

Submission to Inquiry into housing affordability and supply in Australia

The Australian housing system is an \$8 trillion asset of more than 10 million owned, rented, and government assisted dwellings. It is used by governments as an economic engine, a welfare tool, and a conduit to deliver health and social interventions. For ordinary Australians, housing represents our major lifetime investment, our most significant day-to-day expenditure, and the place we spend 70 per cent of our time.

We commend the formation of this *Inquiry into Housing Affordability and Supply in Australia* and seek, in this submission, to highlight the overall complexity of the housing challenge facing Australia – across and beyond issues of affordability, quality, condition, demographic change, welfare, supply, technology. While housing affordability and supply are indeed issues of considerable concern, we caution that they should not be considered (or responded to) in isolation from the broader housing challenge that Australia faces.



Australia is trapped in a housing affordability crisis of its own making

Our housing affordability crisis has gathered pace since the 1980s (Bradbury et al 1987; Beer 1993), acutely affecting more than a million Australians each year since the start of the 21st century. Social, economic, and policy factors have generated and shaped this predicament because as the ‘lucky country’ we have been too slow to introduce technological efficiency (for example London et al. 2017), policy solutions and demand management innovations. **The unaffordability of housing does not reflect a shortage of land, finance, or the other resources needed to build housing.** Rather, Australia’s housing sector is fragmented and adversarial and characterised by small-scale housing production processes and a system of land development that has consistently delivered some of the world’s most expensive housing (Beer et al. 2011). Unaffordable housing is a problem in our metropolitan centres, but also challenges regional housing markets and speaks to failings in all parts of the housing development supply chain. Both the absolute numbers and rates of homelessness in Australia have grown through the 21st century (ABS 2017), and fewer young Australians now face a future that does not involve home ownership.

Failures such as these, sit together and have to date comprised an intractable challenge. This is because the housing system is multidimensional and inherently complex. For instance, policy goals are competing (and sometimes ideological), individual actions are often vested or irrational, and the evidence base on which we monitor change and devise responses, is unreliable and insufficient. **The inability to capture the complexity of the housing problem has resulted in piecemeal ‘fixes’, rather than comprehensive solutions to separate housing problems.** Single-issue responses are insufficient as they also often generate perverse outcomes, where one ‘fix’ creates a series of broader problems. For example, the Federal Government’s home builder scheme aimed to keep the building industry afloat during COVID-19, brought forward demand, resulting in shortages of essential building supplies, and declining housing affordability as first home buyers rushed into the market. The result has seen widespread media reporting of unprecedented, significant construction delays, increased costs for builders, trade and material shortages, and record house price rises.

The housing system we need cannot be created through the incremental advances derived from ad hoc research. If we are to create the housing system Australia needs, we must fundamentally reconfigure it, working across the public, private and not-for-profit sectors to deliver large-scale transformative research that identifies, tests, and communicates effective interventions.

Housing has been an area of public policy neglect and failure in Australia for more than 20 years, contributing to the emergence of housing costs as a ‘wicked problem’. The numerous enquiries established to address housing affordability have narrowly focused on restrictive land use planning, high subdivision costs arising from the way infrastructure is financed, and perverse tax arrangements. They have advocated solutions based on greater market efficiency but have not delivered more affordable accommodation for Australians. These include suggestions for simplifying planning to boost supply, restricting immigration, controlling the flow of foreign money to the residential investment sector, and reforming taxation rules. While advocates claim such measures will yield immediate gains in terms of housing affordability, the evidence indicates that none of these policy solutions in isolation would have sufficient impact to constitute a transformative change (Adams et al, 2009; Leishman 2015).

More fundamentally, there has not been significant policy innovation in affordable housing since 2007 and the introduction of the National Rental Affordability Scheme (NRAS). Established public policy processes have been unable to find meaningful solutions because of party political considerations and the influence of vested interests. As a nation we cannot afford the social and economic costs of a regressive housing market. Housing is a central component of quality of life, providing shelter, privacy, and the foundation for good health and social cohesion (Pevalin et. al. 2017). Current research draws a direct link between unaffordable housing and the incidence and impact of domestic violence against women, to which one death per week on average can be attributed.

High housing costs exclude many on low incomes from engagement with employment. In addition, unaffordable housing is making us sick – eroding our nation’s mental health (Baker et al. 2017), forcing children and the disabled to live in overcrowded dwellings that are cold in winter and excessively hot in summer, simultaneously exposing families to mould, toxins, and pathogens that result in long-term adverse health conditions and, occasionally, death. Australia’s winter-time death rate is almost double

that of Sweden's, a situation directly attributed to poor quality buildings (Gasparrini et al. 2015). Growing numbers of older Australians are falling out of home ownership due to adverse life events and mortgage stress (Ong et al. 2015), while Rowley et al. (2017) predict 1.7 million households will be in housing need by 2025. Deteriorating affordability fuels wider social polarisation and cumulative disadvantage. Recent work suggests some 1.1 million Australians are living in very poor quality or derelict dwellings (Baker et al. 2016). The absence of innovation and effective public policy, alongside escalating poverty, has seen housing affordability emerge as a pressing issue in Australian elections.

The politics of housing have been central in two of the last four federal elections and show no signs of receding. **In the three years to 2017, the proportion of Australians viewing housing affordability as one of 'the three most important issues for government' increased** from 23% to 36%, eclipsing unemployment, national security, tax avoidance, and the budget deficit (Essential 2017). For too long the attention of government and research has been siloed into a focus on just one segment of the housing market – public housing or the home purchase market – rather than applying a holistic approach that actively seeks out new perspectives from data science, public policy, and innovation studies.

Australia needs a housing system that is:

1. *Innovative, transformed, and resilient.* All Australian households should occupy housing that is affordable and meets their needs in terms of physical condition and suitability. A resilient housing system is one in which new-buildings are diverse, reflecting varied demand cohorts, and is responsive to land supply, emerging design and construction technologies, as well as environmental performance expectations. It is one in which unintended distortions created by speculation are addressed through (rather than fuelled by) the regulatory and taxation systems. It is a housing system with low and falling rates of homelessness, where individuals are not penalised for their tenure choices / outcomes.

2. *Socially responsible.* It should ameliorate rather than exacerbate social polarisation. Currently, too many Australians live precariously (Hulse, Reynolds and Yates 2014) because of their housing. The most disadvantaged are the more than 100,000 Australians estimated to be homeless each night, a number equivalent to Darwin's population. Indeed, some regard the homeless as residents of Australia's 16th city. Indigenous Australians also experience a home ownership rate far below the national norm and are more likely to have their health affected by their housing – especially through overcrowding. Such inequalities are not an inevitable outcome, with Stretton (1970) demonstrating how socially responsible housing systems are also economically productive. Households with access to suitably located affordable housing are more likely to fully engage with the labour market, contributing to the productive capacity of the economy, while also raising future generations of productive Australians.

3. *Able to deliver economic productivity dividends.* When housing systems work effectively, economic productivity flows from improved mobility and a stronger connection between housing and employment (Maclennan et al, 2018). Policies need to facilitate efficient market performance while offering individuals appropriate choice and flexibility in their housing arrangements (tenure, duration, exit and entry costs, legal protections). This would ease the shortage of key workers in some parts of

Australia and allow individuals to take up new employment opportunities, reducing the burden on governments to provide expensive infrastructure.

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