



Australian Government

Australian Government response to the
Senate Economics References Committee report:

Out of reach? The Australian housing affordability challenge

March 2018

Background

On 12 December 2013, the Senate referred an inquiry into affordable housing to the Senate Economics References Committee for inquiry and report by 26 June 2014.

Following extensive consultations and consideration of over 230 submissions, the Inquiry delivered its final report on 8 May 2015.

The final report, *Out of reach? The Australian housing affordability challenge*, provides 40 wide-ranging recommendations directed primarily toward improving home purchase affordability.

The Committee's report represents an extensive discussion of Australia's housing affordability issues and the related policy challenges faced by all levels of government.

The comprehensive nature of the report reflects the high quality of submissions received and evidence given at Inquiry hearings by individuals and organisations.

The Committee's recommendations canvassed a range of changes to Commonwealth and State and Territory taxation arrangements; improving the efficiency, effectiveness and equity of infrastructure funding arrangements; land supply, urban planning and zoning processes.

Improving housing affordability right across the housing spectrum must be a key objective for government at all levels. The response must be well targeted and coordinated

The Government's response to the Affordable Housing Inquiry

The Government's response to the Inquiry takes into account the outcomes from a range of housing processes that took place in 2015-16, including the Financial System Inquiry, the Competition Policy Review, the Review of Australia's Welfare System, and the House of Representatives' Inquiries into Foreign Investment into Residential Real Estate and Home Ownership.

This response encompasses a range of measures and actions the Government has introduced since the report was tabled in May 2015, including the Council on Federal Financial Relations Housing Supply Working Group and Affordable Housing Working Group, City Deals and most recently the Government's comprehensive housing affordability plan, announced in the 2017-18 Budget.

The Government is delivering a comprehensive housing affordability plan designed to improve outcomes across the housing spectrum

The Government will improve housing outcomes for Australians through:

- 1. unlocking housing supply,**
- 2. creating the right incentives, and**
- 3. improving outcomes for those most in need.**

The Government's housing affordability plan intends to make more homes available for Australians by collaborating across all levels of government to increase the supply of housing. The plan will improve outcomes across the housing spectrum, from first home buyers through to Australians in need of affordable rental housing.

For the first time, homelessness funding has been made ongoing and is indexed, giving certainty to providers of homelessness services.

1. Unlocking supply

The Government will help boost the supply of housing and encourage a more responsive housing market by:

- establishing a \$1 billion National Housing Infrastructure Facility to address infrastructure chokepoints that are impeding housing development in critical areas of undersupply,
- releasing surplus Commonwealth land, starting with a 127 hectare site in Maribyrnong Victoria, which will support up to 6,000 new homes, and
- incentivising planning and zoning reforms across eight local government areas in Western Sydney facing strong population growth and housing affordability pressures through the Western Sydney City Deal.

2. Creating the right incentives

The Government is taking prudent steps to ensure incentives are better aligned with improving outcomes.

This includes:

- assisting first home buyers to build a deposit inside superannuation. Voluntary contributions of up to \$15,000 per year and \$30,000 in total will attract concessional tax treatment under the First Home Super Saver Scheme,
- allowing older Australians to contribute proceeds from downsizing their home into superannuation. Individuals aged 65 and over will be able to make a non-concessional contribution of up to \$300,000 in proceeds from the sale of a principal residence into their superannuation,
- strengthening the Capital Gains Tax (CGT) rules to reduce the risk that foreign residents avoid paying CGT in Australia,
- safeguarding the opportunity for Australian buyers to purchase in new developments by introducing a 50 per cent cap on foreign ownership for pre-approvals in new developments, and
- encouraging greater utilisation of Australian housing by introducing an annual vacancy charge for foreign owners of residential real estate where the property is not occupied or genuinely available on the rental market.

3. Improving outcomes for those most in need

The Government will improve outcomes in social housing and homelessness by:

- working with State and Territory Governments to reform Commonwealth funding arrangements under a new National Housing and Homelessness Agreement (NHHA) to support improved outcomes across the housing spectrum,
- providing additional funding of \$375 million over three years as part of the new NHHA to fund front line homelessness services,
- establishing the National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator to provide cheaper and longer-term finance to the community housing sector,
- providing \$6 million to support the implementation of the Homes for Homes Initiative to encourage innovative and independent approaches to financing social and affordable housing,
- working with states and territories to strengthen the regulation of the community housing sector, helping to build confidence and capacity for the future growth of the sector, and
- encouraging social impact investing to support innovative approaches to reduce homelessness.

The Government is providing housing solutions across the entire housing spectrum - from Australians struggling to put a roof over their head to those in affordable housing, private renters and first home buyers