

Opportunity Lost? Submission to: Developing the *National Housing and Homelessness Plan*

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1. Introduction

We commend the Albanese Government for showing long-overdue leadership in Commonwealth housing policy after years of neglect. We welcome the opportunity to comment on *Developing the National Housing and Homelessness Plan*, which will be one of the main ways in which the Government's housing policy credentials will become manifest

The submission has three sections. Section 1 provides general comments on the NHHP process and issues paper. Section 2 calls out what we consider to be important omissions and section 3 responds to some of the specific questions asked of readers in the Issues Paper.

2. General Comments: We need to do a lot more work before we are ready to implement a National Housing Policy

As a general observation, we would encourage the Department to reconsider the process under which the National Housing and Homelessness Plan is developed, and suggest longer, more considered approach may deliver a better outcome. We have 3 main concerns.

First, we note that the Issues Paper has the feel of a document prepared by authors who are relatively new to the housing policy field. Much of the discussion reads as if it is exploratory, reflecting a lack of familiarity with the sheer scale and breadth of housing policy research undertaken both here in Australia (mainly but not only by AHURI), and also overseas. We were surprised to see, for example, that home ownership – which is the main housing tenure and the overwhelmingly preferred housing option for Australians- is given such little attention and only toward the end of the paper. It is striking that the paper gives no overall sense of how the Australian housing system operates, its different component parts, how they interrelate and the variety of troubles that now bedevil them.. A checklist of consumption issues is provided, along with statistics on attributes like tenure, but in no way does the paper provide a kind of systematic overview that we would have expected in a paper like this.

Second, despite beginning with an assurance that the Issues Paper deals with long-term policy issues (“...a 10-year national vision, across the responsibilities of different levels of government, to help guide future housing and homelessness policy” (p.9)), its considerations appear to be heavily focused on issues that reflect the Department's (and its predecessors) historic role administering the Commonwealth state Housing Agreement (and now NAHA), as demonstrated by the first 4 of the 7 “focus areas” identified by the Issues Paper. This narrow policy domain is largely about homelessness and social housing funding and performance management, including Aboriginal and Torres Straight Housing. This has the benefit of focusing on high housing need, but at a cost of overlooking the wider policy context. We share with AHURI researchers (Martins et al 2023, Burke

et 2020) that the time is ripe for a National Housing Policy that is broad-based and systematic, with a clear long-term vision, goals and targets. But we are concerned such a National Housing Policy may well be beyond the capacity of the DSS to develop and administer. Housing policy capability within the Federal public service after more than a decade of neglect is an issue worthy of attention in its own right.

Our third concern is about the volume of housing policy papers being published right now, as well as the proliferation of new agreements¹, policy initiatives and new organisational units, without an overarching National Housing Policy to guide their purpose, content and focus. We note in particular the massive Productivity Commission Report (2022) into the National Affordable Housing Agreement, with all its attendant assumptions and recommendations that point in a firm direction and which in our view are so broad in scope they surely go beyond the Commission's terms of reference. Amongst other things, the Productivity Commission has concluded that the next NAHA should be broad-based, covering all direct government expenditure – from recurrent and capital grants for social housing, to first home buyer subsidies through to rent assistance – as well as measures affecting housing supply (including planning and regulations affecting the construction industry). Remarkably, it omits to consider the largest single area of government housing assistance: tax breaks for private landlords, which the Parliamentary Budget Office estimates to be worth \$39b (<https://www.pbo.gov.au/publications-and-data/publications/costings/implied-budget-cost-supporting-rentals-through-investors-tax-breaks>). It recommends Government should not support people into home ownership, even though Australian government taxation support for home owners is amongst the lowest of all governments in the OECD (<https://www.oecd.org/els/family/PH2-2-Tax-relief-for-home-ownership.pdf>) and it is precisely this form of assistance that is most popular with Australians for whom a home 4.2.4) of one's own remains the overwhelming housing preference (see below).

Moreover, by default it appears happy to support growth of private rental by ignoring the huge indirect support for investors. It recommends an expansion of a more broadly based but better targeted Commonwealth Rent Assistance, but fails to mention those outlays have no accountability measures attached to them. The Productivity Commission clearly intends the new NAHA to be a defacto vehicle for implementing a National Housing Policy, but it has been written and published without a National Policy – and associated consultation and mandate -- to give its deliberations legitimacy.

The Interim National Housing Supply Council (2023) has also chimed into the policy arena with a report advocating for an expansion of institutional investment in private rental housing (Build to Rent) again implying that home ownership is no longer relevant and that somehow 'BTR' is an important housing solution without acknowledging the evidenced problems (see section 4.2.4)

Taken together, the Productivity Commission report and the Interim National Housing Supply Council paper will, if implemented, dramatically reshape Australian housing policy. They represent a confirmation that mass home ownership is to be a thing of the past, and that institutional capital will be encouraged to account for a growing share of (rental) housing investment. And all this before the Issues Paper much less the long-term policy have been given the chance to be finalised. The question that needs to be asked is whether Government should so readily and by default rather than policy

¹ Federal initiatives since the Albanese government was elected 2 years ago include the Social Housing Accelerator (originally \$2b but increased to \$3b following agreement with the Greens over the HAFF), The Housing Australia Future Fund (\$10b), the National Housing Accord MKII (\$3b), and the Shared Equity Scheme due to start next year.

deliberation acquiesce to the end of universal home ownership as an Australian value and practice. This is not pie in the sky. Over the last thirty years dozens of OECD countries have expanded ownership and many beyond the rates of ownership Australia achieved at its 1970s peak (Burke et al 2020).

We would have welcomed advice in the Issues Paper as to how these various Commonwealth agencies and their recent reports might be pulled together to form a coherent policy presence. Are their recommendations open to review, after the National Housing Policy is agreed? Will they be acted upon in the meantime? We would also have welcomed a discussion about the basis on which an overarching vision of the National Housing Policy is to be developed. Is it to be based on Australian's housing preferences? Is it to be based on benign assumptions about private rental markets together with an anti-home ownership bias, as is evidenced by the Productivity Commission's report? Where do inequalities fit into the picture, or is it simply to be about redistributing consumer subsidies to the very poor? Are the substantial private industry subsidies such as negative gearing to be part of the conversation, or are they to be assumed away as is implied by the Productivity Commission?

Without first having offered answers to these foundational questions, the Issues Paper's structured consultation process may well generate a lot of responses but it is unclear how all these responses will be woven into what is to be the overall objective, strategy, or vision of housing policy and how these are to be realised.

Another general observation, we note that published opinion polls provide a compelling and clear evidence base on which to form a National Housing Policy, yet they are strangely missing from the Paper. In their relatively recent and detailed analysis of housing preferences, Stone, Rowley, Parkinson, James and Spinney (2018) found that over 90% of all home owners see home ownership as their preferred long-term tenure. Less than 6% felt that a move from home ownership to rental would be desirable (2% and 1% of those in mid-life or older), while three quarters or more of tenants would prefer to be home owners (2018: pp22-23). Home ownership remains by a country mile the Great Australian Dream.

Recent research for Essential polling company (<https://essentialreport.com.au/reports/22-august-2023>) reveals a high level of disquiet about private renting and an expectation that Government should step in to help through much stronger forms of regulations. 34% of respondents to their August 2023 survey supported a freeze on private rents, while 44% supported caps limiting rental increases to inflation. Only 10% supported no controls. Their May 2023 Report found that 62% of respondents felt that the current housing system is bad for renters, while only 20% felt that way about home owners (<https://essentialreport.com.au/tag/affordable-housing>). In its June 2023 Report, Essential found that 69% of respondents felt the Government was not doing enough to support renters, while in its May Report Essential found strong support for measures designed to limit tax breaks for landlords, with 54% supporting measures clamping down on the use of trusts (only 15% were opposed), 49% supporting a proposal to limit negative gearing to one property (17% were opposed), and 36% approving the abolition of negative gearing completely (only 25% were opposed) (<https://essentialreport.com.au/tag/affordable-housing>).

The Australian Housing Monitor published by Per Capita has found similar levels of concern about the inability of the housing system to meet expectations, the roles of banks, the level of tax breaks of investors, and the role that investors play in driving up house prices (see <https://housingmonitor.org.au/issues-with-australias-housing-system/>).

These opinion polls show that the current housing system is not able to meet Australian's aspirations and that there is a strong level of support for Government measures designed to make it work more efficiently and fairly with the goal of returning Australia to a home owning society. There is also widespread disquiet about the ethical standards of large corporations, especially overseas owned ones, banks and finance institutions, real estate agents and developers (see for example the Governance Institute's 2023 Ethics Index Report <https://www.governanceinstitute.com.au/media/888020/2023-ethics-index-report.pdf>). These findings provide a clear set of signposts for the Issues Paper to follow in developing a National Housing Policy. They also demonstrate that for most Australians, what is needed is not policy tinkering. It is wholesale, systematic reform.

Bearing all this in mind, we would suggest the current consultation process around a ten-year plan be seen an information gathering process to (1) guide some immediate policy solutions (a three year national housing and homelessness plan) directed at the current crisis together with a "headland" statement setting out the Government's draft vision² and (2) inform a second stage that provides the implementation roadmap for delivering a broad-based national housing policy and attendant strategy³.

3. Important omissions.

3.1 The institutional structure of the Australian housing system

Remarkably, the Issue Paper fails to draw adequate attention to key institutional attributes of the Australian housing system, how it compares internationally and historically and the implications of this for housing policy. Too much of the conceptual underpinning appears to rely on an assumption that state based planning systems are a major problem in that they have been working to constrain the supply, affordability, and appropriateness of housing. Evidence to support this assumption is not provided. Despite confident assertion by some commentators, it is not clear to what degree Australia has an overall supply problem rather than a specific supply problem in certain submarkets such as low-cost private rental, larger dwellings in multi-unit apartments, certain regional areas and obviously in non-market social housing⁴.

² There are three potential visions. The first is what we call a path dependency vision. This involves tinkering with the current system rather than embarking on systematic institutional reform. It will lead to continued decline in home ownership and the continued growth of landlordism by default. The second involves a mixed tenure model whereby households are able to choose between tenures using portable subsidies which are tenure neutral, but with a policy focus on ensuring stability, continuity, security, appropriateness, quality, and affordability in all tenures. The third involves explicitly committing to a mass home ownership society, where all those who wish to own a home of their own are enabled to do so while providing a secure and affordable back up option for those unable or uninterested in being home owners.

³ The recent Victorian Government's long-term housing policy provides a model to be avoided. It lacks a clear conceptual and analytical framework, appearing to be based on a simplified market model, and consists of a ragbag of policy ideas but with no clear vision to guide policy interventions, and is largely devoid of a clear explanation as to how the policy objectives are to be achieved.

⁴ Those advocating planning deregulation use supply shortages as their rationale but use flawed measures of supply such as dwellings per hundred persons as evidence (see Coates and Molony 2023 p9). Such a measure, particularly for international and temporal comparisons, is problematic; 100 persons in Australia might translate for example into 40 households (a 40-dwelling need), in France a 45 dwelling need, in Malaysia, 22, and Germany 50. The difference relates to the relevant household size in each country. Also, and more importantly, the key issue in housing supply is the number of new dwelling completions compared to new households seeking accommodation, not the size of the total population. A country with low household

3.2 The Australian housing system and the extent and nature of contracting within it

Central to understanding here are four related attributes: the contract system of building; the contracting system for employing labour; the institutional separation of the land development and building industries; and the largely absent role of governments in land acquisition and assembly. Equivalent market-based countries such as the UK and USA have speculative housing systems and largely integrated land development and building industries in many cases with their own in-house workforce. Many European countries, particularly in Northern Europe have active government participation in the land market,

A contract building system is one where a dwelling is only built if a household, or more rarely an investor, first enters into a contract with a builder to construct a dwelling. For a detached dwelling the process is to purchase a block of land, go to a display village, choose a dwelling and builder and then contract the construction of that dwelling. For multi-unit dwellings a display room is opened, households are able to view models of the dwellings to be built, and then purchase “off the plan” in order to avoid paying stamp duties. The properties are marketed and if some seventy percent of all dwellings can be contracted then the development is able to secure finance and be built. What all this tells us that irrespective of the attributes of the planning system (deregulated or regulated) only as many dwellings will be built as are contracted.

This fact renders much current policy momentum irrelevant. Should local governments relax planning regulations or have them taken away, this will not in itself lead to one more dwelling being built. It may mean developers might apply for more permits. But most of these will not see the light of day in the form of an actual completed dwelling, as evidenced by the Victorian data (Millar et al 2023) which shows as of September 2023 local governments have approved 120,000 dwellings which have remained on the drawing board. We may simply see developers “flipping” their land holdings with the building permit offered as a value-add; the profit coming from the value uplift of the permit not from any construction.

Are there any forces at work that might lead to households being able to afford to contract more dwellings to be built? The answer is a firm “no”. A combination of labour market casualisation and real falls in earnings, the effect on people with degrees of repaying higher education loans, coupled with high rates of poverty by international standards, we can expect fewer households to be able to afford to contract builders to construct new dwellings. And landlords are unlikely to make up the contracting gap as historically they have purchased existing stock not commissioned new ones (although we note the emergence of the Built To Rent sector and the arrival of asset managers will change this). Nor will any attempts to accelerate broadacre land release likely have much impact on supply. States like Victoria already require municipalities to release land sufficient to accommodate 15 years of demand. Broad acre developers will not convert land into finished allotments without

growth will need fewer new dwellings than one with high growth. Moreover, the use of one data year only as evidence is also problematic given the instability of residential housing construction. For example, Coates and Molony use 2020 OECD data when Australian dwelling commencements were 25 percent lower than three years previous. There is also the need to relate supply trends to existing stock conditions; large increases in supply are less important if there is adequate existing stock. Thus, converting the same OECD data as used by Coates and Molony into a measure of ‘dwellings commenced per total housing stock’ changes the story completely; from one of sixth worst supply performer of 33 countries to fourth best.

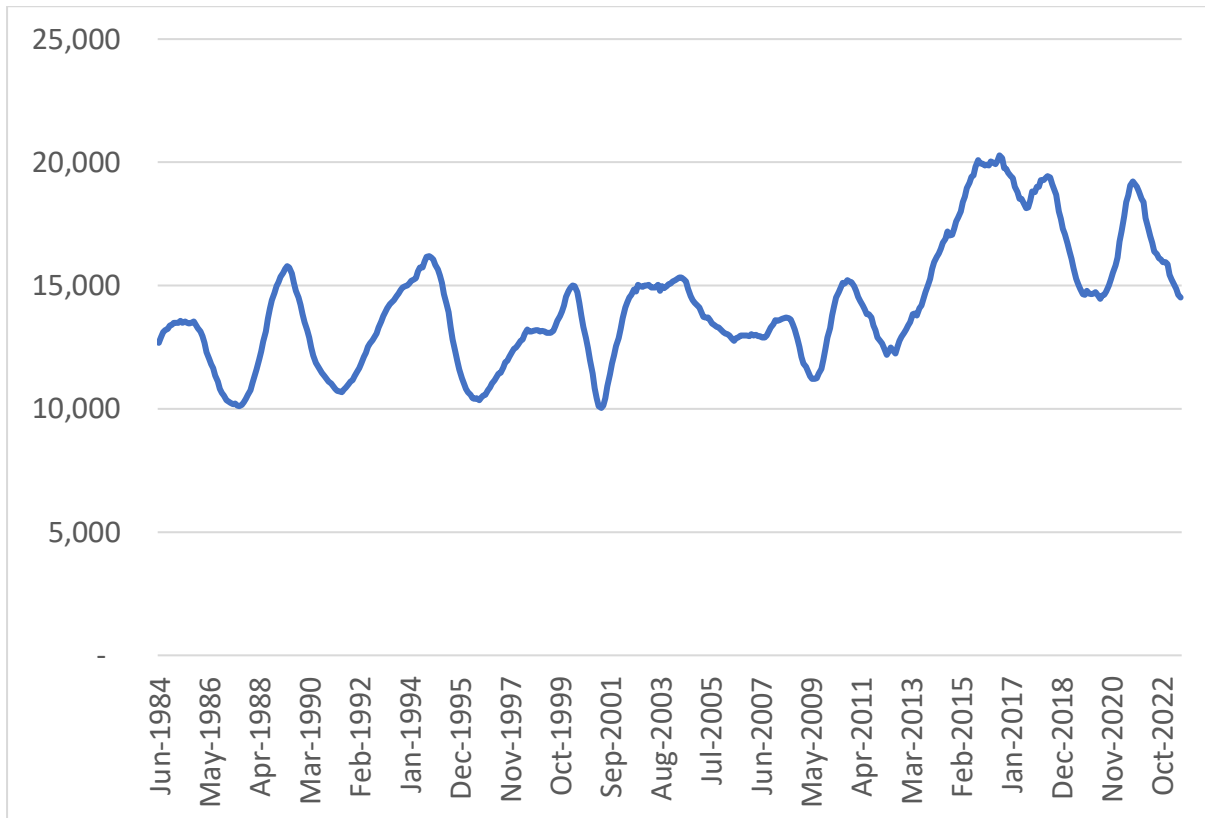
first being sure there are purchasers lined up to buy their land, and multi-unit developers will not proceed with construction unless they have sufficient 'off the plan' contracts

The contract system of labour means the building industry is subject to instabilities in the availability of labour and the cost associated with that often risking the viability of a builder. Given the fragmented and small-scale structure of the sector few builders can have an in-house workforce or innovate with techniques (factory modular construction) to generate greater productivity and improved affordability.

In most other western countries the development and building industries are one and the same; a developer of a site is also the builder. This means they buy the land and rather than subdivide for sale to individual households (or even a builder) they will design and construct on a speculative basis dwellings for sale ranging from detached houses to apartments. This means the development arm has a vested interest in keeping the cost of the land component down in order to keep the end price of the dwelling down. This is not the Australian way. Developers make their profits from land sales not the cost of the dwelling and therefore have no motive to keep land prices low. They can engage in practices (land banking, land withholding, land release lobbying and planning gain capture) to maximise land values which then become build into the cost of a new dwelling. Again, planning deregulation will not resolve this issue.

One of the most noticeable and worrying aspects of the Australian housing system given little attention is the level and persistence of instability in the residential construction industry. Booms are followed by slumps, which are followed by booms. This is shown in Figure 1 on dwelling approvals between 1983 and 2023. The data are plotted as 12 month moving averages drawing on seasonally adjusted data published by the ABS. The figure demonstrates that the housing system is unstable, and this in turn has significant impacts both for land developers and the building workforce. For developers to make a return, it is essential that they time their conversion of land so as not to service a market facing a glut, but one enjoying a boom. Land banks become crucial vehicles for this. Instability is the cornerstone of the contemporary Australian housing system, from dwelling starts to house prices and rents, with important implications for policy. A boom bust system lends itself to knee jerk reactions, whether that be a call for more deregulation that finds its ultimate expression in a chronic and costly decline in building quality (of the type we currently face (see for example <https://www.afr.com/property/residential/australia-s-high-rise-apartments-face-crisis-of-our-own-making-20190724-p52a8g>), or new forms of subsidy ("de-risking") that do nothing ultimately to resolve the cause of the initial problem. This instability has escaped the attention of the Issues Paper.

Figure 1: Dwelling approvals, Australia, 12 month moving average of seasonally adjusted data, 1984-2023



Source: <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release> accessed September 14, 2023.

3.2 Financialisation.

Of particular interest to much of the international literature over the last decade is the role of financialisation as a driver of house price instability of the type that has been evident in Australia. It is disappointing that the Issues Paper did not discuss this concept. Financialisation refers to “the structural changes in housing and financial markets and global investment whereby housing is treated as a commodity, a means of accumulating wealth and often as security for financial instruments that are traded and sold on global markets” (Farha 2017). This essentially means the financial system penetrates and increasingly influences market behaviour and practices in the performance of the housing system, a process enabled and encouraged by financial deregulation, with all its new loan products and greater financial flows it helped create as well as a highly concentrated home mortgage market. Financial deregulation has also been accompanied by a shift in values and beliefs, with housing now seen as a source for financial returns rather than as a home an essential element of human reproduction. This financialisation of housing has been enabled by a broader range of tax deductions and subsidies together with a regulatory structure that encourages people second and more houses including short term lets as a way to make money. It is a pity the Issues Paper did not canvass this most important phenomena and what policy measures might be enacted to reverse it.

3.3 Asset manager society and housing.

Another process overlooked by the Issues Paper is the concept of Asset Manager Society (see Christophers, 2023). To date, financialisation of Australian housing has not been accompanied by the penetration of the large asset managers that have come to be major players in Europe and North America in the provision of detached and higher density rental housing estates, but these companies now enjoy a foothold from which we can expect major growth. These asset managers have a very mixed track record, for their strategy fundamentally involves buying into assets cheap, cutting or reducing costs by increasing rents and evicting tenants who can't pay, and selling dear. They bring with them capital. But they are not the silver bullet that policy-makers appear to assume they are (see section 4.3.7).

3.4 Urban Development and city growth.

Housing policy cannot be developed in isolation from city growth and urban development. Other than simplistic calls for planning deregulation, there is little consideration in the Issues Paper of the relationship between urban development and housing market outcomes. Australia has a very distinctive urban system evident most fully in the very high percentage of our population concentrated in the major cities, and this has major housing effects which need to be explored in depth. Will greater densification yield better housing outcomes in terms of affordability, liveability, housing quality, sustainability and if so what form of densification? The largely "leave it to the market" policy of the last thirty years (within broad planning parameters) has been part of the problem not a solution. In asking where housing policy should go in the future, we need to ask what type of cities we want as part of that process.

3.5 Interest rates as a lever of housing and economic policy

One of the reasons for the instability of the Australian housing system is the role of interest rates. We have witnessed over the last 3 decades monetary policy being used to help grow and sometimes slow the economy with varying degrees of success. Such decisions are driven by macroeconomic concerns, such as the current worry over inflation. Housing is swept up as a major casualty, in that interest rates affect the affordability of home mortgages as well as the capacity of builders and developers to finance their activities.

Over the last 18 months, interest rates have been increased substantially with a view to reducing the level of inflation, including that associated with shortages of building materials and labour. The intent is to lower the level of economic activity, including house building. This deliberate form of policy intervention is the main reason why the domestic housing market has slowed over the last year, and why dwelling completions have fallen to their current low level. Planning reforms will not have any effect in this context, and in the unlikely event that they did, this would encourage the Reserve Bank to increase interest rates again in order to slow the economy down.

There is one other limitation of our monetary policy settings as they apply to housing. Other western countries have a broader range of prudential policy instruments that are used to control the level of housing market activity directly. These include Loan-to-value ratios (LTVs) i.e the capping of housing loans to a certain proportion of the house value and Debt-service-to-income ratios (DSTIs) which require households to not pay more than a certain proportion of their income to service their housing loans. Another mechanism is minimum capital ratios with which banks must fund housing loans with the strength of this requirement being determined by the combination of minimum capital ratios and risk weights.

No housing strategy would be complete without giving due consideration to the role that monetary policy plays in contributing toward housing market instability, and how this can be dealt with effectively given that interest rates are a very blunt macroeconomic policy tool.

3.5 Migration

Another surprising omission is migration. As we pointed out earlier, one of the drivers of dwelling demand is household formation, which in turn is heavily affected by the annual level of, and changes in, the net number of migrants moving to Australia. We have moved from net outflows of migrants during the pandemic to a record inflow this year, just at that moment when high interest rates have lowered the level of house building. No housing policy would be complete without including migration as a key consideration.

4. Specific questions.

We now shift attention to the specific questions asked by the Issues Paper.

Question: What should the most important (long-term) and/or immediate (short-term) housing market policy focus be, across all levels of government, over the next 10 years?

The long-term focus should be to champion housing for Australians in a way that prioritises 'home' over the capacity to make a financial return.

Short term, the focus should include:

Rent Regulation. There is a strong case for the States to introduce thoughtfully administered rent regulation which limits rent increases based on some metric such as real wages, or CPI and with exemption for certain types of properties, e.g. those that have had substantial capital investment in upgrades, those involving longer term leases or are in area without evidence of rental pressures. While some have argued that rent controls like this would be disastrous, leading to landlords abandoning the sector and thereby making a bad situation worse, much of this evidence is historical and selective in that it focuses on one or two American case studies, and is based on the hard rent controls of the earlier post war years. There is now evidence from the more nuanced rent regulations of recent years introduced in places such as Ireland, Spain, and northern Europe that suggest that they not only make significant difference to affordability, they have had no clear impact on supply, while simultaneously easing inflationary pressures more generally (O Toole 2023; Arnott 2003; Kholodilin, 2022; Marsh et al 2022,).

For all landlords, the prospect of a slower rate of growth in rental income will be balanced against longer-term judgements of capital gains, which for most remains the main financial motive for investing in private rental housing. Moreover, to the extent that rent controls encourage existing landlords to sell their stock, disinvestment does not mean the property vaporises; it will be purchased by another investor or owner occupier. If the latter is an existing tenant, this will put downward pressure on rents.

Short Term Rental Accommodation (STRA) regulation. STRA has been allowed to grow by policy osmosis rather than design, and at a considerable social cost. It reflects the financialisation of property that is creating housing problems internationally, particularly in inner urban areas. The STRA stock here comes from what would have been long term rental. Other regional areas are more uncertain, as some of the stock may be holiday houses rather than long term rental. The starting point for any policy is a registration system with appropriate penalties for noncompliance. This could

be achieved by inserting into state-based planning schemes short term rentals as a specific form of accommodation requiring regulatory approval, including the need for registration. In addition to registration, it is important for all jurisdictions to introduce appropriate carrots (incentives) and sticks for investors to return STRA dwellings to the long-term rental housing sector. Recent policy reforms in various jurisdictions around the world provide informative examples of the types of regulatory interventions that are now being trialled (See Burke et al 2023). In this context mention should be made of Victorian's recently announced 7.5% levy on STRA providers. This is a very soft policy that appears more about fund raising for governments than a policy to encourage STRA properties to return to long term tenancy.

Private Rental Regulation and performance measurement. Arguably the most problematic tenure sector in Australia in terms of affordability, security, and quality is private rental, yet it gets a disproportionate amount of direct and indirect subsidy. Despite this the Issues Paper only puts two questions for consideration about this sector compared to 13 for social housing, including a number of questions about data. The social housing sector has a substantial regulatory and reporting regime whereas private rental housing – even that which enjoys government subsidy either as a tax concession or in the form of rent assistance paid to the tenant – has very little, apart from a patchwork quilt of largely landlord-friendly landlord tenant legislation that varies from state to state. This regulatory failure is made worse by the lack of national legislation governing affordable housing, as well as the absence of a robust register to ensure that affordable stock that was provided with an upfront subsidy remains in that sector and is not allowed to drift out of it when ownership or control changes.

National landlord registration scheme. There is also a need to have a state (preferably national) register for all landlords. This should include provision of data such as address, property type, property attributes, mortgage status, energy consumption, number of properties owned and number of appeals to tenancy tribunals and a requirement to lodge a landlord bond to illustrate they have enough resources for emergency repairs. This would restore a major information asymmetry whereby landlords and estate agents have a right to substantial information about tenants, but tenants have no right to access information about their landlords.

Social housing Provision. This historically and at present is **the most effective way to provide housing assistance** (affordable and secure accommodation) to low to moderate income households. It should not be a residual sector for high priority households but a sector which can address Australia's high international incidence of poverty. Being poor means full market housing is not affordable and therefore can only be provided by social housing and whether public or community does not matter although policy settings (which however need not be set in concrete) suggest the latter. In short it is imperative to grow the social housing sector to the degree that it accounts for upward of 15 percent of dwelling commencements - a level of provision that was achieved for decades post war. If there is an aggregate supply problem in Australia it is not going to be met by market provided housing, Government funded social housing shortfalls are the real supply problem and this should be where the focus of policy direction should be not in creating a country of private landlordism. Such a large increase in social housing supply could be supplemented by a Right-to-Buy scheme, which might also be extended to private rental housing that has enjoyed government subsidy (either to the tenant or to the owner in the form of tax breaks etc).

Inclusionary Zoning. The requirement that developments over a certain scale should include a proportion of social and affordable housing should be mandatory. It works overseas and to a limited extent in the Australian jurisdictions that do have it. It should be designed so that it is a level playing field for all developers including on fringe area estate development.

Build-to-Rent (BTR). BTR will not provide affordable rental; it is not designed for that end. It is intended to be a higher end housing product providing a steady revenue stream for institutional investors with expectations of high returns. As such it is simply not possible for build-to-rent apartments to be offered to those on middle to low incomes, whose incomes are too low even with rent assistance to generate the sort of return on capital expected by investors. Nor can a rent yield alone satisfy institutional investors such as superannuation funds or private equity investors.

The Interim National Housing Supply Council (2023) advocates “de-risking” institutional investment, and points to Europe, the UK and North America as examples worth following. In so doing, it fails to give attention to the considerable variety of institutional investors, which range from private equity firms and asset managers to superannuation funds. It also fails to mention the vast and increasing amount of research documenting the social harm that PTR and their institutional investors have left in their wake, including mass evictions, large increases in rents and service reductions. The tenor of this research is neatly captured by a variety of on-line headlines from around the world:

- “Greystar Threatens to Increase Rents by 10%” ConstructionIreland 8 July 2022 (<https://www.constructionireland.ie/construction-news/287309/greystar-threatens-to-increase-rents-by-10>)
- “Renters Sue RealPage, Greystar, Lincoln and other Managers”, MultifamilyDIVE, (<https://www.multifamilydive.com/news/renters-sue-realpage-greystar-lincoln-and-other-managers/634942/>)
- “UN accuses Blackstone Group of contributing to global housing crisis”, the Guardian (https://www.theguardian.com/us-news/2019/mar/26/blackstone-group-accused-global-housing-crisis-un?CMP=Share_iOSApp_Other)
- “The Blackstone Rebellion: how one country took on the world’s biggest commercial landlord”, The Guardian (https://www.theguardian.com/business/2022/sep/29/blackstone-rebellion-how-one-country-worlds-biggest-commercial-landlord-denmark?CMP=Share_iOSApp_Other)
- “Mass Eviction – San Jose’s Largest – to Displace 670 People”, Andjoseinside, (<https://www.sanjoseinside.com/news/mass-eviction-san-joses-largest-to-displace-670-people/>)
- “Large corporate landlord have filed 10,000 eviction actions in five states since September”, NBC News (<https://www.nbcnews.com/news/amp/ncna1244711>).

Heather Vogell in a detailed piece of investigative journalism for respected online magazine, ProPublica, summarised the findings of her research into institutional landlords this way:

“Private equity firms (one type of institutional investor) often act like a corporate version of a house flipper: They seek deals on apartment buildings, slash costs or hike rents to boost income, then unload the buildings at a higher price... Such firms use economies of scale to more aggressively squeeze profits ... tenant advocates say. The firms’ tactics can include sharply increasing rent ... and neglecting upkeep. Sometimes landlords force out existing tenants and replace them with those who can pay more. The companies’ size allows them to influence market

rates and lobby against reforms that could dilute their power. And their goals — quickly hiking a building’s profits so they can sell it at a premium — are often at odds with those of the tenants who need to live in them.” (see <https://www.propublica.org/article/when-private-equity-becomes-your-landlord>).

We suggest it may be prudent to reconsider the Interim Supply Council’s broad recommendation that government “de-risk” investment by institutional landlords until we first have in place an appropriate regulatory framework and have a greater understanding of BTRs long term investment strategy. How is a sector that on rental yields of perhaps 3 to 4 percent able to attract institutional investors that require much higher returns?

To what extent is the supply, affordability and diversity of houses affected by planning and zoning regulations and administrative processes?

For decades now it has been fashionable to point the finger at planning (and building) regulatory systems as the cause of declining affordability and dwelling completions. These concerns have generated intense interest at the Federal and State levels, culminating in a very large volume of reforms, which continue to this very day with planning deregulation gaining a new momentum largely pushed by the property lobby. In section 3,1 we outlined how the supply shortfall argument is overdone and how institutional attributes of the housing system may be the key constraint on any supply shortages.

Putting substance to this argument Phipps and Gurran (2018) have shown that the claims made about the inefficiency of the planning system are overstated. And as Ruming and Goodman (2016) point out, despite this lack of evidence, successive governments over the previous twenty years have prosecuted a major reform agenda in Sydney and Melbourne, including the adoption of digital approval systems, standardised zones and overlays, and fast-track development pathways. They concluded, “there is little empirical evidence showing (these) continuing rounds of planning reform have improved the economic performance of cities. As Gurran and Phipps (2014) note...the existing planning system is already very efficient...” (p. 84) Unfortunately it does not serve certain interests to hear this message.

5 Conclusion

These answers to the specific questions asked in the Issues Paper returns us to where we began. The Issues Paper would benefit from a longer period of gestation, enabling a more considered analysis to be undertaken and in a way that lays a solid foundation for policy reform. The urgency of the task is beyond dispute. There are a long line of carpet baggers and economic rent seekers who see in the current period of uncertainty and instability an opportunity to throw their hat in the ring in the hope that it will be filled yet again by governments keener on doing something than doing it well.

The risk is that governments get captured by the rent seekers in the property industry by embarking upon a strategy which will not deal with the current housing problem but will also take Australia down a policy direction in conflict with household aspirations that are unambiguous and deeply help.

Labor’s commitment to a national housing policy is welcome and long-overdue. The Issues Paper offers a tentative, albeit disappointing, first step along this path.

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