

TIME FOR A RADICAL RETHINK ON HOUSING

The Tasmanian private housing sector is showing signs of market failure. Home ownership is increasingly unaffordable for many Tasmanians, rents are skyrocketing and waiting times for social housing are at record levels. It is a crisis and has been now for a number of years.

Peter Gutwein's recently announced 'arms-length' Housing Corporation is a flawed model. It fails to recognise that Government has a direct responsibility to act when markets fail or become distorted. The Liberals' latest housing policies avoid this responsibility, misdiagnose the problem, and will not improve housing affordability for either first home buyers or renters. Continuing to provide (expensive) public subsidies for both the supply and demand side of the private market is a certain recipe for fuelling further rises in rents and prices, and will do nothing to reduce social housing waiting lists. A new approach is needed based on active Government intervention in the market, and a big increase in public housing supply.

In the twelve months to February 2022 Hobart property prices increased by 28% and regional Tasmanian prices by 30%. A house in Hobart costs more than in Adelaide, Brisbane, Darwin and Perth, with the median price now being more than \$700,000. And while price growth may slow in the coming year, further substantial increases are likely.

House prices are now nearly ten times average incomes – putting home ownership out of reach for many younger Tasmanians. And abnormally low interest rates mask the longer term financial stress likely to be experienced by already established home owners servicing larger mortgages.

The Tasmanian rental market is now the most expensive in Australia. Hobart rents average \$521 per week – a 13% increase in the last year. Launceston had an even bigger increase of 14%. Rental vacancy rates are the worst in Australia with Hobart at 0.9%, Launceston at 0.8% and the North West at 1.3%. Tasmanians in the private rental market are typically spending close to 40% of their income on housing.

The average waiting time for priority listed social housing applicants is 71 weeks and the waiting list is nearly 5000 people – a 75% increase since the Liberals took office.

Increasing the supply of private housing stock can play a role in moderating price and rent increases, but there are limits to this approach given the structure and dynamics of the private housing market. Not all demand for housing comes from would be owner occupiers, with a significant segment of demand driven by investors seeking capital gains and/or rental yields. Amongst the \$6.2 billion in Tasmanian home sales over the last 12 months there were around 1800 first home purchasers but more than 2300 investment purchasers, and there is often competition between the interests of these distinct buyer groups. And the history of the housing market cycle suggests that the market will retain the price levels achieved in each 'boom' period even in the face of increases in private housing supply.

The Liberals' recent and now expanded initiatives – cash incentives for first home buyers, stamp duty concessions, low income rental subsidies, land tax reductions and shared equity in private housing purchases – have failed (and will fail) to moderate rising prices for first home buyers and low income renters. While beneficial for those who have received and will receive them, these continuing initiatives will, paradoxically, continue to add to rising prices in the private market.

New interventionist policies need to moderate the housing market and improve ownership and rental affordability for low and middle income earners. The supply of Tasmanian public housing has dramatically contracted in the last decade, falling from 11,500 in 2010 to just over 7,000 in 2020. While new community housing has helped offset the decline in public stock, the total stock of public and community housing is lower than it was twenty years ago. Small wonder that the public/social housing waiting lists continue to rise.

To put it simply, more of the same policy approach simply will not cut it.

Expanding State built and owned public housing stock should be the focus of a new housing policy. Tasmania needs to re-establish the State Housing Commission (a proud and successful achievement of earlier State Labor Governments), updated for contemporary needs and fit for purpose in the twenty first century.

The Commission would build new public housing using a blended model of rental and rent to buy for low and middle income earners. It should aim to build no fewer than 10,000 new public dwellings over a decade, on top of the planned expansion of community housing, with prices for equity shares being at a discount to the prevailing private market rate, subject to income and asset test eligibility. Sale and resale of properties would remain inside the public housing sector for a defined period as a mechanism to smooth the wider market. And the Commission would integrate emergency, transitional and supported accommodation into its wider construction plans.

As an actor in the wider market the Commission would increase supply, put downward pressure on future house price rises (without undermining current asset values) and allow low and middle income Tasmanians to have access to affordable rental accommodation and aspire to home ownership.