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23 September 2024

Senate Economics References Committee
Senate Standing Committees on Economics
Parliament House
PO Box 6100
CANBERRA ACT 2600

Dear Sir / Madam

RE: Senate inquiry into Australia's financial regulatory framework and home ownership

HIA is pleased to provide this submission to the inquiry into the financial regulatory framework and home ownership. HIA has specifically commented and provided recommendations on the following points under review in the terms of reference:

1. *Australian Prudential Regulation Authority prudential standards and Corporations Act 2001 provisions for lending*
5. *The tax treatment of residential property and impacts on demand and house prices*
6. *The adequacy of metrics available to policymakers for monitoring the ratio of new housing supply relative to population growth*

Over the last decade, financial regulators have sought to create an 'unquestionably strong' financial system. This decade of additional regulations has come at a cost borne by first home buyers who are being forced out of the market, while those that own at least one home are rewarded with lower borrowing costs.

The system of governance, via the Council of Financial Regulators, appears to be pursuing an unachievable goal of ongoing risk avoidance, without taking account of the economic and social harm caused by reducing home ownership rates.

It is also apparent that APRA and ASIC's interventions in lending from 2016 to apply speed tests to ADI's to 'cool' the rate of apartment building has come at a significant cost. At this time, APRA implemented a series of counter-cyclical regulatory interventions to slow lending for the purpose of home building. While the interventions have since been withdrawn, they were effective at slowing apartment construction and construction to the acute shortage of housing stock across the economy.

These topics are addressed in more detail in the attached submission and offer the following recommendations:

1. Initiate an eminent person review of the impact of the adverse impacts and effectiveness of macroprudential regulations introduced since 2008. This review should focus attention on the adequacy of existing governance arrangements to balance the need for stability within the sector and the adverse impacts on households. This review, in a similar vein to the Campbell Committee (the Australian Financial System Inquiry) which took place in 1979-1981, should also determine if these measures have provided a net-benefit.

2. Assess the efficacy of the actions of APRA and ASIC initiatives that were intended to slow the volume of apartment construction over the past decade and their contribution to the shortage of housing stock.

3. Appoint an independent Board to provide oversight to the financial regulatory framework implemented by APRA and ASIC, similar to the RBA governance. This Board would not replace the club of regulators that currently review each other's efforts to introduce new regulations, rather to temper these measures against broader economic and social goals. The oversight authority should ensure that future macroprudential initiatives achieve their objectives while monitoring for unintended consequences.

4. APRA to support a target band of residential mortgage arrears rate of 2–3 per cent.

5. Increase the funding and resourcing of the Centre for Population and the ABS to improve population growth forecasting. State and local councils cannot be held solely accountable for the under supply of housing without also receiving credible forecasts of overseas migration from the Australian government.

6. Increase the funding and resourcing of the ABS to source and report land and housing data with a particular focus on survey expansion and reducing reporting lag times on key housing publications.

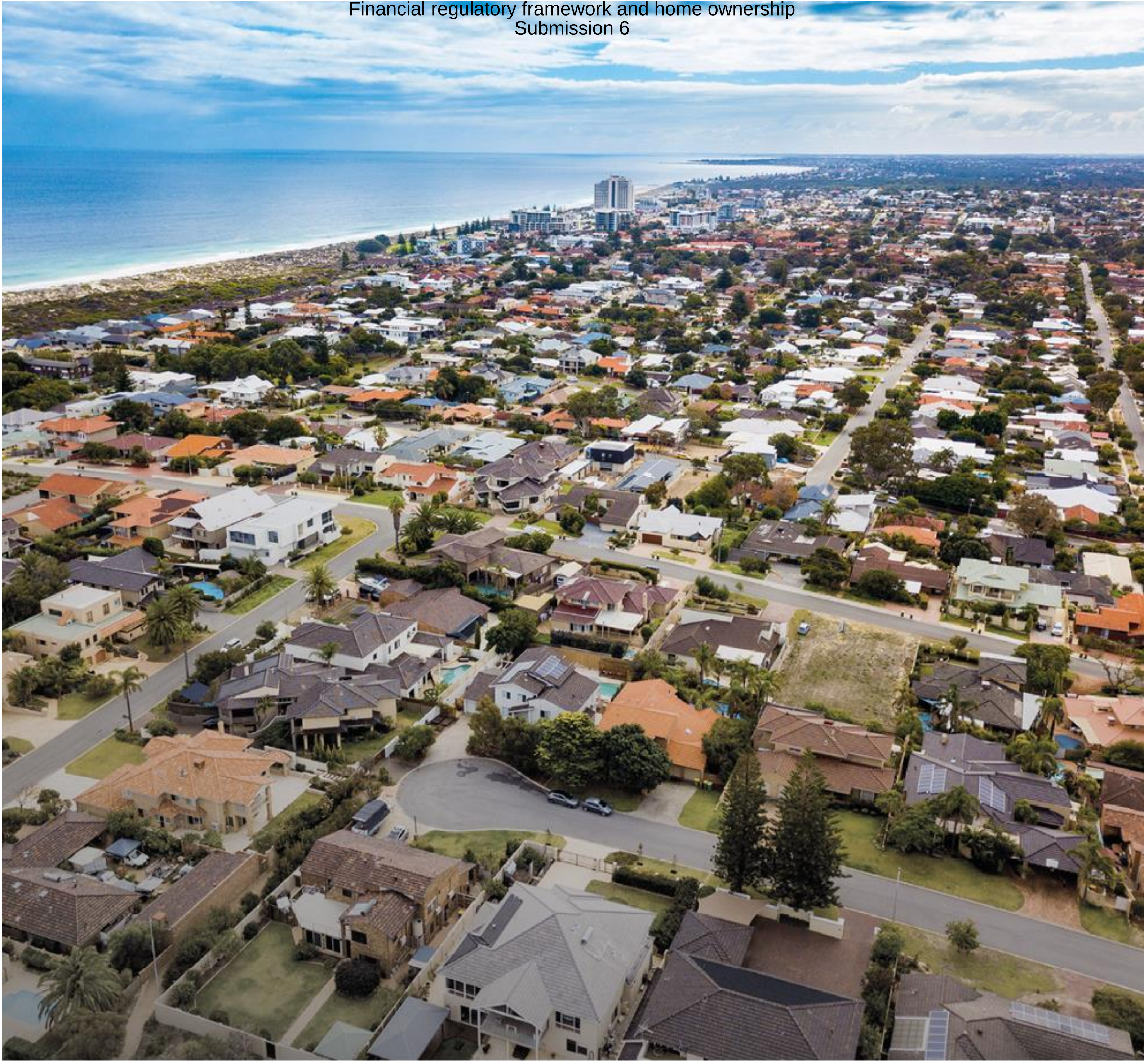
7. HIA urges that additional investment in the ABS be directed to national reporting system for land supply to enable performance benchmarking of state and local governments' delivery of new residential land for homes of varying typology.

We thank you for the opportunity to provide comments to this important inquiry, and we refer you to our enclosed full submission with links to relevant HIA reports and research papers.

Yours sincerely
HOUSING INDUSTRY ASSOCIATION LIMITED

[redacted]

Jocelyn Martin
Managing Director



HIA response to inquiry into the financial regulatory framework and home ownership

Submission to Senate Standing Committees on Economics

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About the Housing Industry Association

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 170,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

Contributing over $100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

> *"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."*

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 22 centres around the nation providing a wide range of advocacy, business support services and products for members, including legal, technical, planning, workplace health and safety and business compliance advice, along with training services, contracts and stationery, industry awards for excellence, and member only discounts on goods and services.

Introduction

Housing affordability in Australia reached record lows in the December quarter 2023 as higher mortgage repayments and growing prices outpaced growth in incomes. The HIA Affordability Index deteriorated in the December quarter to 52.7, which was worse than during the Global Financial Crisis in 2008. This was down by 13.3 per cent compared to the previous year.

Median earnings across Australia grew by 4.5 per cent in the year to December 2023. This was outpaced by the 7.1 per cent annual rise in dwelling prices. As a result, the typical mortgage repayment nationally increased by 20.5 per cent compared to the previous year. The decline in housing affordability is translating into home ownership falling further out of the reach of younger Australians.

Home ownership rates are in decline. At the most recent Census of Population and Housing (2021), the proportion of private dwellings that were owner-occupied was 67 per cent, the lowest figure recorded since 1954. The data revealed some concerning trends amongst younger age categories, for example, the home ownership rate of 30–34 year-olds was 64 per cent in 1971, decreasing 14 percentage points to 50 per cent in 2021. For Australians aged 25–29, the decrease was similar – 50 per cent in 1971, compared with 36 per cent in 2021.

Some culpability for declining home ownership rates in Australia lies with the considerable restrictiveness imposed on macroprudential frameworks for home lending from the Australian Prudential Regulation Authority (APRA). APRA has maintained a significant degree of risk aversion in its stance on home lending. Data on mortgage arrears and rates has remained relatively unchanged over the last ten years which points to the ongoing strength in household balance sheets and the unnecessary degree of risk-aversion from the regulator.

In the years since the Global Financial Crisis (GFC), Australia's financial market and banking regulators have sought to create an 'unquestionably strong' financial system. This decade of reforms has reduced risk in the system but has come at a cost. This cost is borne by first time home buyers in particular who are being forced out of the market, which is contributing to the decline in homeownership.

HIA is therefore pleased to provide the following submission to the inquiry into the financial regulatory framework and home ownership. HIA will specifically comment and provide recommendations on the following points under review in the stated terms of reference:

1. *Australian Prudential Regulation Authority prudential standards and Corporations Act 2001 provisions for lending*

5. *The tax treatment of residential property and impacts on demand and house prices*

6. *The adequacy of metrics available to policymakers for monitoring the ratio of new housing supply relative to population growth*

Summary of Recommendations

1. Initiate an eminent person review of the impact of the adverse impacts and effectiveness of macroprudential regulations introduced since 2008. This review should focus attention on the adequacy of existing governance arrangements to balance the need for stability within the sector and the adverse impacts on households. This review, in a similar vein to the Campbell Committee (the Australian Financial System Inquiry) which took place in 1979-1981, should also determine if these measures have provided a net-benefit.

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4. APRA to support a target band of residential mortgage arrears rate of 2–3 per cent.

5. Increase the funding and resourcing of the Centre for Population and the ABS to improve population growth forecasting. State and local councils cannot be held solely accountable for the under supply of housing without also receiving credible forecasts of overseas migration from the Australian government.

6. Increase the funding and resourcing of the ABS to source and report land and housing data with a particular focus on survey expansion and reducing reporting lag times on key housing publications.

7. HIA urges that additional investment in the ABS be directed to national reporting system for land supply to enable performance benchmarking of state and local governments' delivery of new residential land for homes of varying typology.

Discussion & recommendations

I. Australian Prudential Regulation Authority prudential standards and Corporations Act 2001 provisions for lending

An unquestionably strong financial system is essential for a well-functioning economy and is a worthy objective for regulators. But if the regulatory environment becomes so restrictive that banks are prevented from taking on fair commercial risks associated with mortgage lending to average households, can the economy be considered 'well-functioning'?

In the years since the Global Financial Crisis (GFC), Australia's financial market and banking regulators have sought to create an 'unquestionably strong' financial system. This decade of reforms has reduced risk in the system but has come at a cost. This cost is borne by first time home buyers who are being forced out of the market, which is contributing to the decline in homeownership.

The collapse of several major financial institutions in the US and Europe during the GFC led banking regulators around the world, including Australia, to review the regulatory landscape for the banking sector. There have been substantial changes for the industry over the ensuing decade. Given that residential mortgage lending was at the epicentre of the GFC, this has been a key focus of financial system regulators.

Concerns of a financial contagion spreading to Australia led the Government to take the unprecedented action to guarantee deposits of the major banks. Since this time, Treasury and other regulatory agencies have been working to reduce the risk of residential mortgage business within the banks for fear that they may once again be required to assume the banks' risk.

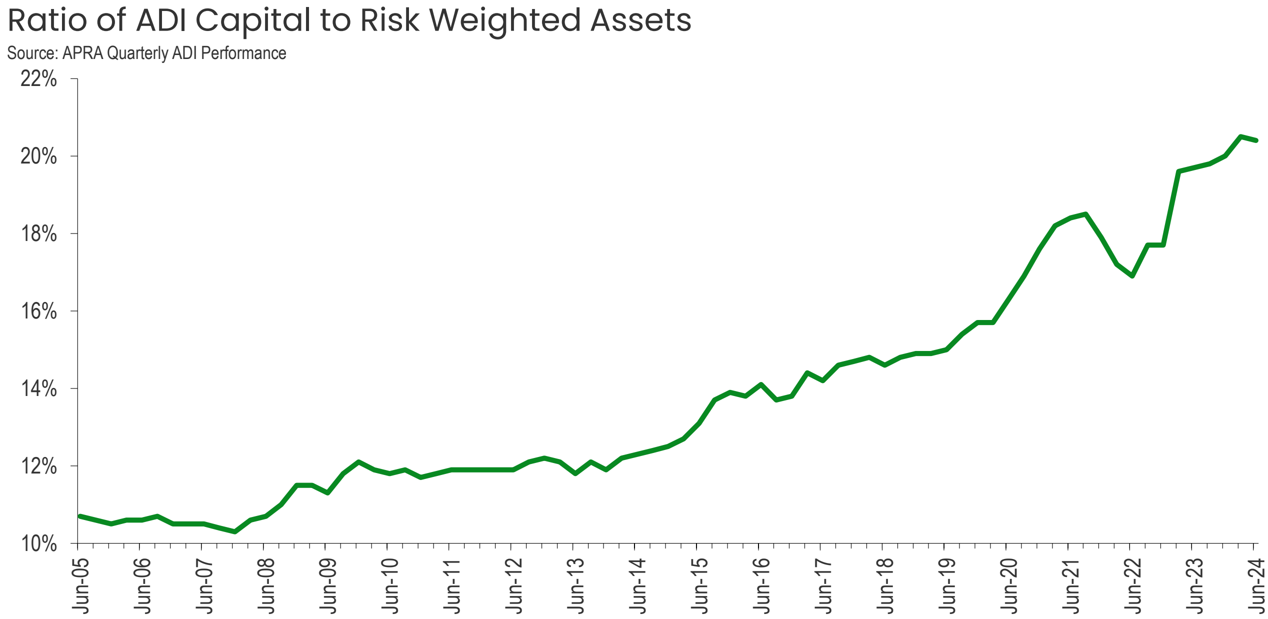
It is worth noting that while the GFC led to an increase in impaired loans, the share of lending that this affected was still very small. At its worst in mid-2010, impaired loans by ADIs (authorised deposit-taking institutions) accounted for only 1.6 per cent of lending. This figure includes all forms of lending, many of which are considered much higher risk than residential mortgage lending. This was small compared with the experience of banks in other jurisdictions during the GFC.

Despite the resilience of the Australian financial system during the GFC, the Financial System Inquiry in 2014 provided a number of recommendations to further minimise the risk to the government's balance sheet in the event of another crisis.

Since the Financial System Inquiry the government and regulators have adopted a 'belt and braces' approach designed to ensure that the banking sector is 'unquestionably strong', meaning they have enough capital reserves to withstand any conceivable financial or economic shock and that there are rules in place to prevent excessive risk taking.

The riskiness of a bank's loan portfolio dictates the amount of capital the bank must hold – a riskier portfolio of assets requires a bank to hold more capital in reserve. Recent changes imposed by the Australian Prudential Regulatory Authority (APRA) mean that lending in segments of the market that are perceived to be risky required banks to hold more capital in reserve than they had in the past, thereby increasing the cost of lending.

Since 2008, ADIs have increased their capital as a share of total risk–weighted assets from around 10.5 per cent to as high as 18.5 per cent.



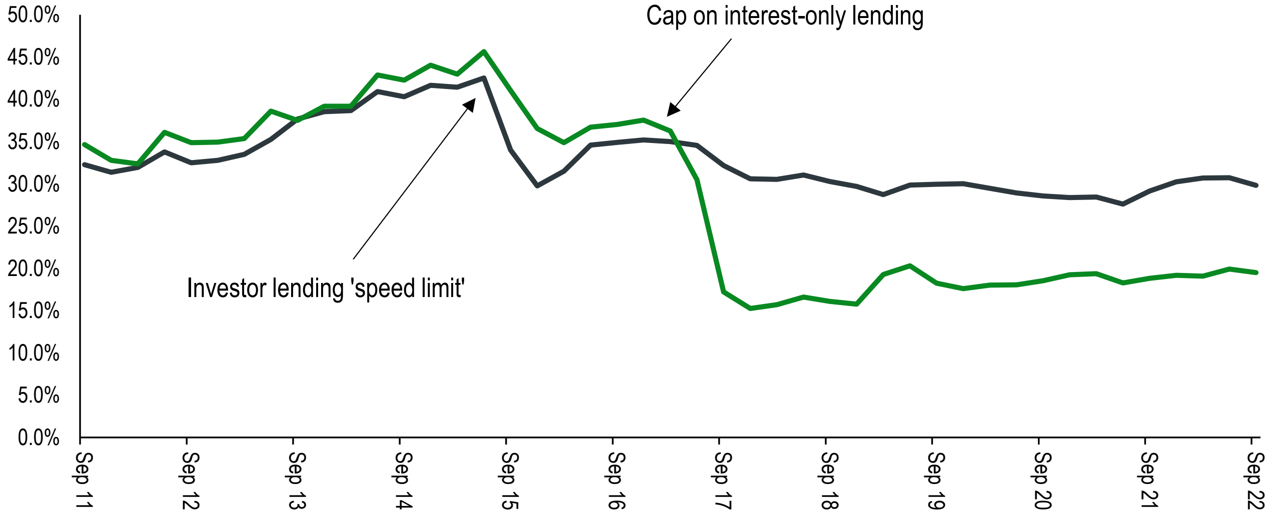
Residential mortgages were also deemed to be riskier than they had been considered prior to the GFC. This meant that mortgage lending became more capital intensive and lenders priced-in the additional costs through higher borrowing costs. This was more significant for riskier types of loans, such as interest-only loans, loans to investors, loans with high loan to value ratios and loans in riskier geographic areas.

Just in case this wasn't enough, APRA reviewed its Prudential Practice Guide for Residential Mortgage Lending in 2014, 2016 and 2019. Compared with the pre-2014 guide, the guidelines in the 2019 edition were considerably more stringent. The most recent additional constraints were the Basel IV regulations that came into effect on 1 January 2023.

Banks must now apply much greater scrutiny on the income and living expenses of applicants; there are tighter criteria for assessing loan serviceability buffers; lenders are required to discount non-salary income (such as rental income, bonuses, overtime etc.) when establishing an applicant's income; there are more restrictive criteria for assessing applications for interest-only loans; and guidelines were added for mortgage lending to self-managed super funds.

Implementation of structural reforms and the tightening of lending guidelines were already underway when the housing market began to heat up. Despite progress on these reforms, between 2014 and 2017 lending in some riskier segments of mortgage lending (i.e. investor lending and interest-only lending) was growing faster than with what regulators were comfortable.

Counter-cyclical Regulatory Interventions in Mortgage Lending to Households



Source: APRA Quarterly ADI Property

The combined impact of a decade of tightening lending restrictions means that it is considerably more difficult for many home buyers to obtain housing finance than it was prior to 2014.

Banks continue to assert that they are open for business and the RBA echoes this sentiment, noting that there is strong competition for borrowers of high quality. This is great news for 'high quality' borrowers – those with high verifiable incomes and a large asset base against which loans can be secured. But many aspiring homeowners don't satisfy the new narrow criteria of a 'high quality' borrower.

Lending to home buyers with a loan to valuation ratio (LVR) of over 90 per cent (i.e. a deposit of less than 10 per cent of the property value) exceeded 20 per cent of new lending in 2009 but now accounts for just 7 per cent of new loans. The high point in 2009 coincides with the boom in first home buyer activity in response to the GFC stimulus measures. The ability to access finance with a high LVR was a factor that assisted many first home buyers enter the market. This is no longer an option for most. In addition, lending to buyers with an LVR between 10 and 20 per cent dropped from 20 per cent of new lending to 15 per cent of new lending.

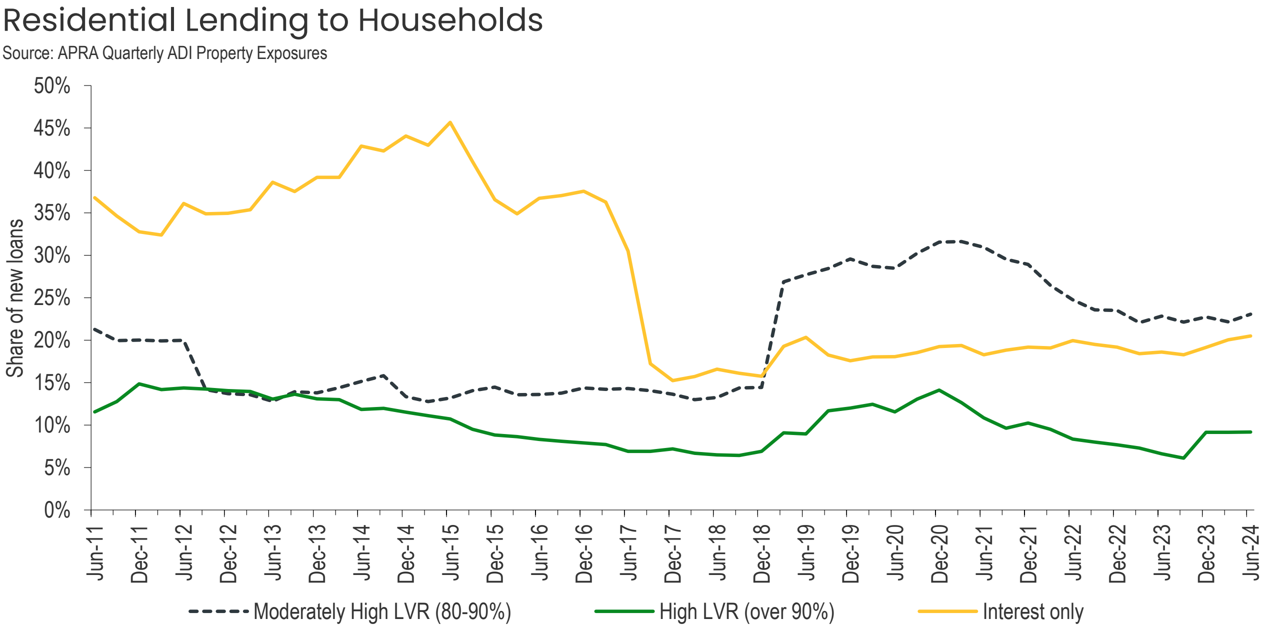
The regulatory squeeze has meant that the default risk of many of the high LVR loans, that are issued to first home buyers, are now underwritten by the Australian government through the Government's Home Guarantee scheme.

In effect, this completes the cycle of banking sector reform that commenced with the Campbell Review in the 1980's that led to the deregulation of the banking sector. Once again, the Australian government is making the assessment of which first home buyers are suitable to purchase and home and then bearing the risk of that loan.

These reforms over the past decade in residential mortgage lending have been successful in creating an 'unquestionably strong' financial system. Lenders have increased their capitalisation, they have cut back lending on terms that are perceived to be high risk and they managed to implement temporary measures to lean against a property boom.

The problem is that in the pursuit of this 'unquestionably strong' financial system, the regulatory squeeze has forced the banking sector to eliminate much of the flexibility in the mortgage market that made home ownership accessible for households of variable credit quality.

Add to this the effect on interest rates from the steepest RBA tightening cycle in a generation, and the less affluent end of the financial spectrum is at a serious disadvantage heading out of the pandemic.



Ensuring that home ownership remains an attainable aspiration for Australian households is an equally important objective to financial system strength.

The regulatory system is in place to ensure that the financial system serves the needs of the Australian people. Australians expect the financial system to facilitate home ownership for all, not just those who regulators consider 'worthy'. An overly restrictive lending system risks creating inequitable outcomes.

The tighter regulatory guidelines for mortgage lending have excluded many aspiring homeowners from the market. Fortunately, governments have recognised the adverse impact on first home buyers and established policies to support their entry to the market. First home buyer schemes, shared equity and stamp duty concessions exist in many jurisdictions.

These schemes support some first home buyers, but many are still confronted with these barriers when attempting to secure finance.

Having an "unquestionably strong" financial system is essential to the future of the building industry, but home ownership must remain an attainable goal for all Australian households.

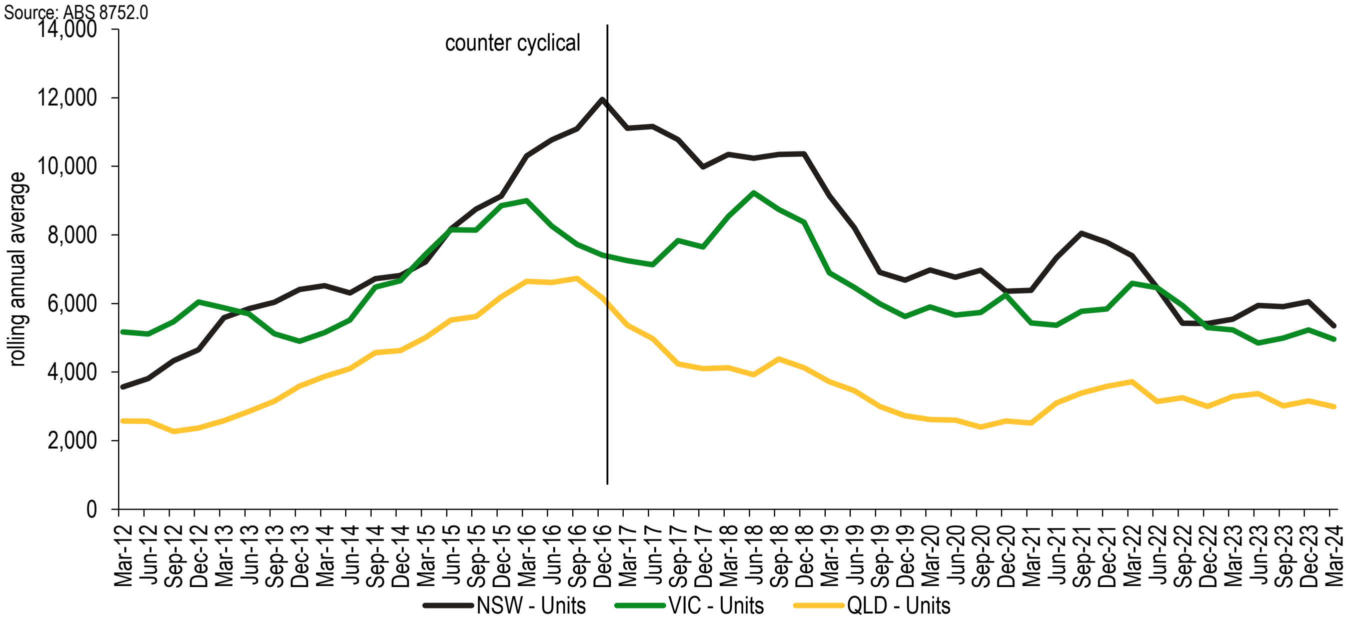
Regulations to reduce housing supply

On top of the discussed restrictions, APRA implemented a series of counter-cyclical regulatory interventions to slow lending at the peak of the housing market. The interventions included a 10 per cent per annum 'speed-limit' on investor credit growth and a cap on interest-only lending. The speed limit on investor lending growth was withdrawn by April 2018, and the cap on interest-only lending was removed in January 2019.

Implementation of structural reforms and the tightening of lending guidelines were already underway when apartment construction accelerated from 2014 onwards. Despite progress on these reforms, between 2014 and 2017 lending to investors and interest-only loans were constrained to slow the supply of housing.

Unit commencements in NSW, VIC and QLD

Source: ABS 8752.0



The measures introduced to restrict lending are not the sole factors responsible for the structural undersupply of housing, they appear, to have contributed to the undersupply and set the scene for a series of state government interventions to further restrict the supply of homes.

This problem has been compounded by numerous foreign investor surcharges on property taxes in various capital city markets. For example, NSW introduced additional stamp duty and land tax surcharges on foreign investors from 2017. These taxes are in addition to those taxes, fees and charges imposed on foreign investors by the Commonwealth Government. Since the introduction of punitive rates of stamp duty on foreign investors, they have withdrawn from the Australian market, and we have seen the volume of apartments commencing construction falling by as much as 50 per cent in each capital city.

Foreign investors are able to invest capital in a plethora of other viable international markets. Therefore, property taxes and foreign investor surcharges are a deterrent to investment in Australia and will certainly result in redirection of foreign capital to other markets, and therefore fewer homes built in Australia. So while foreign investor surcharges on property taxes may result translate into an additional revenue stream for state governments, there is the cost of forgone investment in the domestic housing market. The outcome is reduced housing supply which will result in a reduction property taxation revenue. On balance, there is a probability of a revenue-negative result.

Recommendations:

1. Initiate an eminent person review of the impact of the adverse impacts and effectiveness of macroprudential regulations introduced since 2008. This review should focus attention on the adequacy of existing governance arrangements to balance the need for stability within the sector and the adverse impacts on households. This review, in a similar vein to the Campbell Committee (the Australian Financial System Inquiry) which took place in 1979-1981, should also determine if these measures have provided a net-benefit.

2. Assess the efficacy of the actions of APRA and ASIC initiatives that were intended to slow the volume of apartment construction over the past decade and their contribution to the shortage of housing stock.

3. Appoint an independent Board to provide oversight to the financial regulatory framework implemented by APRA and ASIC, similar to the RBA governance. This Board would not replace the club of regulators that currently review each other's efforts to introduce new regulations, rather to temper these measures against broader economic and social goals. The oversight authority should ensure that future macroprudential initiatives achieve their objectives while monitoring for unintended consequences.

4. APRA to support a target band of residential mortgage arrears rate of 2–3 per cent.

II. The tax treatment of residential property and impacts on demand and house prices

In collaboration with the Centre for International Economics (CIE), in 2019, HIA released a report- *Taxation of the Housing Sector* which shows that housing is one of the most heavily taxed sectors of the economy. The comprehensive investigation was an extensive bottom-up research and analysis exercise, and the report broadly found that housing is one of the most heavily taxed sectors of the economy and detailed the following related key findings:

- The housing sector, via land tax, municipal rates, other taxes on immovable property and stamp duties, directly contributes around $51 billion in taxation revenue each year to state and local governments in Australia (about 10 per cent of the total revenue collected by all tiers of government).

- Dwelling ownership and housing construction provide 14 per cent of total GST revenue, despite providing only 11 per cent of economy wide Gross Value Added. Taxes and regulatory costs add substantially to the cost of housing.

- The total outlay made to acquire a new home includes resource costs (the processes, materials and work that go into creating it), statutory taxes (GST, income taxes, stamp duties, etc.), regulatory costs (cost increases that are created when government policies restrict the supply of land and housing relative to demand), and excessive charges (where the price charged for government services or infrastructure is more than the resources required to provide these items).

- In 2016-17, in Sydney, it was estimated that of the total outlay made to acquire a new house & land package in a Greenfield estate (about $841 000), only 50 per cent of this outlay reflects resource costs (about $424 000). The other 50 per cent (around $417 000) is made up of regulatory costs, statutory taxes and excessive charges (which are respectively: 26 per cent, 21 per cent and 2 per cent of the outlay).

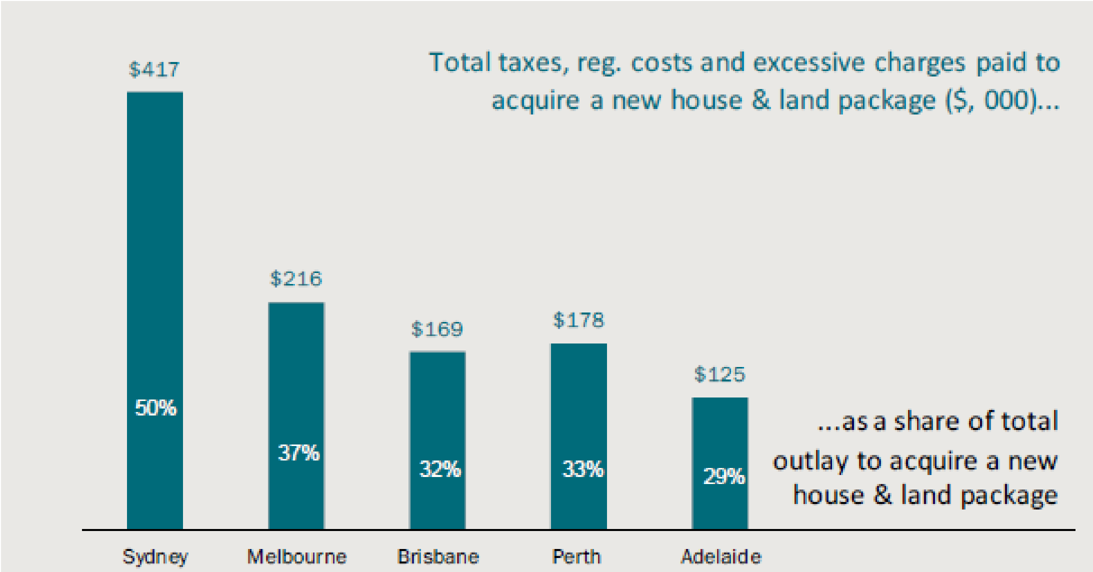
- In other cities, the estimated share of the total outlay attributable to regulatory costs, statutory taxes and excessive charges are Melbourne: 37 per cent, Brisbane: 32 per cent, Perth: 33 per cent and Adelaide 29 per cent (see chart below).

- For new apartments in Infill developments, as a share of the total outlay, we estimate the regulatory costs, statutory taxes and excessive charges are Sydney: 37 per cent, Melbourne: 35 per cent, Brisbane: 34 per cent, Perth: 32 per cent and Adelaide: 28 per cent.

- Regulatory costs on land are driving differences in the cost of housing across Australian cities. CIE estimates that the regulatory costs created by the system of zoning and associated development controls are more substantial in Sydney greenfield development than in other cities, and higher in greenfield development than in apartment development. This is the biggest factor driving differences in the cost of housing.

- Analysis with an economy-wide model suggests that the majority of the increase in costs from the taxes and regulations will be borne by consumers.

1 Total statutory taxes, regulatory costs and excessive charges paid within total outlay to acquire a new house & land package in a Greenfield estate (2016-17)



Data source: The CIE

We refer you to: [CIE report, *Taxation of the Housing Sector* (2019)].

III. The adequacy of metrics available to policymakers for monitoring the ratio of new housing supply relative to population growth

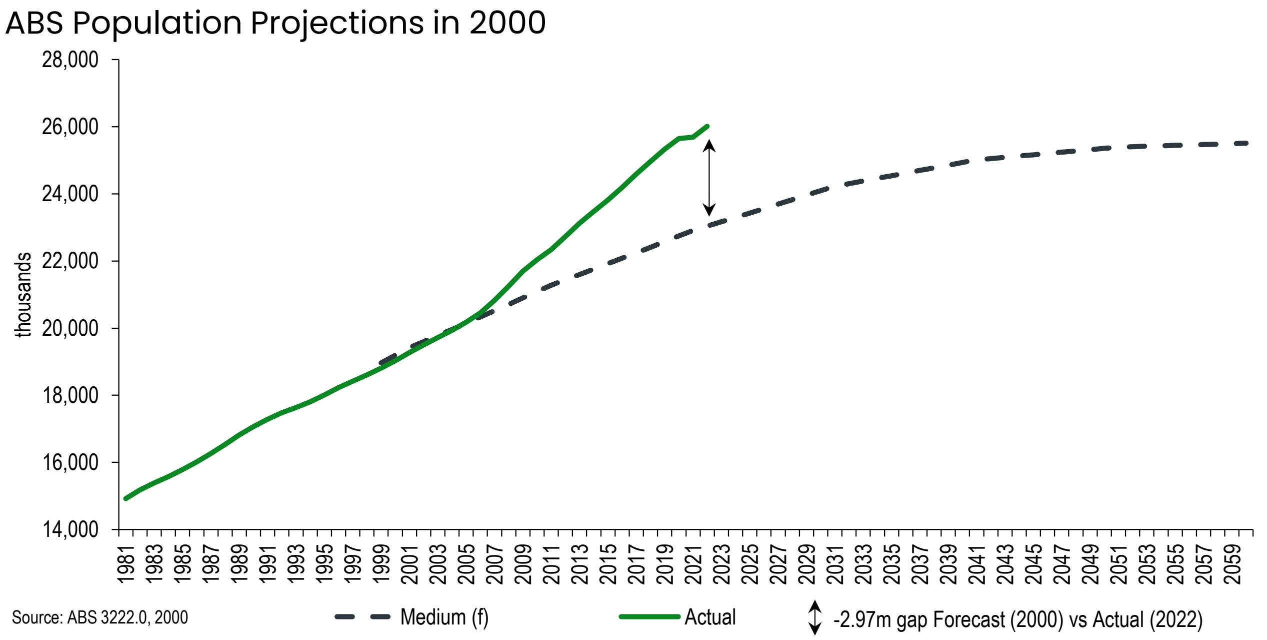
Policy makers are limited in the data available for adequate and timely monitoring of housing supply relative to population growth. Good decision making relies on good information. Improving the breadth, quality, timeliness and reliability of housing data will enable all levels of government, and businesses, to make better informed decisions about resource allocation. Improving the quality of decisions will lead to more efficient operations for businesses and enable governments to better align policy settings with community needs.

Population data

Underestimation of population growth is a systemic policy failure that compounds the challenge of delivering sufficient housing and boosting home ownership rates. The home building industry has long championed the need for stable and reliable population growth, and the consequences of this stop-start migration outcome is that housing and infrastructure investment have not kept pace with the sudden change in population growth. Building takes time and planning for housing and infrastructure provision requires reliable long-term forecasts of population.

But even outside of the extraordinary events of the pandemic, Australian Government agencies have demonstrated an unsatisfactory level of accuracy in population growth forecasting, characterised by perpetual underestimation.

The ABS projections from 2000 provide a notable illustration of the underestimation of Australia's prospective population growth. According to the projections, Australia was expected to have slightly above 23 million people by 2022. However, the actual figures revealed a population of over 26 million, indicating an under projection of around three million people.



The Australian Government has constantly revised upwards its past projections of Australia's future population figures in different publications. This seems to reflect a conservative preference in population forecasting.

There were four publications in 2023 where the Australian Government estimated population growth: the *Population Statement* from the Centre for Population, the *Federal Budget 2023-24*, the *Intergenerational Report* (IGR) and the ABS Population Projections. The annual growth rate for some of these projections are as follows:

- The Population Statement implies an annual growth rate of 1.5 per cent within its projection period to 2033.
- The Federal Budget projections shows a growth rate of 1.4 per cent between the start of 2022 to the end of 2034.
- The ABS high growth scenario projects a rate of 1.3 per cent in the next 30 years, while the medium scenario is just 1.0 per cent to 2051.
- The growth rate in the IGR to the end of its projection period, 2063, is 1.0 per cent per annum.

Australia's population grew at an annualised rate of 1.6 per cent in the decade before the pandemic. Using this same rate over 26 million implies that Australia's population will reach 41.2 million in 2051. On the other hand, under a 1.3 per cent growth rate, for example, the population in 2051 would only be 38.3 million.

This will mean that Australia could fall short of its projection of housing need by 1.8 million (using the simple Census-based assumption of average household size of 2.5 persons). The nexus between population and infrastructure is clearly lagged, which makes it easier to under-project early on but inevitably realised rates of increase are much larger.

The Australian Government sets migration policy including migrant visa caps, which accounts for a large proportion of population growth. Given this, consideration must therefore be given to improving the funding and personnel of certain Commonwealth agencies in the necessary pursuit of more robust measures and forecasts of future population.

Land and housing data

Providing Australians with the housing that they need necessitates that we soundly grasp the volume and type of housing that they need. Underlying housing demand estimates and projections are important because they underpin policy direction and decision-making. Measuring underlying housing demand is vital to ensure that the appropriate policy settings are deployed by government and the Reserve Bank to support adequate housing supply for that perceived demand.

The ABS is Australia's premier objective statistical agency and its stated mandate is to inform Australia's important decisions by delivering relevant, trusted, and objective data, statistics, and insights. The delivery of sound and adequate data on land and housing falls within this remit. It is therefore critical that the ABS and other government agencies are adequately resourced to collect and publicly report a wide range of housing data. It is critical that the Commonwealth Government recognise and provide resourcing to reflect this as a long-term priority.

It is primarily ABS data that informs our efforts to assess present and future the demand for housing. Underlying demand for housing, whether people rent or own their own home, is fundamentally determined by the size of our population and the number of people that live (on average) in each dwelling. These two variables are the primary determinants of our housing demand. The two primary determinants of projected future housing demand are net population growth projections and future new home building projections.

New home building projections for the short and medium term are undergirded by ABS data reporting on key leading indicators, such as housing finance (loans for home purchases by cohort) and building approvals (number and value). Accurate and timely reporting of such indicators is paramount to forecasting the underlying demand for housing in the short, medium and long run.

Data of this kind informs commercial decision-making of firms in the market and even adjacent market sectors such as retail, hospitality and healthcare. However, data of this kind also informs the policy settings employed by all levels of government- Federal, State and Local. An investment in improving ABS data collection could aid the flexibility and timeliness of policy action from multiple levels of government.

HIA therefore urges additional funding for the statistical agency with a particular focus on improving the rigour of survey-based publications and reporting lag times on key housing publications.

Recommendations:

5. Increase the funding and resourcing of the Centre for Population and the ABS to improve population growth forecasting. State and local councils cannot be held solely accountable for the under supply of housing without also receiving credible forecasts of overseas migration from the Australian government.

6. Increase the funding and resourcing of the ABS to source and report land and housing data with a particular focus on survey expansion and reducing reporting lag times on key housing publications.

7. HIA urges that additional investment in the ABS be directed to national reporting system for land supply to enable performance benchmarking of state and local governments' delivery of new residential land for homes of varying typology.

Conclusion

From 1999–00 to 2019–20 the percentage of Australian households that own their own home decreased from 71 per cent to 66 per cent. The decade of additional regulatory imposts has made it increasingly expensive for banks to lend to first home buyers and reduced competition among banks to lend to first home buyers. Therefore, an assessment of the merits and benefits of these measures is warranted and the need to reform oversight of future regulations is evident.

Home ownership rates can also be supported and increased through a reduction in the taxation of new housing. New housing is one of the most highly taxed and regulated sectors in the economy. Taxing housing contributes to less homes being built, leading to higher rents and a deterioration in housing affordability. Up to 50 per cent of the cost of a new home is taxes, fees and charges. Structural reform of housing taxation is warranted, but at the very least, an assessment of the efficiency of existing taxes on homes and the adverse impact on supply is warranted.