

**MAKING**

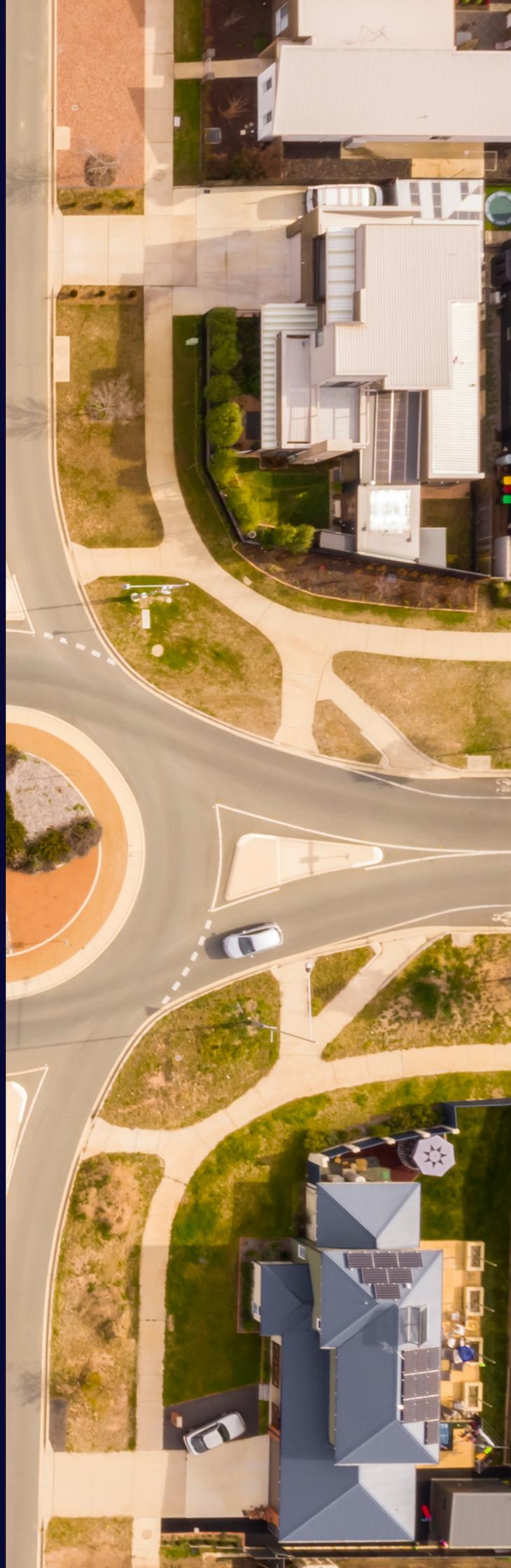
**HOUSING**

**MORE**

**AFFORDABLE**

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# Introduction

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Over the past few months, I have had hundreds of conversations with people from all walks of life right across the community. There are a couple of issues that keep coming up over and over again. Housing affordability is one of them.

Worsening housing affordability is impacting more and more people, from younger generations struggling to find somewhere to rent, to first home buyers unable to break into the housing market to older people, especially older women, at increasing and alarmingly high risk of homelessness.

Yet housing affordability is something politicians are reluctant to talk about. It is seen as too big and too hard an issue with too few solutions.

I do not share that view.

There are many things governments can do to improve people's housing situation, what's been missing so often is the political will to pursue them.

We've seen Independents, especially those in the Senate, be a powerful force to drive large-scale change by using their platform to relentlessly push for reform. If elected, that's what I will do when it comes to housing.

## Understanding the scale of the challenge

The housing crisis we are facing across the country and especially here in the ACT is huge, arguably the worst it's ever been and is apparent at all points along the housing spectrum.

We have a homelessness crisis.

Shelters and crisis accommodation services are overstretched and underfunded.

We also have a chronic shortage of social and affordable housing that's only getting worse.

An Independent review of the Federal Government's National Housing Finance and Investment Corporation (NHFIC) found that over the next 20 years:

- an additional 30,000 social housing dwellings and an additional 15,000 affordable housing dwellings will be needed every year to prevent a further deterioration in the percentage of total social and affordable dwellings.
- an investment of around \$290 billion will be required to meet the shortfall in social and affordable housing dwellings.
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Research by the Australian Housing and Urban Research Institute (AHURI) commissioned for ACT Shelter in 2020 found that we have "a current shortfall in excess of 3000 income-based social rental homes in the ACT." And that this "gap will widen to more than 5,600 homes by 2036."

Factoring in an additional shortfall in sub-market affordable rental homes of about 1,800 properties brings the total to 7,400.

The AHURI study determined that there were 1,800 households in housing crisis (paying more than 50% of their income on rent but earning too much to be eligible for social housing) in the private rental market (incomes between \$37K and \$77K) in the ACT.

The shortage of available housing is equally apparent when it comes to specialist disability accommodation and housing for First Nations communities.

At the same time, private rental market vacancy rates are at all-time lows and rents are at all-time highs.

- Canberra remains the most expensive city in which to rent, with the median rental price for a house now at \$700 in the March quarter, up 16.7 per cent year-on-year; the steepest increase since 2007.
- This is 38.6 per cent of the average full-time weekly wage and almost 100 per cent of the national minimum wage, which currently sits at \$772.60 per week.
- Households that spend more than one third of total earnings on rent or mortgage are commonly considered to be in housing stress.
- At \$540, the ACT's median weekly rental price is also unaffordable for many, having increased 8 per cent year-on-year.[1]

The fact that Canberra has the highest median income hides the huge disparity in wealth across the ACT. More than 38,000 people live in poverty in the ACT, with almost 8,000 children living in low-income households according to ACTCOSS.[2]

According to ACT Shelter, in the ACT every individual earning less than the average national income has effectively been priced out of the private rental market for a 1 bedroom unit.

People looking to purchase a property also face significant barriers.

Property prices in Canberra have gone up more than 28 per cent in the past 12 months.

- The number of loans taken out by First Home Buyers in the ACT has declined by 12.5 per cent over the past year.
- The average loan to ACT first home buyers reached \$502,275 in December 2021, up 9.1 per cent on the year prior when the average loan was \$460,199.
- Canberra's median house price now exceeds \$1 million.

On average, it takes first home buyers in Canberra more than seven years to save a home deposit.[3]



[1] Domain Rent Report - <https://www.canberratimes.com.au/story/7699112/buyers-edged-out-of-act-market-as-rents-continue-to-rise/>

[2] <https://www.actcoss.org.au/publications/advocacy-publications/factsheet-poverty-and-inequality-act>

[3] <https://www.allhomes.com.au/news/cbr-it-takes-more-than-seven-years-to-save-for-a-house-deposit-for-a-first-home-buyer-domain-report-1126580/>

# Putting forward solutions

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Adequately addressing the housing crisis will require federal leadership and genuine collaboration across different levels of government.

Buck passing between jurisdictions or small-scale policy interventions won't deliver the large-scale, long-term reform needed to measurably improve the housing situation for millions of Australians.

We need long-term thinking, well beyond the electoral cycle, and a serious bipartisan commitment if we are going to make real progress.

We need policies that systematically add to the stock of social and community housing year on year in perpetuity.

We need policies that increase the supply of housing that is affordable to rent and to buy, rather than band-aid, short-term incentives.

We need policies that support housing sector innovations and new models like built-to-rent-to-buy and shared equity schemes.

## Key principles

### A Focus on Supply

Putting downward pressure on prices, to both rent and to buy, requires a focus on increasing supply of a broad range of different types of housing.

Policies must increase the supply of housing that is affordable to rent and to buy and also focus on supply chain issues and workforce shortages.

We need policies that systematically add to the stock of social and community housing year-on-year in perpetuity, not just one-off sugar hits.

### Support right across the housing spectrum

It is also important to provide support and policy solutions right across the housing spectrum.

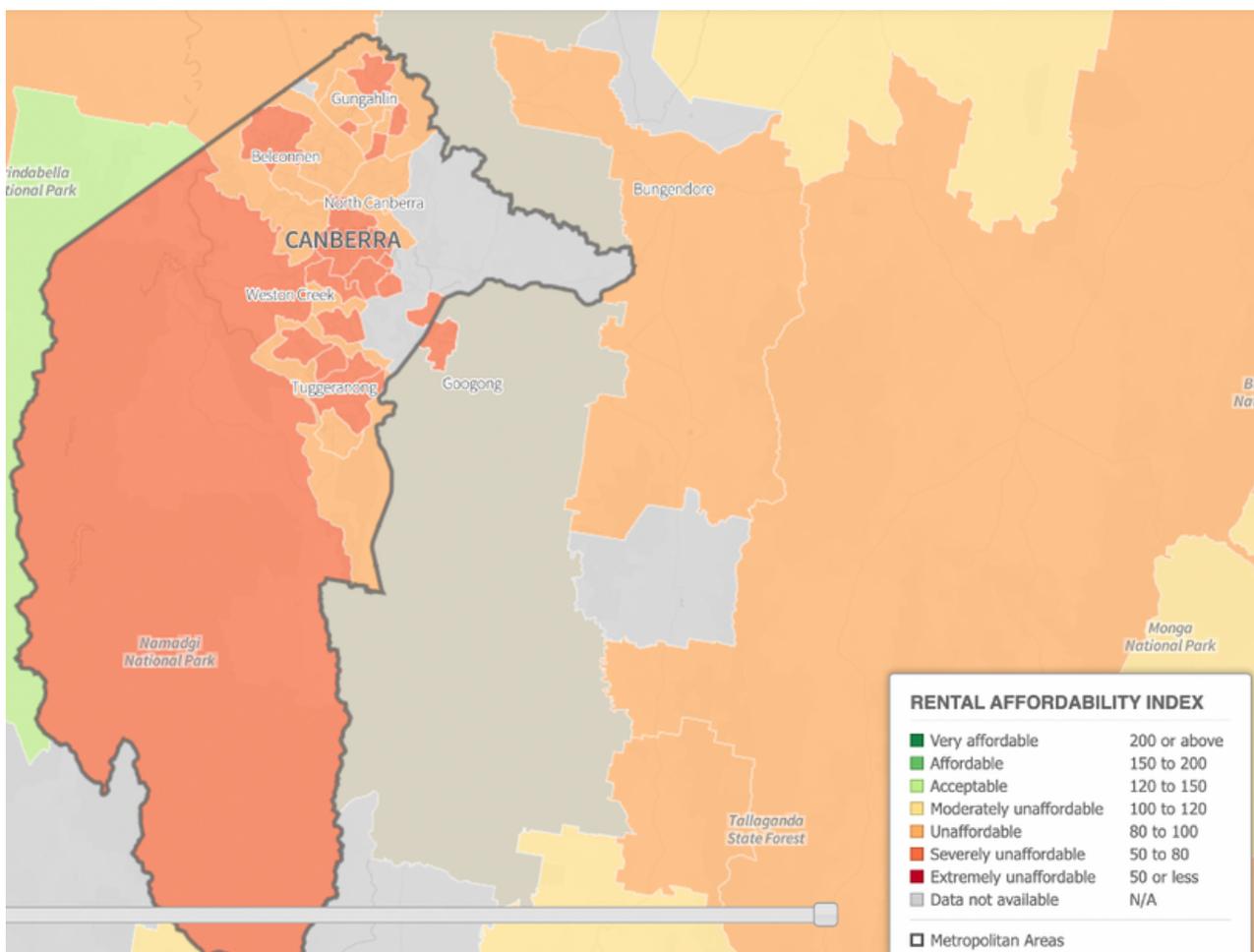
Initiatives targeting first home buyers are often politically popular but do not improve affordability.

People who rent in the private market are almost always overlooked, especially those who earn too much to qualify for government rental support payments or subsidised housing but not enough to stay out of housing stress.

The annual [Rental Affordability Index](#) shows more and more suburbs are becoming too expensive to rent in, even for people working full-time, especially in frontline roles.

For example, a Registered Nurse working full-time earns an average salary of around \$73,000. The average primary school teacher earns about the same, as does a police officer.

For these essential workers, most suburbs in the ACT score as Unaffordable or Severely Unaffordable on the index.



Experts have warned that across Australia and here in the ACT, we are seeing the emergence of the working poor, with housing the primary culprit.



# Policy priorities

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## ① Develop a National Housing Strategy

A nation experiencing a housing crisis needs a plan that brings together industry, experts, community organisations and all levels of government to work through solutions.

It has been almost three decades since Australia last had a national housing strategy and it's something stakeholders have been requesting for years.

The urgency surrounding the need to better coordinate policy responses continues to grow.

This is where federal leadership, coordination and cross-jurisdictional collaboration is needed and has been sorely lacking.

Arguments that housing is primarily a state and territory responsibility overlook the federal government's historical role as a provider of both public and key worker housing, including as part of the post-war reconstruction. The federal government has shown itself willing to intervene in the housing market at different points, most recently with the introduction of the First Home Loan Deposit Scheme and the temporary HomeBuilder program.

The establishment of the National Housing Finance and Investment Corporation has demonstrated the great success larger-scale policy interventions from the federal government can have in supporting social and affordable housing.

A nationally coordinated and agreed housing strategy must also include plans for First Nations' and Specialist Disability Housing that reflects the needs of each cohort.

The federal government should also take a lead role in producing nationally consistent and readily available data that accurately tracks housing demand and supply to best direct resources and sensibly plan for the future. This will enable better evidence-based policy and decision making.

Better datasets and more national coordination will also facilitate greater private sector investment into this sector. Global and domestic capital looking for patient long-term investment opportunities.

## ② Elevate Housing to Cabinet

Housing is consistently raised as a key issue of concern in surveys of the general public, and this is backed up by a wealth of research cataloguing the extent of Australia's housing crisis.

It is critical that the Housing portfolio be elevated to Cabinet so that these issues can be adequately addressed, not relegated to the responsibility of a junior minister.

Housing impacts a whole range of other portfolios from health to social services and many others in between, including treasury. Having the Housing Minister sit in cabinet helps ensure that issues around housing are prioritised and considered as part of broader policy discussions. This helps deliver better policy outcomes across the board.

Likewise, housing needs a place as part of the National Cabinet. This is important to ensuring ongoing high-level collaboration with state and territory governments. Housing is a shared responsibility across multiple levels of government. More coordination and collaboration is needed to help end the blame game and implement lasting solutions.

### 3 Set aside ACT Housing Debt

The ACT's transition to self-government in 1989 came with many benefits for our community, but one significant downside that continues to plague us today is that we inherited two sizeable housing loans from the Federal Government.

For decades now, the ACT has been paying off this debt, including making significant interest payments.

In fact, the interest is so high that more than half of the meagre funding the ACT Government receives under the National Housing and Homelessness Agreement goes straight back to repaying this historic public housing debt to the federal government.

In 2013 the Federal Government cut \$320 million from South Australia's housing debt and wiped Tasmania's entire debt in 2019 citing their "unique challenges" around housing affordability.

The housing challenges facing the ACT are arguably much worse.

On the current trajectory the ACT's housing debt won't be paid off until 2041-42, during which time we will have paid close \$33 million in interest payments alone; more than a third of the principal loan amount.

That's money that could be much better spent actually building new social and affordable housing and addressing homelessness. The ACT has already committed to putting any waived loan savings back into social housing so there would be an immediate housing benefit.

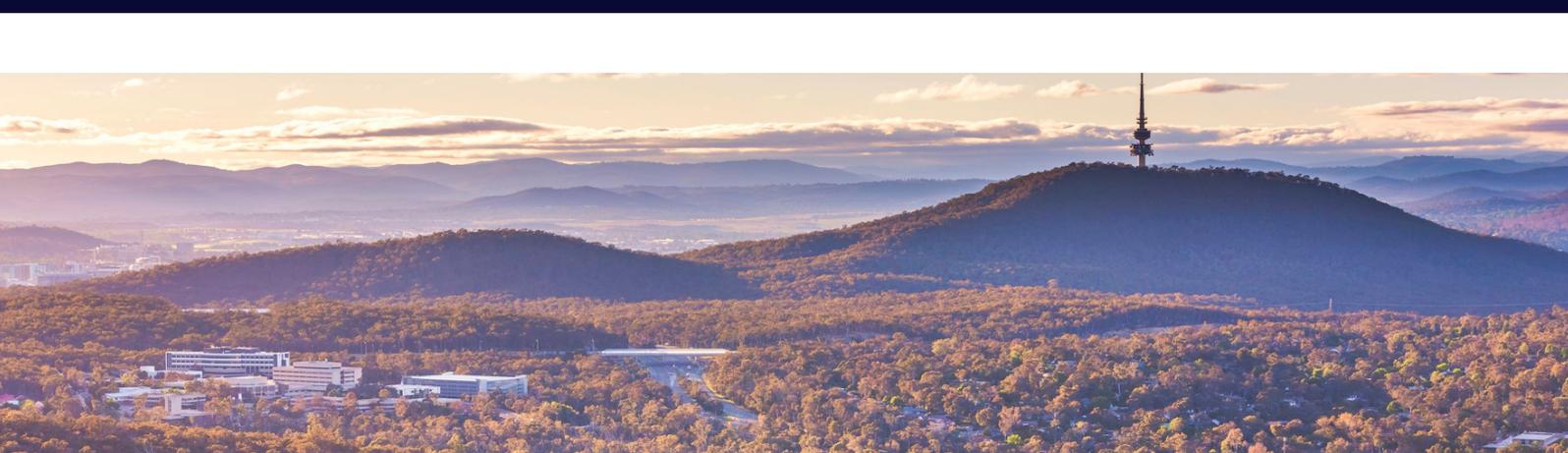
I call on whoever forms government to set aside the ACT's housing debt to enable public funds to be used to construct housing rather than passing taxpayer money between different levels of government.

### 4 Review GST Distribution

The ACT Government's capacity to raise revenue is severely limited by the fact that the biggest employer in the jurisdiction is the Federal Government, which is exempt from payroll tax. It has been argued that as a result the ACT Government is overly reliant on land sales to fund services.

The Federal Government's decision to insert a special clause favouring Western Australia in the Commonwealth Grants Commission GST distribution process will further disadvantage the ACT.

These arrangements need to be revisited to ensure the ACT receives a fair share of general revenue grants, and to take pressure off the ACT budget, which could have a positive flow-on effect to land release and sales. The "no worse off" guarantee should be perpetual so that ACT (and other jurisdictions) can plan forward infrastructure spending with confidence.



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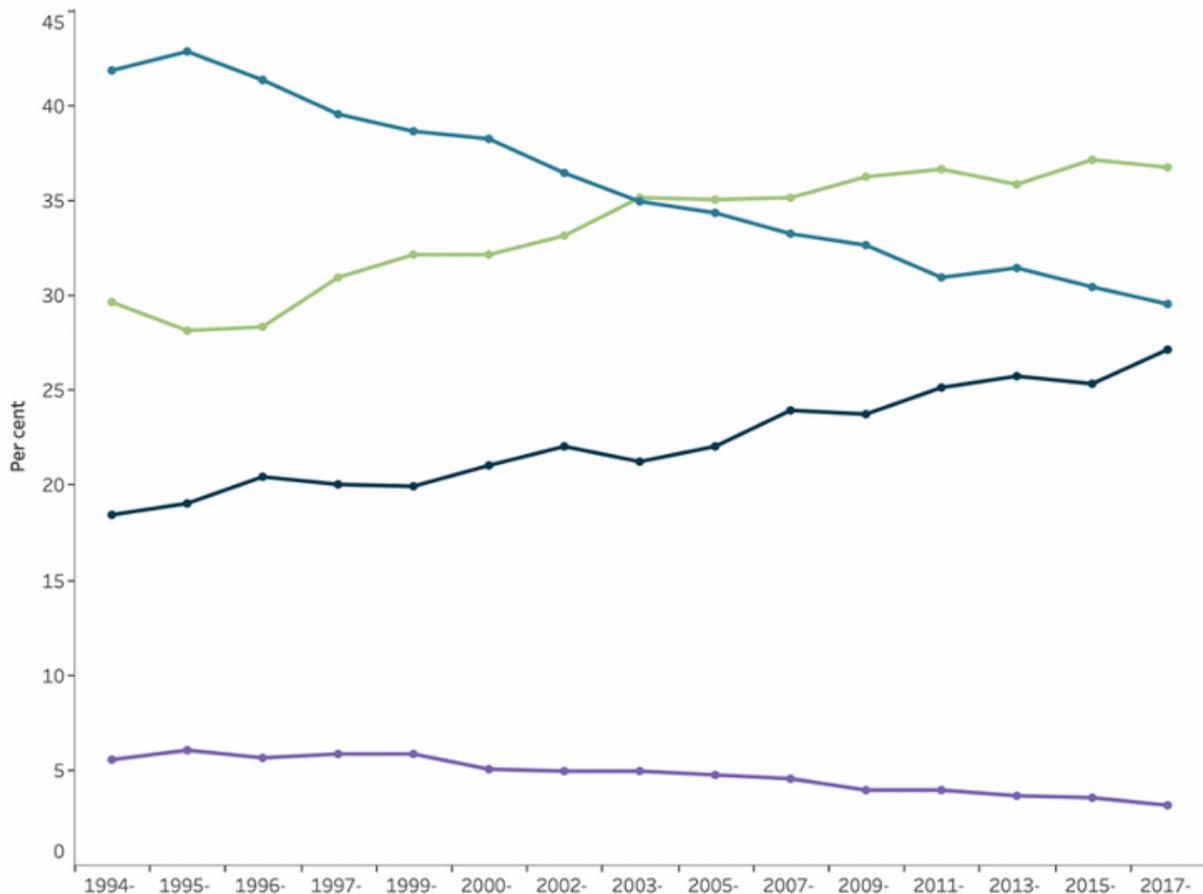
## Focus on affordable rental and pathways to home ownership that don't push prices up

According to the latest available data, 32% of Australian households rent and more than a quarter (26%) do so in the private rental market.

Analysis from the Australian Institute of Health and Welfare shows that over the “20 years to 2017–18, there has been a decline in the proportion of households owning their home without a mortgage, and increases in households with a mortgage and in private rental agreements.”[4]

Figure Data table

Figure 1: Proportion of households by housing tenure type, 1994–95 to 2017–18



- Owner without a mortgage
- Owner with a mortgage
- Renter private landlord
- Renter state or territory housing authority

Note: Values have been interpolated for non-survey years.

Source: ABS 2019.

<http://www.aihw.gov.au>

[4] <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure>

This highlights why addressing declining affordability in the private rental market is so critical and underscores the need to make private landlords part of the solution.

With more than 2.1 million households renting, the Federal Government needs to leverage these private sector landlords to help address the shortage of affordable housing.

Increasing property prices and mortgage burdens also require policymakers to deliver home ownership pathways that do not put further inflationary pressure on housing prices.

Effective policy responses to both of these issues are already being trialled, including here in the ACT by organisations like Community Housing Canberra's HomeGround Real Estate.

Helping aspiring homeowners save by incentivising affordable private market rentals

The HomeGround model brings together ACT Government and Federal Government incentives to encourage private market landlords to lease their properties at least 25% below market rate for eligible tenants.

Tenants benefit from a longer, more secure tenure. They can use the discounted rental period to improve their financial security, including by saving for a home deposit.

This approach enables aspiring homeowners to keep their superannuation savings intact and does not add inflationary pressure to the already heated cost of housing.

Landlords benefit from a full land tax exemption and by being able to claim a full tax deduction for the rental discount provided.

But more can be done by the Federal and ACT governments to further incentivise this program and increase uptake from landlords.

This includes providing a more advantageous tax treatment of the discounted rent and considering discounts to land rates.

Funding is also needed for a public information campaign to raise awareness of these and other housing support programs.



## 6 Position Canberra as a Housing Innovation Hub

The ACT has been a leader on everything from marriage equality to renewable energy and it is well-positioned to pilot new innovations in housing that can lead the way to significant increases in supply to both buy and rent.

### Bringing on build-to-rent (-to-buy)

The Federal Government has an important role to play in facilitating the growth of the build-to-rent sector in Australia.

Build-to-rent is already well-established in other countries and provides a major source of secure, affordable, long-term housing that often offers a better experience and amenity for people renting. With the right support in place, it could deliver a significant supply of new high-quality affordable rental housing created by the private sector.

A number of build-to-rent projects are already slated for the ACT with some 280 dwellings in the pipeline (and around 25,000 nationwide)[5] but there is scope to vastly increase this with changes to current policy settings.

One of the things that make build-to-rent projects different is that they are usually owned by a single large institutional investor, like a superannuation fund. Recognising this, the Federal Government has already inserted a definition of affordable rental housing within Australia's Managed Investment Trust (MIT) framework, recognising that a lower tax setting will be needed to incentivise investment into affordable housing.

Organisations from across the community housing and private sector property industry have said that “to encourage investment to flow into affordable rental housing (which by definition will generate below market investment returns) a more attractive tax rate will be required. To incentivise investment, a withholding tax rate of 10% should be applied to the affordable housing components of Build-to-Rent projects held within an MIT. This will facilitate the inclusion of affordable dwellings as part. At the state and territory level, land tax concessions are also needed to ensure affordable rental housing does not pay commercial property levels of land tax (which would result in returns being insufficient to warrant investment).”[6]

In the ACT, the Suburban Land Agency is already looking at how we best bring build-to-rent to Canberra with an investment decision due mid this year.[7] These relatively minor tax changes could deliver a major benefit to new affordable housing supply.

Build-to-rent doesn't only offer options for affordable rental, it also can be a source of affordable housing for purchase.

A build-to-rent-to-buy concept is already being trialled in Canberra for at risk and vulnerable women.[8] The pilot is being conducted by multiple partners including the ACT Government, Riverview developments, Ginninderry, Community Housing Canberra (CHC) and the Federal Government's National Housing Finance and Investment Corporation.

Under his model, the tenant would pay affordable rent (74.9% of private market rate) to the Community Housing Provider over a ten-year period then have the option to buy at the end. Again, this is a model that has operated successfully in various locations overseas for many years. But it is just one of many potential innovations in housing that could be further explored.

[5] <https://www.canberratimes.com.au/story/7708899/hundreds-of-build-to-rent-apartments-in-the-pipeline-for-canberra/>

[6] [https://www.nationalaffordablehousingalliance.com/\\_files/ugd/268af9\\_3b5a0bba51a849b18fd3f022c218cb.pdf](https://www.nationalaffordablehousingalliance.com/_files/ugd/268af9_3b5a0bba51a849b18fd3f022c218cb.pdf)

[7] <https://suburbanland.act.gov.au/en/build-to-rent>

[8] <https://www.nhfc.gov.au/media-resources/media-releases/new-partnership-to-explore-build-to-rent-to-buy-solutions-for-at-risk-and-vulnerable-women/>



## New innovations: Nightingale

The Nightingale Housing Model has proven to be exceptionally successful in Melbourne, which like Canberra, suffers from severe affordability issues.

There are numerous features that set Nightingale Housing apart<sup>[9]</sup>, for example:

- apartments are sold to residents and Community Housing Providers, not investors
- housing is provided at-cost, “homes for people, not profit”.
- new residents sign a caveat agreeing to pass on this saving to future owners.
- construction cost savings are achieved through designs that exclude things like second bathrooms, individual laundries and basement carparks.
- there is a focus on lower ongoing costs for residents, through features like high energy efficiency, rooftop solar, embedded energy networks, avoiding gas supply, and a shared super-fast commercial internet connection.

And Nightingale is just one example of so many more that exist including the Tiny House revolution, examples of which we have here in Canberra.<sup>[10]</sup>

The fundamental point is that innovation offers opportunities to fundamentally change how housing is delivered with a focus on both increasing supply and bringing down price.



## Ongoing increases to the supply of social and affordable housing

### Establish a Sovereign Wealth Fund for Housing

The Howard Government established the first of Australia’s sovereign wealth funds in 2006 with an initial \$60.5 billion investment. Since then, returns on that investment have added \$143 billion to the fund.

A further five specialist funds have been added over the years, including for things like medical research, drought and emergency response.

As at 31 December 2021, there was \$252.5 billion in total funds under management.

The sovereign wealth fund is a proven model that generates significant returns on government investment.

In simple terms, it works by the Government buying bonds which then earn interest over time. For example, the Future Fund has delivered a 10-year return of 10.8% per annum.

These returns, or dividends, can be invested in specific projects or programs. It is a way for the Government to generate revenue that doesn’t rely on taxation or negatively impact the budget bottom line.

Returns from a sovereign wealth fund dedicated to housing could provide a significant, annual income stream the Government could use to increase the supply of social and affordable housing.

The Grattan Institute has modelled that a \$20 billion housing future fund could supply \$500 million annually to construct 1700 new social housing dwellings every year, at no cost to the federal budget.<sup>[11]</sup> The model examines several ways to leverage and increase this investment even further to deliver as many as 100,000 additional social homes by 2040.

[9] <https://nightingalehousing.org/nightingale-principles>

[10] <https://www.livesimply.com.au>

[11] <https://grattan.edu.au/news/a-place-to-call-home-its-time-for-a-social-housing-future-fund/>

I support the establishment of such a sovereign wealth fund for housing as an urgent priority and note it has received the backing of a broad range of property and community housing peak bodies.

### **Implement the Housing Boost Aggregator**

The Housing Boost Aggregator is another well-developed policy proposal to substantially increase the supply of social and affordable housing.

This **model** was developed for a consortium led by the Constellation Project and including CHIA, Industry Super Australia and National Shelter, which has received the backing of other peak property industry organisations.

It proposes using public funding to leverage private sector investment in social and affordable housing (at a rate of return of \$4.80 in private capital for every \$1 of public funding).

It is a way of “crowding in” capital to bridge the funding gap social housing projects face.

It pairs a refundable tax offset with a capital aggregator to give community housing providers the capital they need to construct new projects while offering investors stable long-term returns.

The Housing Boost Aggregator model could be scaled up or down based on the budget position year-to-year.



## **A more ambitious National Housing and Homelessness Agreement**

The Productivity Commission is currently reviewing the National Housing and Homelessness Agreement and I am hopeful that their findings will provide the evidence base for some major policy shifts when it is released later this year.

We need better national strategies and more coordinated interjurisdictional action to effectively deal with growing rates of homelessness and those at risk of homelessness – especially women aged 45 years and older.

The expiry of the National Rental Affordability Scheme is compounding the pressures already being experienced by a housing system in crisis.

Essential workers, including those in health, aged care, education, community services and emergency response, are being increasingly impacted by a lack of affordable housing options.

Alternative concepts, such as the introduction of a Defence Housing Australia (DHA)-style scheme may need to be explored for key workers if alternative policy solutions are not forthcoming.

### **Review Commonwealth Rent Assistance**

The rate of Commonwealth Rent Assistance (CRA) must also be reviewed as it has not kept pace with significant increases to rental prices. This means more people are falling into rental stress. Not only the rate, but also the mechanism require review as it is currently pegged to CPI rather than the rental price index.