

Commentary on Tasmanian Housing Strategy Discussion Paper October 2022

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“unemployment rate is at all-time low”. This needs breakdown. How does this figure differ between ages and genders, or between urban and rural areas? How much is part-time or full-time? Casual or permanent? \$\$s income bands? Knowing who is struggling to find work and where, affects where housing is needed, what type and at what price.

10-yr plan for 10,000 new “social and affordable” homes by 2032. Does that mean “social” ie public-owned with capped rents, “social” as in community housing run by a not-for profit on behalf of government, or “affordable” ie homes that might at first be affordable but then go onto the open market thereafter, and risk being bought by private investors for short stay accommodation, as a holiday home, or as a capital investment? What is the planned split between “public”, “community” and “affordable” housing? What is the true meaning of “affordable” here? Is the plan to continue to erode the proportion of public housing, as has already been happening under the *Better Housing Futures* program?

“\$1.5bn housing plan” 10,000 homes for \$1.5bn equates to only \$150K/ house. This seems highly optimistic, given material prices have on average increased around 20% over the past two years. Even a budget house build averages \$1,500 per sqm, plus there are driveways, fencing, landscaping, land-clearing etc and other infrastructure that is needed, especially for new estates/ subdivisions (roads/ footpaths/ utilities). Later in the document it states “build or *acquire*” – *acquiring* houses at \$150K each seems even more unlikely, particularly given the current squeeze on supply as acknowledged several times in the paper.

It is fantastic that the government is committing to 10K new homes, however these houses need to be energy efficient and of good quality – the money put aside may not be sufficient. There are also shortages both of materials and skilled labour. For this target to be realised, it will need more innovative thinking, for example modular and kit homes built in factories and assembled on site. Homes for low income households need to be highly energy efficient (preferably fitted with solar panels and solar hot water systems) so as to reduce ongoing bills for residents, particularly in the light of expected energy cost increases.

“The inter-relationship between housing and good health is well researched and shows maintaining appropriate housing leads to reduced costs on the health and human services system. In fact, social housing is *self-funding* as proven by numerous studies. An AHURI report from 2017 in Western Australia, cites very large reductions in healthcare needs, especially for mental health services, for those helped into secure housing. The recent ‘*Give Me Shelter*’ report on behalf of Housing All Australians, shows that economically speaking, the costs of NOT providing social housing **greatly outweigh** the costs of adequate housing provision. It is misleading not to quote all the other savings and benefits arising from the provision of affordable housing – *eg reductions in crime and anti-social behaviour, better education outcomes, a more productive community overall, greater creativity, innovation and entrepreneurship, less domestic violence and family breakdowns.*

Table 1: Housing System Roles and Responsibilities. This table puts the delivery of public housing at the *bottom* of government’s list of responsibilities, instead putting the responsibility on the community sector to deliver social and affordable housing supply. ‘*New supply*’ seems to be only under the purview of the private sector.

Figure II: Overview of Recent Tasmanian Government Housing Announcements. This table is most concerning as many of the initiatives are aimed at the private sector and far from “**reducing house prices and putting downward pressure on rents**” is far more likely to put inflationary pressure on house prices, by stimulating demand and making it easier for purchasers to buy more expensive houses.

Private owners of rented houses, are *not* purchasing houses out of altruism with the intention of providing affordable rents to those in need. Their only motive is profit. Therefore, the major reductions in land tax recently announced, are unlikely to be passed onto renters, at least not in full. Previous land tax reductions have *not* led to decreased rents, as evidenced by median rents growing by 55% or \$170/ week (**Figure 6**) between June 2015 and June 2022. The main result of these measures will be to *increase the inequality between those who can **already** afford to purchase and own multiple houses, and those who cannot afford a **single** home.*

Stamp duty concessions and the First Home Owner Grants will help purchasers *initially*, but house prices will quickly rise since these assistance measures enable purchasers to buy at a higher price than they otherwise could. This will do the *opposite* to “**reducing house prices and putting downward pressure on rents**”. The Headworks Holiday, the Private Rental Incentives and build to rent initiatives are the only measures with the potential to *increase* housing supply, however the difficulties and length of time associated with obtaining materials and building professionals, suggest that this will have only a small impact overall. ***Also, why would an investor choose to get between \$6,600 and \$9,000/ year for a house via the Private Rental Incentive scheme, when they could achieve double or triple this amount by listing it for short stay accommodation (SSA)?***

Since no curbs are planned on the number of houses which can be used for short stay accommodation, and there are no penalties for leaving houses vacant or land undeveloped, there is zero guarantee that any new houses built or purchased by the private sector will actually be rented out as homes and thus increase supply. In fact, reductions in land tax *incentivise* investors to leave houses empty or land undeveloped for longer, in order to benefit from capital growth and capital gains discounts. There is ample evidence from other countries, which shows that increasing tax breaks to the already wealthy, does **not** result in an increased supply of affordable rentals or a reduction in house prices. The UK is a prime example. In the UK, the number of new builds each year outstrips that of new households requiring a home, yet house prices and rents continue to rise well above inflation levels, and homelessness is rising.

If we unpick the 2021 census data, it shows that Tasmania has 232,321 households and 258,611 private dwellings. Of those private dwellings, 11.8% (29,185) are unoccupied. In addition, there is a social housing stock of 14,056 dwellings, plus 2,777 houses let *solely* for short-stay accommodation (ie these are not primary residences). In total therefore, Tasmania has 275,444 dwellings and 232,321 households, ie 43,124 *more* houses than households. There are no initiatives in the draft housing discussion paper aimed at releasing some of the nearly 30,000 private dwellings which are unoccupied or the nearly 3,000 whole house SSAs, onto the market.

If, as the discussion paper says, Tasmania’s population is set to increase by approximately 2,800/ year (at an average of 2.4 people per household – the rate as at 2020 - this equates to around 1,500 households) and housing completions are averaging 2,000/ year, plus government is set to deliver around 900 social houses per year, one might ask where is the undersupply of housing? It is clear that the problem is not so much the *overall* number of dwellings, but rather the fact that a significant percentage are not being used as homes, but utilised as assets for profit. None of the initiatives in the housing discussion paper will address this issue, except the building of more social

housing. **This is the *only* measure which makes sense, plus rent assistance to people on low incomes who are housed in rent-capped homes.**

All the economists, think tanks, universities and agencies (eg AHURI, AIHW, UTAS, Grattan Institute, The Australia Institute) are unanimous in backing the following solutions to Australia's (and Tasmania's) housing crisis, ie:

- Building more public housing (it is a far more efficient use of public money for social housing to be held by government than by the private sector, plus it gives tenants a greater degree of certainty).
If just a portion of the money currently allocated by the Tasmanian government to the new gold-plated Bridgewater Bridge, the recently announced Marinus project (likely to result in higher energy prices for Tasmanians) and a sports stadium on Macquarie Point, were *instead* allocated to public housing, the **government could be building 1,000s of attractive, energy efficient homes/ year, or buying up little used second/ third homes and empty land holdings at a premium (to incentivise sellers).**
- Disincentivise the holding of vacant land and empty houses through an empty house tax and *increases* in land tax on vacant land, while at the same time incentivising sellers through the above-suggested premium on market prices if sold to government.
- Limits on the number of houses any one investor can hold, unless a portion is let at below market rents to long-term renters.
- Legislating for developers to set aside a portion of new estates/ subdivisions for rent-capped affordable housing with a publicly held governance contract.
- Abolishing first-home owner grants or other assistance to buy programs, since these merely distort demand and push up prices.
- Abolish negative gearing (federal government responsibility).
- Regulate short stay accommodation more rigorously, to reduce the conversion of whole-house non-primary dwellings into SSA.

Releasing some of the properties currently standing empty or tied up as SSA is the only way to **quickly** ease the housing squeeze. ***We clearly need more housing, especially social housing, but this will take time that people living on couches, in mouldy cold caravans, in malls or cars, do not have.*** More creative thinking is also required in the short term. The opening up of spaces over shops is very desirable and laudable, but there are also empty warehouses and other commercial and private buildings, which could also be converted into temporary secure accommodation.

The pay-back on public housing is substantial and it is common good which improves community and the economy. If we had a Bill of Human Rights in Tasmania, affordable housing would be recognised as an essential basic necessity. The majority of the initiatives so far announced and further elucidated in this discussion paper, will merely lead to greater inequality in society. The only people able to take advantage of most of these incentives are those that already have wealth and a primary dwelling. The Liberal party is meant to be all about the economy and balancing the budget. It is an inescapable fact that it makes total economic sense to lift all of society out of poverty through the provision of public affordable housing. Then we begin to have a fully productive community, functioning resilient townships **not** full of holiday shacks and short stay accommodation, less crime and a higher level of educational attainment, which in turn feeds into greater innovation.