

Housing challenges & the influence of housing policy in Australia

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Keynote address to APNHR Housing Conference

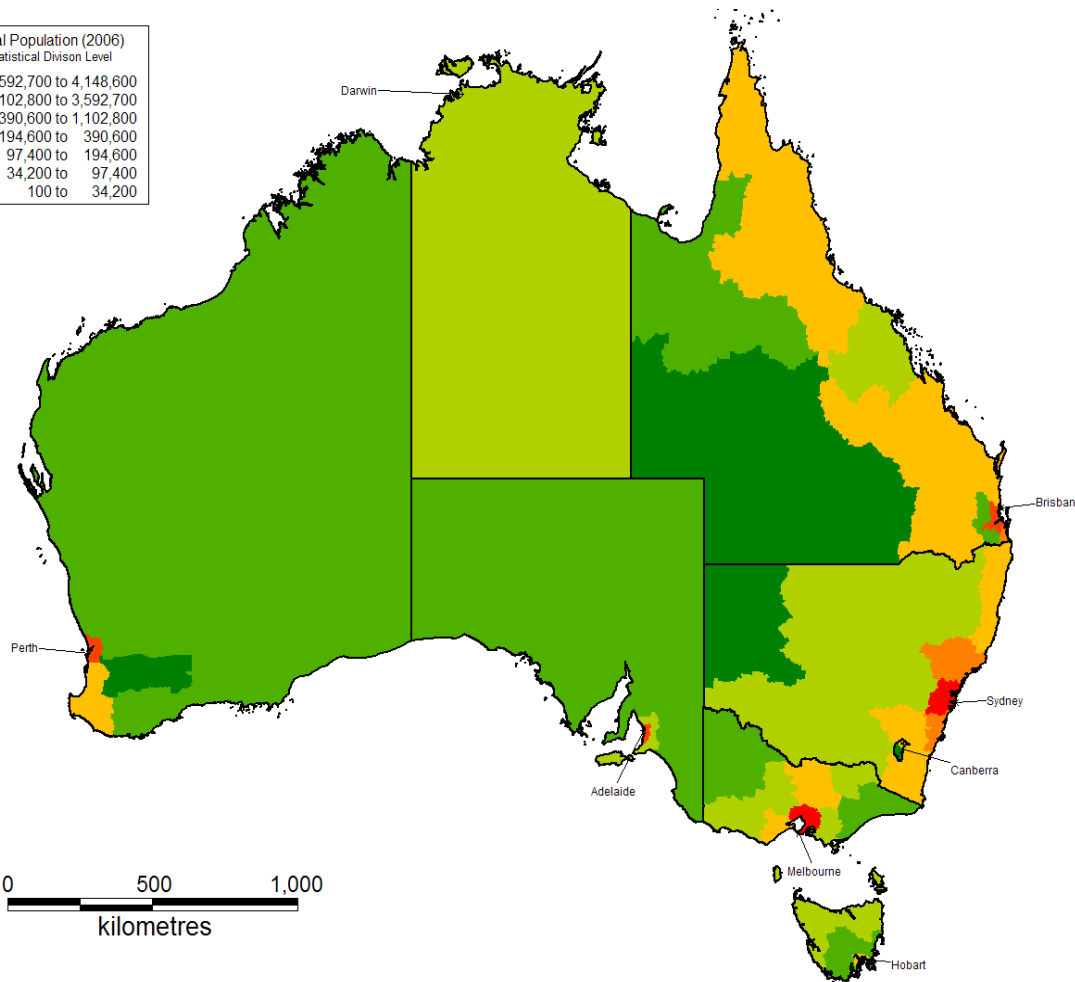
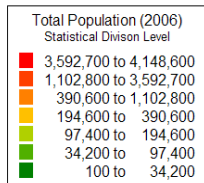
Affordability, Sustainability and Liveability – Towards a Comparative Approach

Beijing August 21-22 2010

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- 1. Scene setting**
 - 2. Challenges**
 - 3. Past housing policies**
 - 4. Recent policy directions**
 - 5. Review & takeaways**

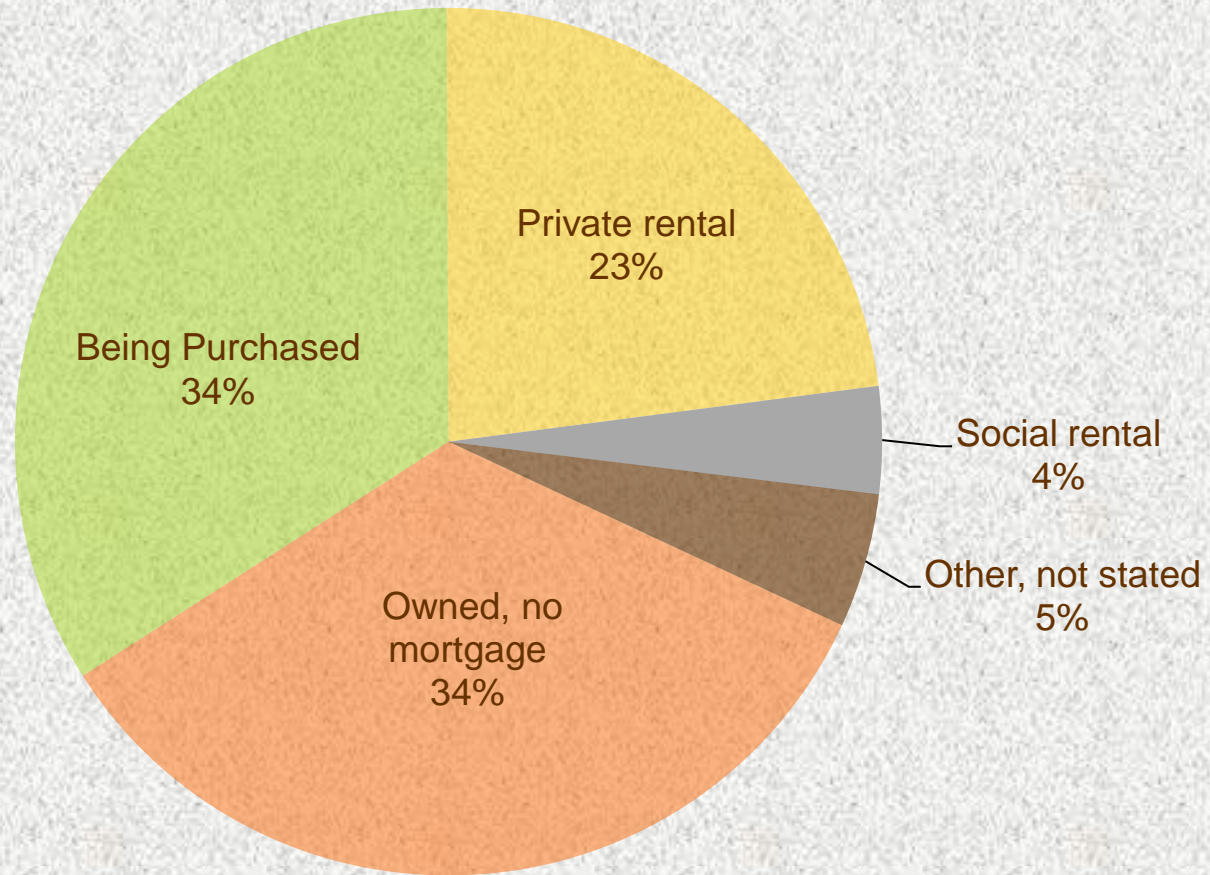
Australian housing in context

- Prosperous economy
 - 20 year run of economic growth
- Wage earners welfare state
- Mass home ownership
- Produced good quality housing & significant housing-related wealth
- Federated governance with shared responsibilities for housing & urban issues
 - has led to disparate policies / programs
- Increasingly market-dominated housing system



- Population 19.8 m (2006)
- Households 7.1m (2006)
- Highly urbanised (91%) & concentrated
 - 2 largest cities (39%)
 - Inter city mobility limited by geography
- Low density cities
 - 79% single detached houses
 - Largest new houses in the world – av. 245 sq m 2009
- Steady population growth (via immigration) & household formation has fuelled housing demand

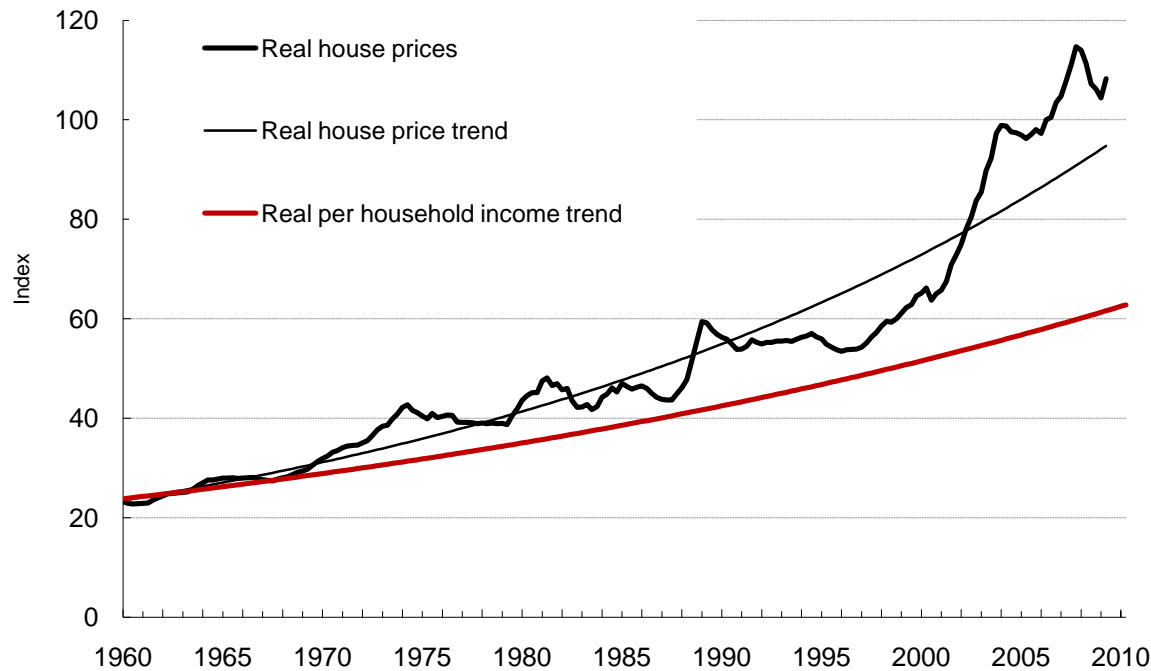
Housing tenure Australia 2006

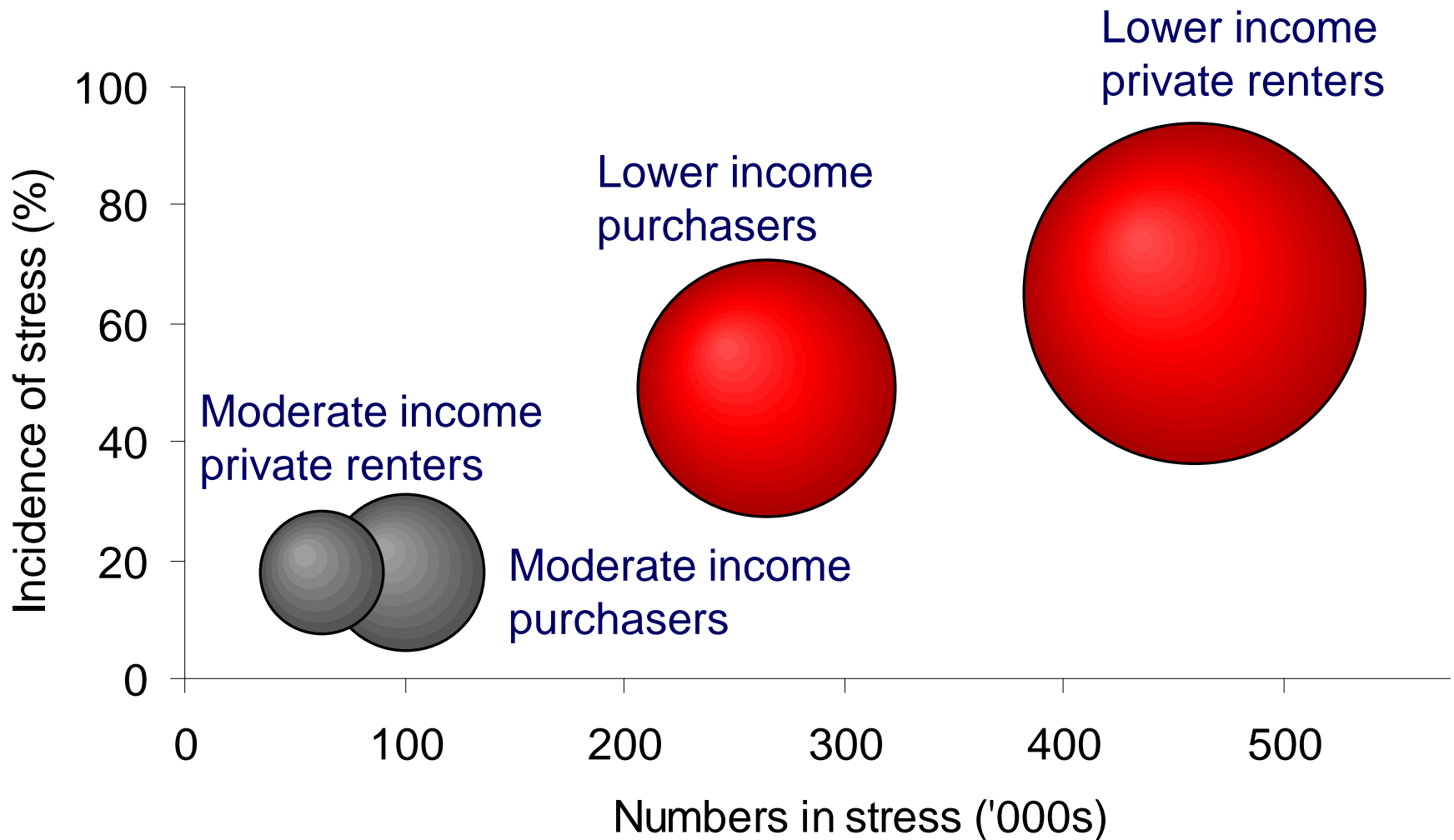


A snapshot of our key issues & challenges

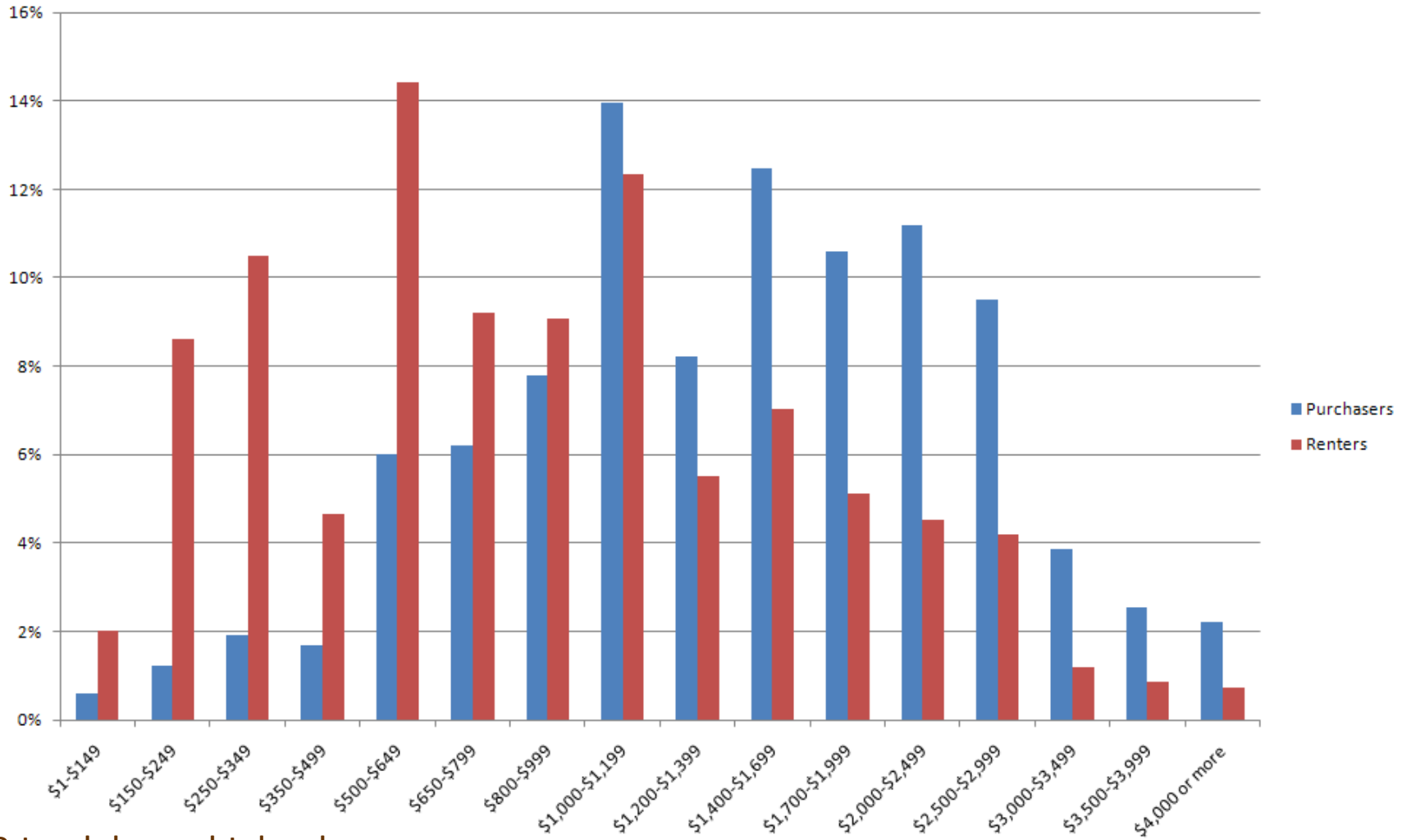
- **Declining affordability**
- **Large numbers in housing stress**
- **Greater housing-related inequality**
- **Growing supply shortages**
- **Changing demographics**
 - **nearly 50% more aged households by 2028**
- **Severe housing need of Aboriginal Australians**
- **Significant nos. of recurring homeless people**
- **Environmental concerns**

Income & House Price Trends Australia 1960 – 2009





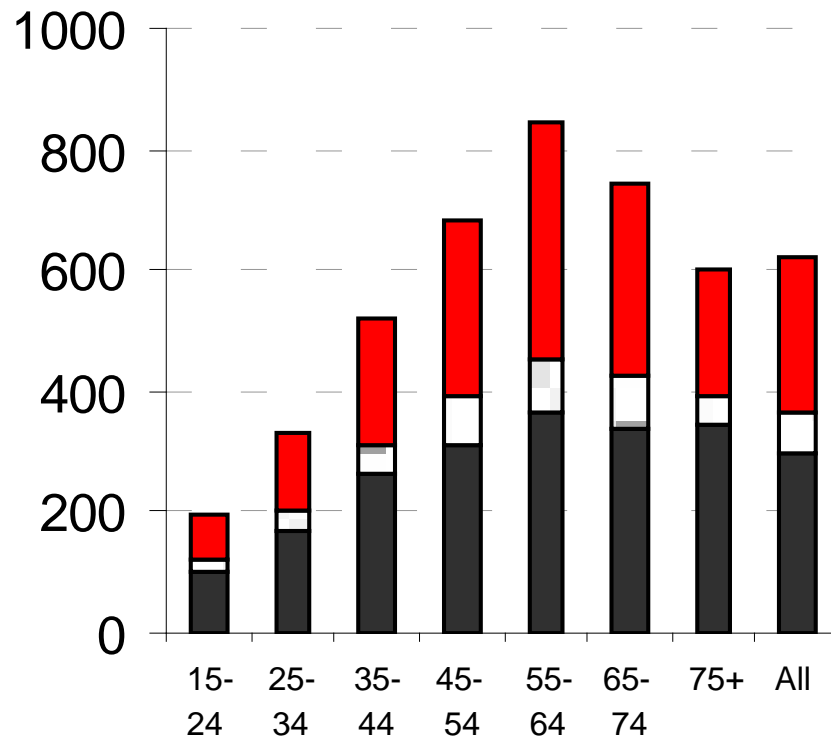
Tenure by Household Income (Australia, 2006)



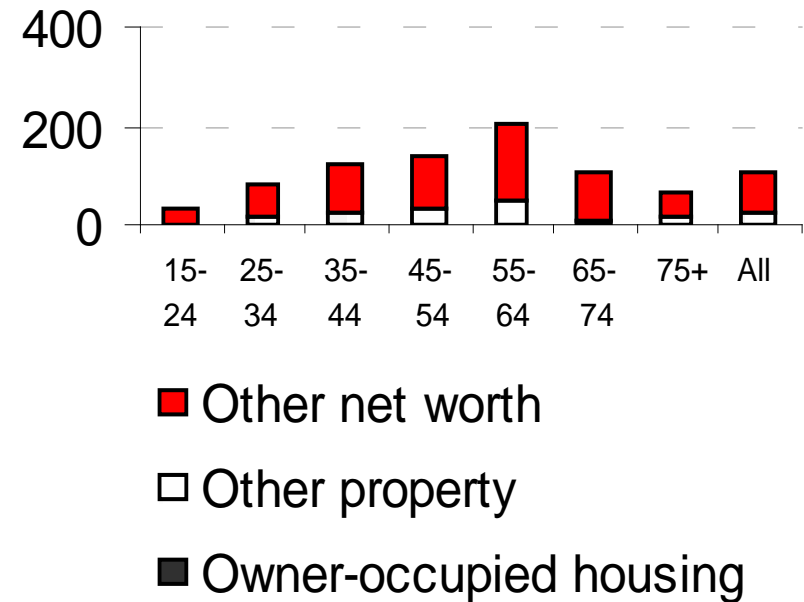
Data excludes completed purchasers

Wealth by tenure & age 2003/04

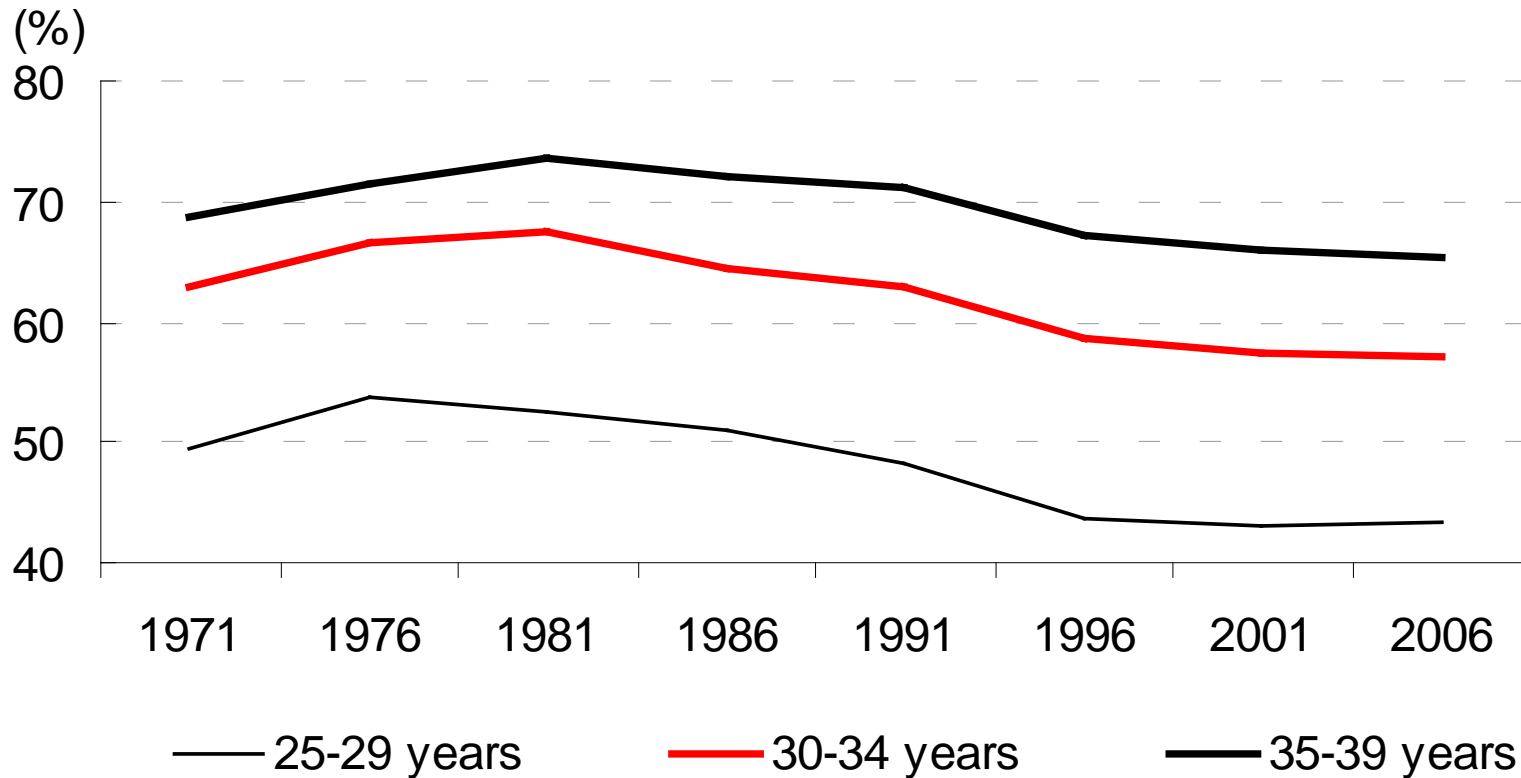
Home owners



Non home owners

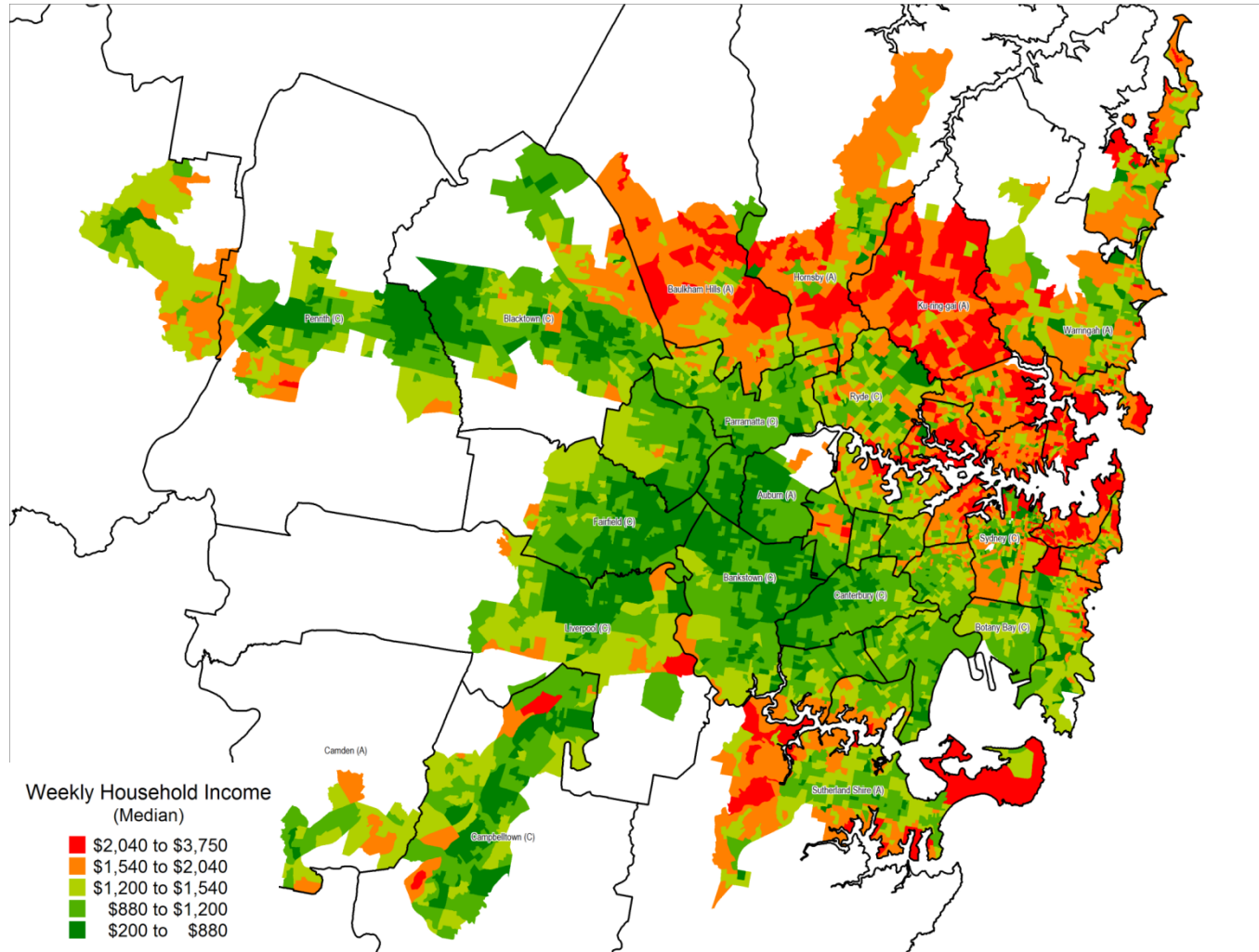


Declining home ownership for future generations?

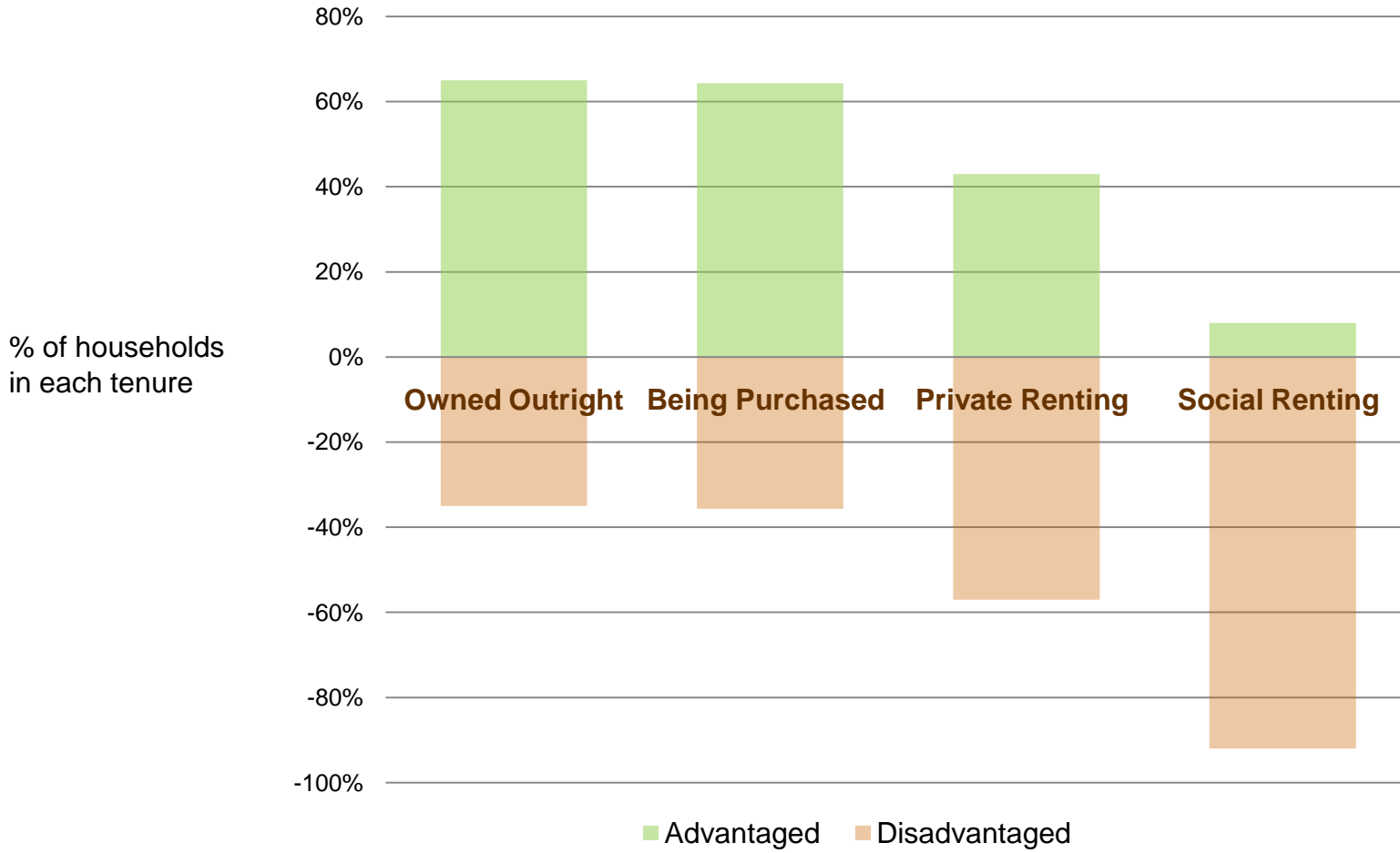



Graph shows home ownership rates by age cohort 1971- 2006

Median household income by area Sydney 2006



Socio-economic index by tenure Sydney 2006





Market supply demand gap	178,000 in 2009 ≈ 308,000 in 2014
Social housing supply projected shortage	90,000 in 2012 150,000 in 2020
Private rental shortages for low incomes <ul style="list-style-type: none">• Affordable• Affordable & available	71,000 in 2006 234,000 in 2006

National housing policy

A long decline

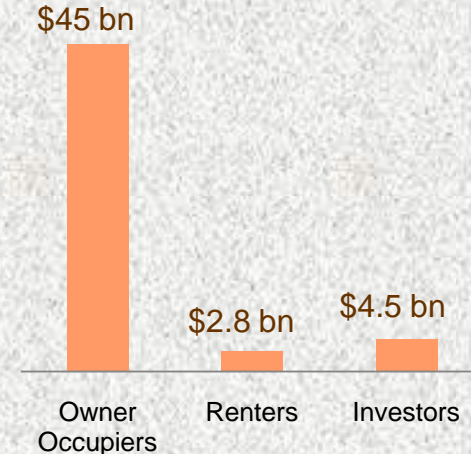


<http://enc.slq.qld.gov.au/slq/neg/research/059000/59985r.jpg>

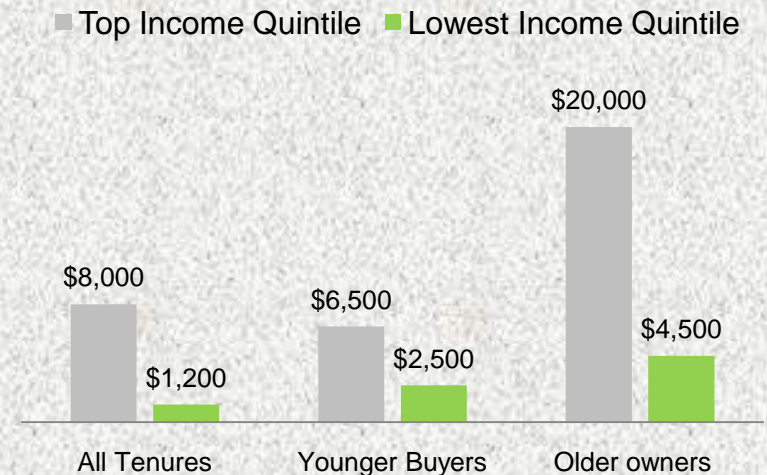
1 Home ownership policies

1950s – 1970s	Govt. driven expansion
1980s	Financial deregulation Reliance on demand side stimulus
1990s	Market reliant Govt. loan programs failure Escalating tax expenditures
2008	Managing GFC risks

Tax subsidies for housing 2005/06 Total annual tax revenue foregone



Annual subsidy per h'hold by income level



2 Social rental



1945 – 1954

Hey days

1955 – 1990s

**Privatisation
Residualisation**

1996 – 2007

**Severe funding cuts
Declining capacity
Poor image**

2008 -

**Turnaround to growth?
Diversifying providers**

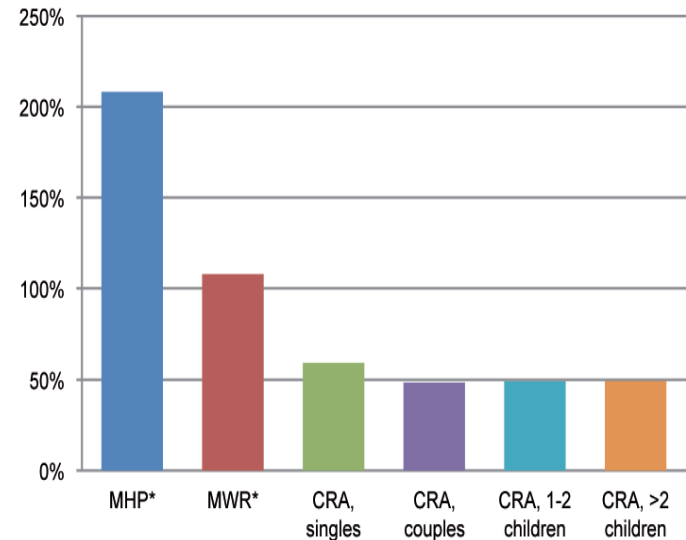
Relatively recent policy focus with

- Investor subsidies for mums & dads *but* not targeted & stimulate activity (turnover, debt) not supply
- Regulated by state govts. *but* comparatively weak tenant protection
- Modest private rent subsidies for welfare recipients *but* now falling well behind rents

2008 –

- Investor subsidy for new **rental supply** for low and moderate incomes at below market rents for 10 years

Comparison of change in prices, rents & rent subsidy 1995-2009



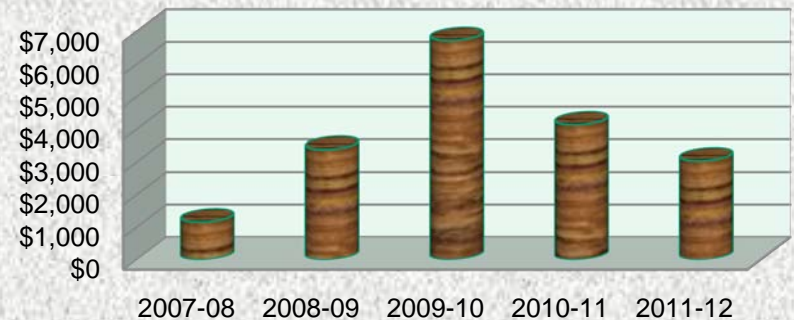
* MHP = median house prices (all); MWR = median weekly rents (all)

CRA: Commonwealth Rent Assistance (maximum payment rate)
Data for capital cities

Recent encouraging policy moves

- Elevation of housing & major cities to national policy concern
- Broader system-wide conception of housing policy
- Enhanced supply-side interventions
 - Large-scale affordable rental supply initiative with private sector engagement
 - Commonwealth incentives for states & local govt. to drive more efficient & affordable residential development; review of development costs / levies
 - New urban public infrastructure investment fund
- Scaled up response to priority needs – remote Aboriginal communities, preventing homelessness – with stretch targets
- More integrated approach to homelessness & housing services
- Diversifying social housing providers to generate innovation & leverage
- Large housing component of economic stimulus response to GFC
- ‘Tax & transfer review’ scrutiny of housing

Additional national govt. investment in housing (\$ million)



Early days ...outstanding issues

- Structural affordability problems & inequities related to housing system have not been addressed
 - Tax review has identified range of issues but change will be politically very challenging; key tax reforms already rejected by govt.
- New directions were cut across by perceived need to prop up house prices & housing jobs during GFC with mixed effects
- Lack of security & housing pathways for low income / younger & older households trapped in private rental sector
- Not yet tackling urban renewal at scale with govt. incentives to meet environmental & social objectives
- Limited & fragmented action on adaptation of housing to address environmental requirements



Governing policy change – a major challenge

- Policy reform and broadly-based cohesive policy action have been very elusive in a federated system of governance
- No political consensus nationally – current federal directions may be short lived
- Lack of broad understanding of housing problems & complexities – leadership on this does not include politicians of any group
- Capacity deficits at all levels of govt. – contributes to piecemeal, selective & fragmented reforms
- Good times & vested interests have contributed to weak constituency advocating fairer housing policies

- Australia is facing a crisis in its dominant mode of housing provision
- Early policies produced affordable supply & quality, later retracted with reliance being placed almost entirely on market-provided housing
- Continuous population pressures in (few) major cities & tax incentives have fuelled house prices
- Lack of public investment in infrastructure has contributed to rising development costs (user pays) & inflationary pressures in established suburbs
- Now supply shortages accumulating as investment is skewed to overconsumption & high end & market fails to respond to lower income / smaller household demand
- But policy / subsidy bias to home ownership now deeply embedded – majority have vested interests – house price rises still celebrated, govt. relies on asset-based welfare for older people
- Affordability problems manifesting as mounting household debt, polarised cities & intergenerational inequity
- Some very early signs that legitimacy of current policies being questioned

“There is belatedly growing recognition that you can kill home ownership with kindness”

(Disney 2010)

We need more pro-active housing and urban policies that

- Are directed to longer term sustainable improvements in housing outcomes
- Reduce tenure bias – support ownership *and* renting
- Reduce speculation in housing – reduce & target tax incentives / subsidies
- Encourage the market to provide more well-located, lower-cost smaller housing
- Encourage tenure, housing & demographic mix in all areas
- Subsidise housing supply for lower incomes, where needed
- Strengthen & underpin not-for-profit alternatives as the ‘third pillar’ of the housing system – offering well-managed rental, promoting new tenure forms & as catalyst for community-driven innovation

- Can Australia's present housing system be sustained?
- Economists can't agree whether house prices will correct
- Old certainties have gone – answer is we don't know
- Suggests it is high time to fundamentally review our housing policies to prevent damaging collapse *and* to improve fairness
- But perhaps, as my home city's newspaper said last week, it all ultimately depends *less* on our housing policies and *more* on China

“There is little doubt that ...China holds the key to Australia's household wealth.” (Johanson 2010)

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