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TaxRev.reps@aph.gov.au

House of Representatives Standing Committee on Tax and Revenue
PO Box 6021
Parliament House
Canberra ACT 2600

PO Box 4093
Ainslie ACT 2602
T (02) 6230 1775
F (02) 6230 1704
anglicare@anglicare.asn.au
www.anglicare.asn.au

Dear Committee Members,

Re: Inquiry into housing affordability and supply in Australia

Anglicare Australia thanks the Standing Committee on Tax and Revenue for the opportunity to submit to this Inquiry. This inquiry is the latest of many inquiries by House or Senate committees examining housing affordability over the last two decades. It is clear from the recommendations of these inquiries, the Commonwealth can lead action to solve Australia's housing supply and affordability problems. To fix these long-standing problems, funding and policy reform must focus on measures to assist low- and moderate-income households.

There is clearly a housing affordability crisis in Australia. Over a million lower income households are paying housing costs which exceed the affordability benchmark of 30 percent of household income. This letter will focus predominately on the impact of housing affordability and supply problems that affect people on low and moderate incomes, and those whose needs are otherwise not being met in the private market. This includes people with disability and Aboriginal and Torres Strait Islander people.

Housing supply issues are largely a State and Territory policy responsibility. However, the Commonwealth has significant influence on the housing market. This influence can be direct, for example, through funding for first homeowners' grants, immigration policy, and funding for social housing and homelessness services through the National Housing and Homelessness Agreement. Indirect Commonwealth influence includes control over tax policy such as the GST and capital gains tax, interest rates via the Reserve Bank; and macroeconomic policy. A coordinated national response is urgently needed to address housing affordability and lack of supply for people on low incomes.

Recommendation: A national housing strategy

Anglicare Australia calls on the Commonwealth Government to develop a national housing strategy. This should be overseen by a Cabinet-level Minister, with work conducted in a central agency, such as Treasury, or through the establishment of a dedicated statutory agency.

Demand for housing in Australia

Housing demand and affordability are related to a complex interaction of factors. But in general, there is no direct relationship between housing supply and housing affordability. For example, dwelling construction has continued largely unabated throughout the pandemic. And despite the drop in net immigration, housing affordability, and in particular, rental affordability, has continued to worsen in the last 18 months.

The current record low interest rates have, to some extent, ameliorated the affordability impact of rapid increases in house prices in recent years on prospective purchasers and those with existing mortgages. The most significant impact for many first home buyers is being able to pay rent as well as save for a deposit. This impact has been offset for a small number of people by Federal Government programs such as the Family Home Guarantee scheme.

Initiatives such as the First Home Buyers Grant and stamp duty discounts for first home buyers, while helpful for individual households, do not address the structural problems that are causing housing affordability to decline. Indeed, unless they are well targeted, they are more likely to exacerbate them.ⁱ

In recent years, low interest rates and ongoing capital gains have boosted confidence across housing markets and within individual households. Stimulus measures, such as the Federal Government's Homebuilder program, have turbocharged construction activity in the private housing market. Low interest rates and construction sector stimulus have not, however, been of any assistance to people on low to moderate incomes who are struggling to access or afford rent in the private rental market. It makes very little difference to an electrician or carpenter whether they are working on renovations or an extension to an established home, or helping to build new housing for people in need. Anglicare Australia believes that the latter is a better use of Government stimulus finding.

Recommendation: Better targeting of future stimulus measures

Any future construction stimulus program should be focused on driving investment in social and affordable housing.

Increase housing supply in Australia

The main supply challenges in Australia's housing market are an inadequate supply of rental housing that is affordable and available to people on low to moderate incomes; and the need to increase density in middle ring suburbs close to employment and transport. As the Grattan Institute notes in *Housing affordability: re-imagining the Australian dream*. As the report notes:

Housing prices have increased primarily because of increases in the price of land, not increases in the cost of buildings. Higher land prices mainly reflect restrictions on supplying more dwellings: much urban infill is limited by planning restrictions; and greenfield development at the urban fringe is often limited by slow release of land, planning approval delays, and uneconomic developer charges.ⁱⁱ

Contrary to the view espoused by some figures and organisations representing the property sector, there is no shortage of developable greenfield land in Australia.ⁱⁱⁱ In fact, developers hold significant stocks of greenfield land.

Recommendation: Focus development in middle ring suburbs close to transport and employment opportunities

Anglicare Australia supports the strategies to increase housing supply, particularly affordable housing and housing that is located near employment and transport, that are set out in the Grattan Institute's *Housing affordability: re-imagining the Australian dream*.

Recommendation: Reconstitute the National Housing Supply Council

The National Housing Supply Council provided essential data and reliable national modelling to quantify existing and projected housing supply. This data about housing affordability and its availability to people in housing was crucial. In its absence it is much harder for agencies to plan an adequate response to housing need. A National Housing Supply Council is essential to guiding responsible future policy and funding responses.

Address rental affordability

The private rental sector is the fastest growing part of the Australian housing system, growing at more than twice the rate of household growth. There has been an increase in supply in mid-market private rentals, but an acute, and increasing national shortage of private rental dwellings for people on low incomes. People on middle and higher incomes continue to occupy affordable rental dwellings.^{iv}

The proportion of gross household income spent on private rental housing in Australia has been increasing for the last 25 years.^v People on low to moderate incomes, and those living on income support payments, have been disproportionately affected. Anglicare Australia's Rental Affordability Snapshots have shown that rental affordability has continued to decline.^{vi}

The proportion of households renting in the private rental market has increased from 18.4 per cent in 1994-1995 to 27.1 per cent in 2017-18. During the same period, the proportion of social housing has almost halved, dropping from 5.5 to 3.1 per cent.^{vii} The annual Report on Government Services, collated by the Productivity Commission, shows that the proportion of people living in rental stress after receiving Commonwealth Rent Assistance (CRA) continues to climb.^{viii}

Invest in social housing

When people are unable to afford private rental, pressure is placed on community and social housing and crisis accommodation services.

The City Futures Research Centre estimate the current national unmet need for social and affordable housing is 651,200 dwellings.^{ix} The Everybody's Home campaign, of which Anglicare Australia

is a member, is calling for 500,000 additional social and affordable housing dwellings to be built.^x

Since 1996, the quantum of funding in the Commonwealth State Housing Agreement and subsequent agreements (the National Affordable Housing Agreement and the current NHHA) has decreased in real terms. The only time that it increased in a meaningful way was as a part of the 2009 Nation Building and Economic Stimulus program's investment in 18,000 new social housing dwellings. This stimulus was short-lived, and the proportion of social housing stock in Australia has since continued to fall relative to the total housing stock.

The per capita nature of the payments, which are paid to each jurisdiction based on their population, offer a higher subsidy for each existing social housing dwelling in states and territories with lower levels of social housing. This particularly disadvantages states such as South Australia and Tasmania, which have higher levels of social housing.

Recommendation: Invest in building more social housing in areas of high need

Social and affordable housing is the most cost-effective solution to homelessness. The affordable rents, security of tenure, and other supports available to financially vulnerable people in social housing provides a safe and stable home for people locked out of the private housing market. It's also smart economic policy. Building social housing generates economic activity, creates jobs and saves money in additional crisis service costs.

Recommendation: Establish a growth fund to build social and affordable housing

Anglicare Australia supports National Shelter's call for Federal housing funding to be separated into funding for growth and an operating subsidy.

Anglicare Australia supports the detailed submissions of other organisations to this inquiry, including the Community Housing Industry Association's. We would welcome the opportunity to discuss the issues raised in this submission with you.

Yours sincerely



Kasy Chambers
Executive Director

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- ⁱ Eslake, S (2015) [Submission to the Senate Economics References Committee's Inquiry into Affordable Housing](#).
- ⁱⁱ Daley, J and Coates, B (2018) [Housing Affordability: Re-imagining the Australian Dream](#).
- ⁱⁱⁱ Murray, C (2020) [The truth behind the housing supply nonsense](#).
- ^{iv} Hulse, K et al. (2019) [The supply of affordable private rental housing in Australian cities: short-term and longer-term changes](#).
- ^v Australian Institute of Health and Welfare (2021) [Housing affordability](#).
- ^{vi} Anglicare Australia (2021) [Rental Affordability Snapshot](#).
- ^{vii} Australian Institute of Health and Welfare (2019) [Australia's Welfare 2019: Home ownership and housing tenure](#).
- ^{viii} Productivity Commission (2021) [Report on Government Services: Housing and Homelessness](#).
- ^{ix} Troy, L et al. (2019) [Estimating need and costs of social and affordable housing delivery](#).
- ^x Everybody's Home (2021) [A national housing strategy](#).