
 - Recent policy developments/debates
2. Affordable housing
 - Issues
 - Recent policy developments/debates
3. Summary



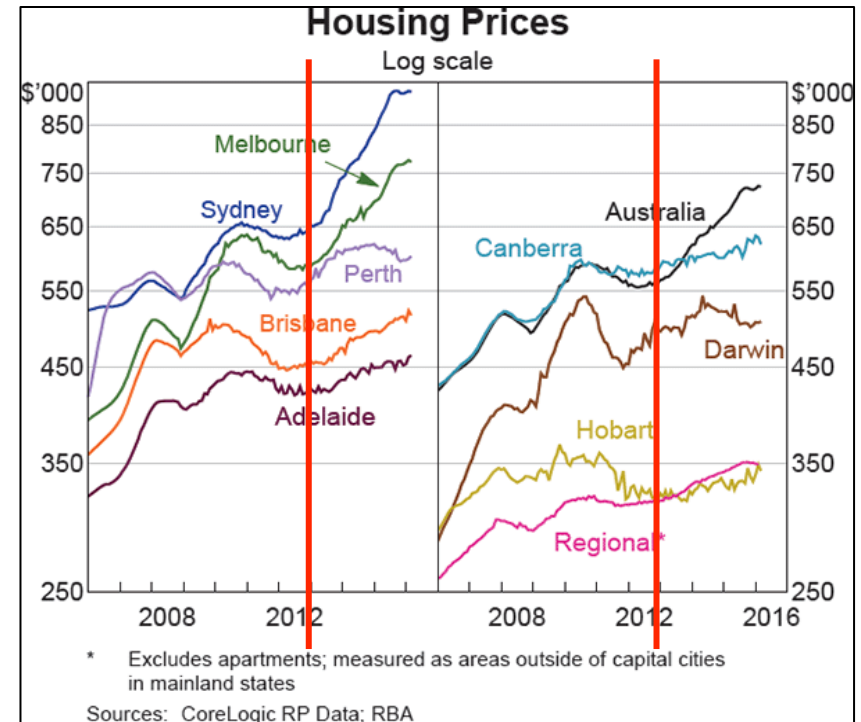
1. Housing affordability



House price trends

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- House prices up substantially in real terms over the past two decades
- Post-2012 Sydney & Melbourne prices sharply divergent from rest of Australia
- Boom continuing into 2017 but signs that highly vulnerable to external shock – e.g. interest rates



Source: RBA (2016)

Home ownership affordability

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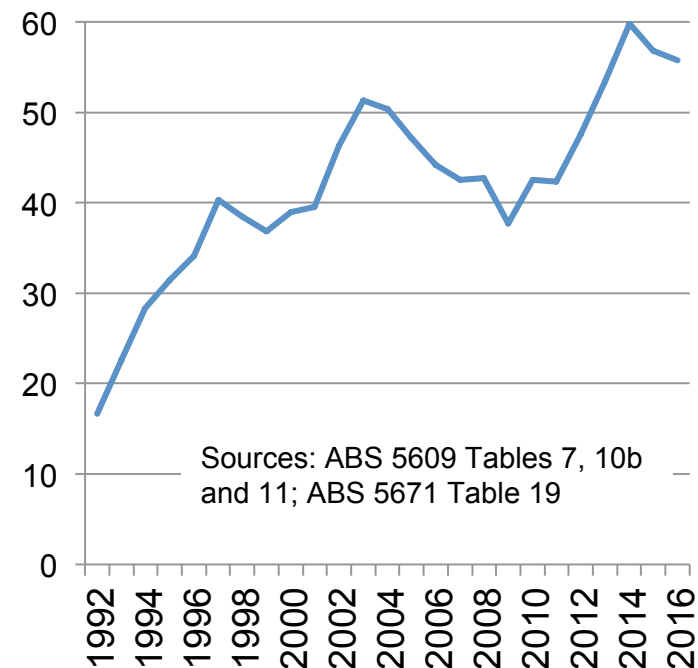
- Over the long term, house price rises generally outpacing incomes
- Falling interest rates in early 2000s and post-2011 have fuelled prices – buyers' borrowing power increased
- But, irrespective of falling interest rates, higher prices raise HO entry barrier – deposit requirement pushed up
- Standard deposit (house/apt) equates to 100% of disposable income – cf <65% in 2000
- Saving required amount will take 50% longer than in 2000 (for those without access to 'bank of mum and dad')

Strong contributor to recent price boom: investor landlord demand

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- 'Investor landlord' demand understood to be key market driver
- Especially true in NSW (proxy for Sydney)
- Excl owner occ re-financing, investor landlord loans running at 50-60% of **all NSW housing finance** post-2013
- Assumption this indicates investor landlord acquisitions exceed first home buyers
- 2016 RBA effort to damp down demand through prudential lending controls ineffective

Investor landlords' % of new housing finance commitments, NSW*



*Net of owner occupier re-financing

Recent policy debate on housing affordability (1)

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- Housing a Federal election issue in 2007 – more-or-less for first time ever
- And again in 2016
- 2016 election housing policy debate sparked by Labor challenge on sacred cow landlord concessions - \$12 bn pa
- Widespread public support for Labor proposal to restrict to new build – but fierce contestation within Lib Party
- 2017 budget disallowed landlord travel costs as tax-deductible business expense!
- But serious reform now looks much more likely in medium term

Time to axe negative gearing

The property market would look a lot healthier without it, writes Saul Eslake.

Economy

Negative gearing: Malcolm Turnbull 'too rich' to understand regular housing market

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Bowen calls for negative gearing reform

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Recent policy debate on housing affordability (2)

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- Federal govt still inclined to argue housing affordability problem ‘purely a supply issue’
- Convenient because implies:
 - Prime cause is ‘constrained markets’ – i.e. ‘too much planning’
 - Since landuse planning is a state/territory issue, ‘not our problem’
- Another blame-shift highlights ‘foreign investors’ (only allowed to buy newly built properties – which expand supply!)
 - Some states have increased stamp duty for foreign investors
 - 2017 Federal budget advocated empty property tax for foreign-owned homes



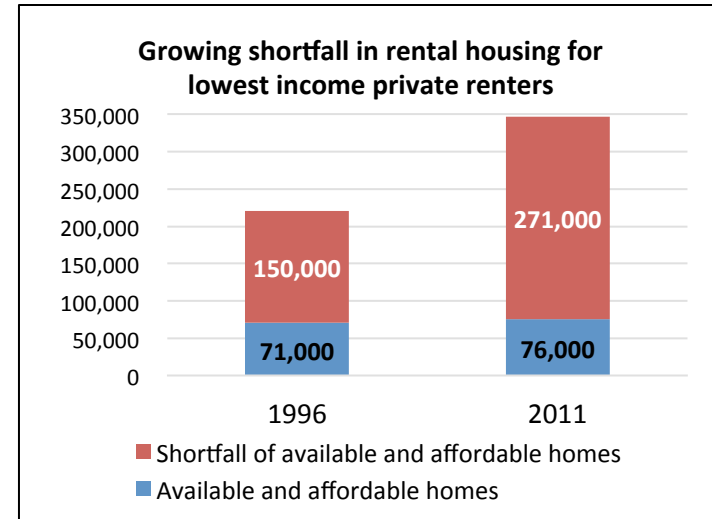
2. Affordable housing

Affordable housing: the policy problem

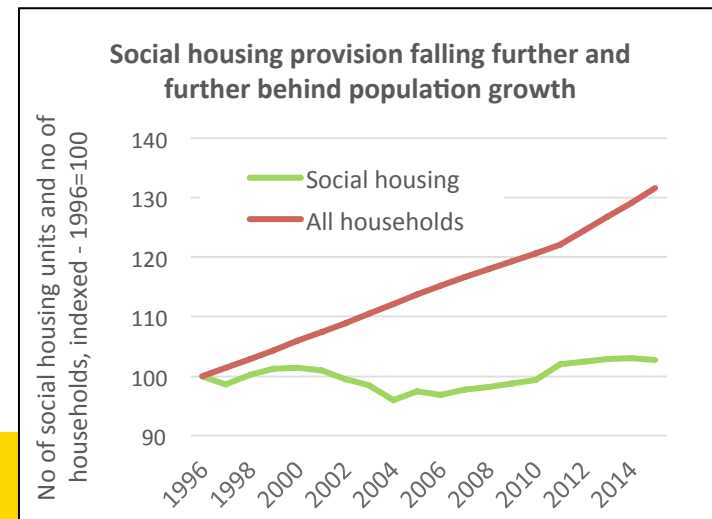


- Two main aspects:
 - Intensifying shortfall in affordable housing provision
 - Declining physical & financial state of the public housing system

‘LAHC [the NSW Land and Housing Corporation] has identified that ... between 30 and 40 per cent of its properties are not at its “well-maintained” standard’ – NSW Auditor General (2013)



Source: Hulse et al (2015)



Recent policy developments

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- 2007-2009 ‘comeback of housing policy’
 - National Housing Supply Commission (NHSC) established
 - National Rental Affordability Scheme (NRAS) – low-moderate income housing 10 year revenue subsidy
 - Post-GFC economic stimulus: \$5.6billion for social housing – c.20,000 units built 2009-2012; 75% to CH
 - Aspirational target for CH to form 35% of all SH by 2014 (from c.10%)
 - Groundwork begun for National Regulatory System for CH
- 2010-2013 – reform momentum waned
- 2013-2015 Abbott Govt ‘scorched earth’ era
 - NRAS and NHSC scrapped
 - Abbott washed hands of Federal Govt responsibility for housing policy

2015-present

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- Positive noises about NFP community housing – from Federal Treasurer and NSW Ministers
- 2016 NSW Govt proposal for AH ‘inclusionary zoning’ requirement on up-zoned sites – currently out to consultation
- Federal Govt commitment to establish ‘bond aggregator’ vehicle to connect CHPs with institutional finance
- Should yield better terms than bank debt:
 - Lower rates
 - Longer duration facilities
- Emulates UK Housing Finance Corporation
- All useful, but affordable housing development still impossible without some form of Govt co-financing

New housing reform push in prospect

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- New Federal Govt housing reform push indicated by 2017 plans for new inter-governmental agreement
- Intention to stipulate ‘outcomes in priority areas’ including:
 - Aggregate supply targets, including targets for social and affordable housing
 - Residential land planning and zoning reforms
 - Inclusionary zoning
 - Renewal of public housing stock and transfer of public housing to community housing providers



3. Summing up



Summing up

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- Housing market boom ongoing in Melbourne and Sydney, but divergence from rest of Aus
- Pressure for measures to dampen investor landlord demand so far resisted
- Signs of renewed interest in affordable housing reform push
- But clear commitment to govt investment remains elusive



For commentary and analysis on Australian housing and urban policy see: [CityBlog](#)

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