

Response from The20

Response to the Tasmanian Government's Discussion Paper relating to its Tasmanian Housing Strategy

October 2022

THE20

Is our housing stock contributing to our housing crisis?

At The20 we're constantly undertaking research, collecting data, analysing that data, and using it to establish hypotheses to develop strategies to be implemented by our clients, which include a wide range of Tasmanian businesses.

A significant amount of space in Tasmania's media is given to macro and micro comments on housing, its cost, and the lack of supply. Throughout the wide range of the research we've undertaken in the last two years, housing has consistently been in the top three social issues where respondents were asked to express their area of greatest concern.

What the data tells us

We recently received the first data from last year's Census, which was collected in August 2021. A comparison of that data with the 2016 data shows interesting changes in Tasmania over the five-year period in relation to housing:

- Our population grew from 509,956 to 557,575 - an increase over the five years of 9.3%.
- Occupied dwellings grew from 195,575 to 218,412 - an increase of 11.7%, which is higher than the growth in population.
- Unoccupied dwellings declined from 32,138 to 29,185 - a decrease of 9.2%. It's worth noting that the Census was taken in August – a time of the year when there are less visitors to the state. It was also conducted mid-week, meaning there would have been fewer Tasmanians at their shack or holiday home. Both factors would have impacted the number of dwellings that were reported as 'unoccupied'.
- The number of bedrooms in occupied dwellings grew from 586,149 to 643,419 - a 9.6% growth, which again is slightly higher than the population increase. This number is conservative as those dwellings where no number of bedrooms was stated is taken as 1 bedroom. This means we had 1.154 bedrooms per person, which is higher than for 2016.
- Tasmanians who own their home grew from 35.7% to 37.1% over the five years. As we grow older in our family homes, we get to a point where the mortgage is paid off. It would be reasonable to assume that significantly more of the large family homes occupied by one or two people are owned outright.
- The number of households renting in 2021 was 57,762 compared to 51,961 in 2016 - an increase of 15%, with the total number of renters at slightly over 26%.
- The number of couples without children living at home grew by 15.8% to 134,022 people.
- There's an additional cohort of retired widows/widowers living alone in the family home, which adds to this number.
- As many Tasmanians transition through the different life stages, they are not transitioning their dwelling to fit their later years' life stage needs.
- The 134,022 people identified as couples without children living at home, would be 'empty nesters', and be at least 50 years old - many much older.
- Many would live in what we would call a 'family home', having lived in that home while they needed a 3 or 4-bedroom dwelling for their dependent children.
- We should note that many grandparents take on the responsibility to care for their grandchildren during the day to enable their children and partner to both work. This may provide a reason and/or excuse to maintain the family home.

**Insight: older Tasmanians are holding on
to their family home for longer.**

Further research of our older demographic

The20 recently undertook a research project on behalf of a residential aged care entity. Some of the comments we heard help shed more light on the thoughts and attitudes of this important cohort.

Many people don't want to leave their neighbourhood.

They have a local GP, access to other services, friends, and amenities in a place where they've lived for many years.

For example

A couple we spoke with, both in their mid-70s, have lived in their home for almost 30 years. It has five bedrooms, two living areas and a large garden. They've been looking for a suitable smaller home in a desirable location that would cost them about \$300,000 less than the value of their current home. However in the current housing market, any decision to buy needs to take account of selling their existing home. Once this detail is provided, they're told that, 'no-one will sign a contract to sell based on the purchaser needing to sell a home which is not yet on the market'.

Some elect to stay in their larger family home due to the high costs of moving.

Stamp duty, agent's fees and moving costs can approach \$100,000.

For example

A family we spoke with in the survey have agreed for the parents to swap their home with their daughter/partners' smaller home. The younger family get a bigger home which they need for their growing children, and the parents get a smaller home which they can manage. With all legal paperwork deferred until later, they don't pay stamp duty, and because the transaction is handled privately there are no agent's commission. The family believe they have saved over \$175,000 and although the outcome is not perfect, it's 'almost 90% there'.

There's the risk of the loss of part pension due to having a larger assessable asset.

Although there are some provisions that can mitigate or reduce this impact, there's confusion and lack of trust in dealing with Centrelink.

The family home is seen as the most valuable asset that people own.

Although many families want to be able to leave this asset to their children, many people we spoke to hold this view know that this isn't necessarily the expectation of their children.

Federal Government policy enables sellers to place some of the proceeds of selling their house into their superannuation.

Many older people don't have superannuation, or if they do, they prefer to just leave it as it is.

taying at home is not always an option.

When older people want to stay at home rather than move into residential aged care, the family home is not always suitable for at-home care: the doors are too narrow, the bathroom too crowded, the garden too big and the home requires upgrades and on-going maintenance.

Government action

In the lead-up to the recent federal election, all parties provided different policies and ideas to deal with the housing crises. As in most cases, the need of each state is different - remote indigenous housing in the Northern Territory is a completely different problem to what we have in Tasmania.

The State Government's Housing Action Plan is 'focused on constructing more affordable homes, releasing more land close to services and employment and providing supported accommodation for targeted groups so that Tasmanians have better access to home'.

This includes the construction of 10,000 new social and affordable homes by 2032, which will be achieved by establishing Housing Tasmania as a GBE that can utilise the government's housing assets to borrow funds to fulfil its strategy.

Will the government's approach solve Tasmania's housing problem?

Based on past Census data, we should expect to see a population increase in Tasmania of around 10% from 2021 to 2026 and a similar increase to 2031. During that time our population will also have aged considerably.

With housing approvals averaging at 2,000 a year, 10,000 new dwellings are likely to be constructed over the next five years, which is at a level higher than population growth.

If we assume that 4,000 of the 10,000 dwellings to be built under the government's Housing Action Plan will be completed by then, we will see 14,000 new dwellings by the next Census.

We will have a population of about 610,000 people living in about 232,000 dwellings – a ratio of 2.6 people/dwelling, which is lower than the current 2.9 people/dwelling.

Unless the dwellings being constructed match the changing needs of Tasmania, the current mismatch of housing stock for an ageing population will be even further out of balance, potentially adding to the housing crisis.

Is there a better way forward?

The fact is that as Tasmanians grow older, the number of couples without families in a dwelling will increase at the same, or a similar level we saw between 2016 and 2021. That means 25% of population will occupy about 35% of all occupied dwellings.

It could be argued that a priority for Tasmania should be to encourage our older demographic to downsize the family home as they progress through their life cycle. This will allow their larger family home to join the housing stock required for a growing number of families looking for an established family home.

How do we get there?

This will require:

- Providing homes that are of a suitable build for older residents
- Providing homes in suitable locations for the 'empty nester'
- Providing homes that can be purchased
- Incentivisation, such as stamp duty reform, for example moving from a stamp duty on purchase to an annual land tax, or having no or reduced stamp duty on a transition to a smaller, cheaper home for people at a certain age
- Fostering a culture where there is a social expectation of 'one more move' - not from the family home to residential aged care, but to a home more suitable for in-home care before that possible 'final' move to residential aged care

Providing the properties to downsize to, and an incentive to act, will be significantly cheaper than to keep building dwellings that continue the mismatch of housing stock.

It could also be argued that having more of Tasmania's ageing population living somewhere much more suitable for in-home aged care would also positively impact the increasing cost of residential aged care for an ageing population.

What the Census says about rent/ mortgage affordability

51,961 Tasmanian household rent their home. On Census night, almost 65% of these were paying less than 30% of income as rent, while 36% of households were paying 30% or more in rent.

Of the 72,157 dwellings owned as a mortgage, almost 80% were making repayments that were less than 30%

of household income, while 13% were paying greater than 30% of household income.

Since Census night, the events relating to rising interest rates would have impacted the monthly mortgage repayment and the rental payment. There is evidence from the banking regulator APRA that the number of mortgages where people have paid more than they were required to do will assist some mortgage holders. At its recent Annual Report, the CBA indicated that mortgage arrears were at a historical low.

Another long-term housing target

The overall goal should include the target for all retired Tasmanians to either own their home (without a mortgage) or to have a secure housing relationship that is affordable and that suits their physical and emotional needs.

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