Submission to Senate Select Committee: Housing Affordability in Australia

With respect, the parameters of the Committee's hearings appear misaligned with the central questions of affordability and the social and economic stresses associated with sustaining a home, regardless of its tenure. We know from extensive research in this area that the majority of people in housing stress are in the private rental market. The specific questions of the Committee are addressed below:

a. the taxes and levies imposed by state and territory governments;

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b. the rate of release of new land by state and territory governments;

Release is seen as an issue by housebuilders but there are other important and strategic issues to consider:

- What is the geography of this potential supply – will we be building unsustainable and under-served suburbs in the future? Alternatively, where this land is connected to existing metropolitan areas, will this lead to overspill and sprawl?
- There should be an expansion of current land audits to focus, less on State and Federal land, and more on 'brownfield' and contaminated land sites, often in more centrally located areas. An informal audit in cities like Hobart, to take one example, highlights extensive misalignment of low density uses in central city areas that could help promote extensive residential supply.

c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;

Existing subsidies, such as the First Homeowner Grant, have inflated prices, provided an unnecessary and indefensible windfall to high income buyers as well as doing nothing to boost supply-side responses. In addition the cost to the Federal government annually is roughly the same as that spent through the Commonwealth-State Housing Agreements on public housing (around a $1bn). This is grossly inequitable and has done very little to address the core issues.

d. the role of all levels of government in facilitating affordable home ownership;

A more consensual approach to resolving many of these issues is required and now appears to be on the table. In addition there appears to be a stronger willingness to engage with research evidence which is to be welcomed.

Some way of tackling the political football of the various State housing debts would be an important investment in public housing (and could have performance or other related targets, such as boosting supply in this sector, attached to it) and make good sense in public sector accounting terms by reducing existing debt. In a time of significant Government wealth, such spending would be a significant means of addressing future problems in this sectors.

The role and need for investment in public and community housing should be explicitly recognized and see significant new rounds of investment. This offers not only the prospect of helping to remedy acute housing need and homelessness but all such supply-side responses will help to stabilize the overall system which is, in many cases, both at capacity and, in the case of public housing, contains only the least well-off. This has resulted in stigmatization, ghettoisation and a range of profound impacts on other social and economic outcomes. ***Our group is to spearhead a national initiative on the re-branding and destigmatisation of public housing later this year.***

e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;

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f. the role of financial institutions in home lending; and

Greater scrutiny is needed of lending practices, though such actions are now likely to appear after the horse has bolted. Yet complacency now on the issues of housing stress (in all tenures), broader consumer spending (and its relationship to overall economic growth) and debt is likely to yield even more significant macro economic and household problems in the future. This may include high repossession rates (growing strongly now, but from a very low baseline), 'walk-away' owners (should prices downturn on properties to which 100% mortgages have been applied) and significant stress occurring in balancing repayments and other essential outgoings.

Governments have successively contributed to an understanding of the home as a wealth generating mechanism, this dominant understanding has likely helped to contributed to over-investment in housing and the over-stretching of lower income households who have been enabled by the greater availability, and higher cost, of consumer credit.

g. the contribution of home ownership to retirement incomes.

Future equity generated by homeownership may be threatened in a number of areas. First, the rise in house costs generally has seen equity withdrawal used to help other family members achieve entry to homeownership (thus also helping to prop-up prices that would otherwise have had to deflate to match the incomes of these buyers in the past). Second, equity withdrawal over the lifetime of ownership ('borrowing to live') may lead to final yields being significantly lower than for previous generations. Third, international and national problems around credit have led to stockmarket instabilities that have affected the superannuation prospects of groups more generally.

We also submit the Urban 45 report as evidence, this is a large document and so can be downloaded from: http://www.rmit.edu.au/urban45 The first entry is on housing affordability and provides both a succinct summary and set of policy responses around these issues.

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http://www.utas.edu.au/sociology/HACRU/index.htm