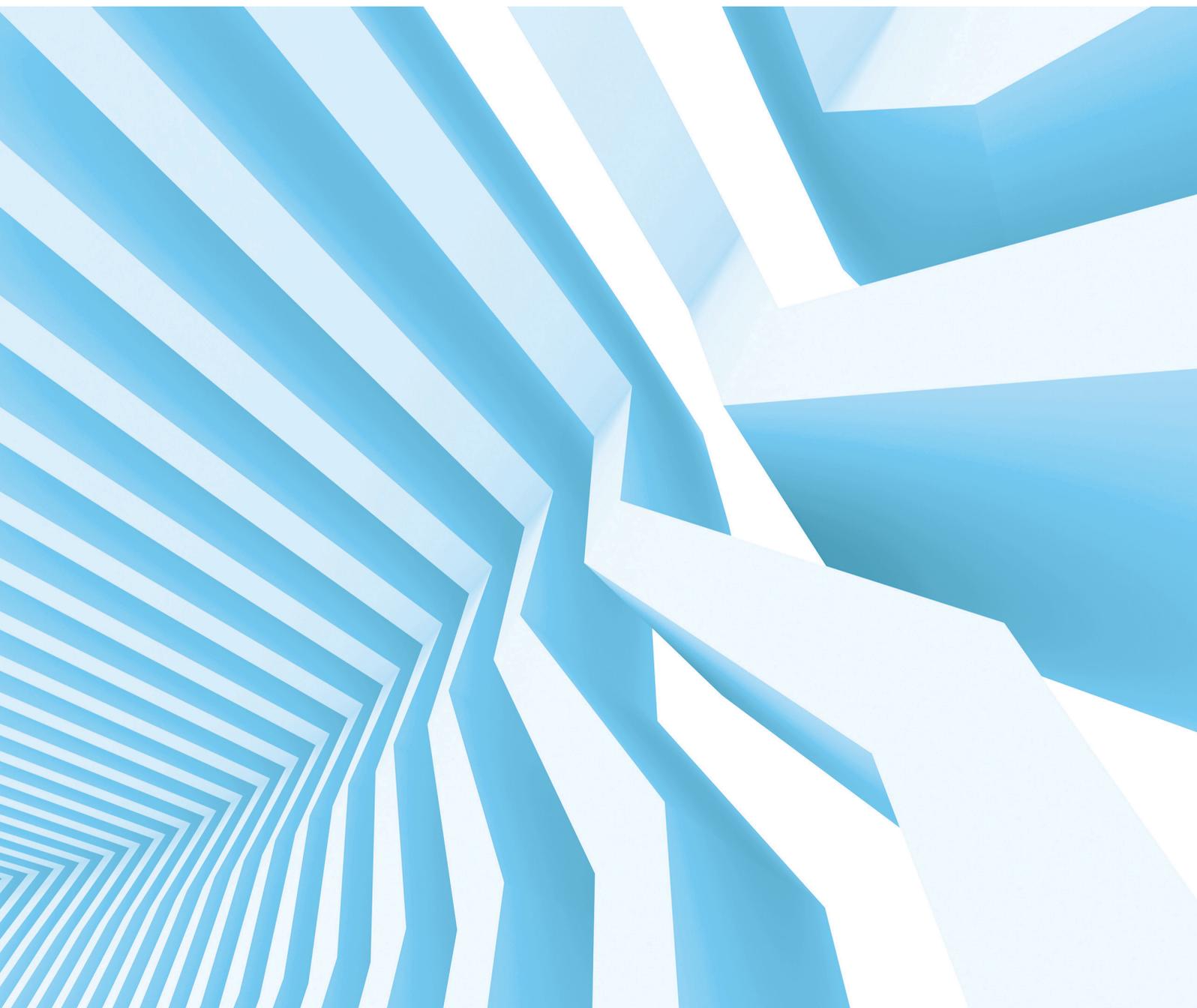




In need of repair: The National Housing and Homelessness Agreement

Study report



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

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Foreword

Governments provide a range of policies to make housing more affordable, safe and sustainable. In a complex and interconnected system like the housing market, it is important that governments work in a coordinated way to ensure the policies together improve how the housing market works and the best outcomes are achieved from the housing assistance provided.

This review of the National Housing and Homelessness Agreement is timely. Governments are now looking at new ways to work together to improve housing outcomes for Australians, including developing a National Housing and Homelessness Plan.

We would like to thank the people and organisations who contributed to this review, including those who participated in meetings and roundtables, and those who made submissions and provided brief comments. We are particularly appreciative of the stories and insights people shared with the Commission about their lived housing experience. We also want to thank staff working in Australian, State and Territory Government agencies for their valuable insights on the National Housing and Homelessness Agreement and broader housing policy issues.

Malcolm Roberts

Commissioner

Romlie Mokak

Commissioner

Terms of reference

I, Josh Frydenberg, Treasurer, pursuant to parts 2 and 4 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake a review into the National Housing and Homelessness Agreement (NHHA).

Background

The NHHA is an agreement between the Commonwealth and state and territory governments (the states) relating to the provision of housing and homelessness services. While the states are primarily responsible for housing and homelessness services, the NHHA recognises the Commonwealth's and the states' joint responsibility to improve housing outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness. The NHHA is the primary vehicle for the provision of Commonwealth funding to help support the states in the delivery of housing and homelessness services and programs, and the improvement of associated outcomes. The NHHA sets out the roles and responsibilities of the Commonwealth and the states, and identifies nationally agreed objectives and outcomes to measure performance against these objectives. The NHHA's objectives are to contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation.

Scope of the inquiry

The intent of this review is to consider:

- the effectiveness and appropriateness of the objectives, outcomes and outputs of the NHHA [clauses 14-21] in the context of the respective roles in clauses 23-30, of the Commonwealth, the states and their interaction with local governments, noting they are not parties to the agreement, and operate under state regulations
- the extent to which the NHHA is meeting its objectives [clause 14] to improve access to affordable, safe and sustainable housing, prevent and address homelessness and support social and economic participation
- evidence of the NHHA contributing to achieving the NHHA outcomes [clause 15] and options to improve progress towards meeting these outcomes
- the adequacy and quality of the data and information reported under the NHHA to provide transparency and accountability in respect of housing and homelessness spending [clause 15(f)] and identify options to improve the adequacy and quality and timeliness of data reported under the NHHA
- the effectiveness of the performance monitoring and reporting framework of the NHHA [clauses 36-41] for measuring the outcomes achieved and ensuring transparency and accountability
- options to maximise the outcomes that can be achieved with the NHHA funding
- the suitability of the housing priority policy areas [NHHA Schedule A], national homelessness priority cohorts [clause B2], and homelessness priority policy areas [clause B4] identified by the NHHA, and the extent they have been addressed
- the effectiveness of the NHHA data improvement outputs [clause 17(d), and NHHA Schedule C] for achieving an improved, nationally consistent data set

- determine if the conditions to be eligible for funding under the NHHA [clause 17] are sufficient to achieve NHHA outcomes
- the extent to which the NHHA is meeting the obligations of governments under Australia's Disability Strategy.

In undertaking this review, the Commission should have regard to:

- the respective roles of the Commonwealth and states with respect to housing and homelessness policy
- the impact of social and economic factors, including the coronavirus pandemic on housing and homelessness in Australia
- the individual housing and homelessness strategies and priorities of each of the states, and
- the individual bilateral schedules between each of the states and the Commonwealth.

Process

The Commission is to consult broadly, including with recipients of housing and homelessness services, housing and homelessness service providers, the states, other stakeholders, and the Commonwealth.

The Commission is to undertake an appropriate public consultation process including inviting public submissions, and provide its report before 30 June 2022.

The Hon Josh Frydenberg MP
Treasurer

[Received: 13 December 2021]

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This report used unit record data from the Household, Income and Labour Dynamics in Australia Survey conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the authors and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners [DOI: 10.26193/3QRFMZ].

The report also used confidentialised unit-level administrative data on Commonwealth Rent Assistance recipients provided by the Australian Government Department of Social Services.

Overview

Key points

- * **Australia has a housing affordability problem. Australians, particularly those on low incomes, are spending more on housing than they used to. Many low-income private renter households spend a large share of their income on rent. Demand for social housing is rising. More people are seeking help for homelessness and more are being turned away. Home ownership rates are falling, particularly for young Australians.**
 - * **The National Housing and Homelessness Agreement — intended to improve access to affordable, safe and sustainable housing — is ineffective. It does not foster collaboration between governments or hold governments to account. It is a funding contract, not a blueprint for reform.**
 - * **The next intergovernmental Agreement (and the proposed National Housing and Homelessness Plan) is an opportunity for governments to work together on a national reform agenda to make housing more affordable. Rising rents and low vacancy rates are placing private renters under pressure, which increases demand for government-funded housing and homelessness services.**
 - * **The focus of the next Agreement should be on improving the affordability of the private rental market and the targeting of housing assistance. Improving the capacity of low-income renters to pay for housing and removing constraints on new housing supply are key to making housing more affordable.**
 - The Australian Government should review Commonwealth Rent Assistance as a priority. There is a strong case for changes to improve its adequacy and targeting.
 - State and Territory Governments should commit to firm targets for new housing supply, facilitated by planning reforms and better co-ordination of infrastructure.
 - The \$16 billion governments spend each year on direct housing assistance could achieve more if it was better targeted to people in greatest need. The nearly \$3 billion given to first home buyers works against improving affordability. This money would be better spent preventing homelessness.
 - Social housing is an important part of the affordable housing solution, but it has a number of shortcomings. Governments should trial a housing assistance model that provides equivalent assistance to people in need regardless of whether they live in public, community or privately-owned housing. It should also test innovative ways to help people at risk of homelessness sustain tenancies in the private market and assist social housing tenants move to the private rental market.
- These changes will help more low-income households in the private rental market and reduce the number of people who experience homelessness or need social housing.**
- * **The next Agreement can support these changes by including:**
 - principles to guide how housing assistance should be provided and assistance dollars spent
 - a broader scope, covering all forms of direct housing assistance
 - achievable and measurable targets focused on outcomes for people
 - a new performance monitoring framework with annual reporting on outcomes and performance indicators
 - effective governance, including oversight by a ministerial council and channels for key stakeholders to be involved in the design and delivery of major programs
 - a new approach to supporting Aboriginal and Torres Strait Islander housing and homelessness services
 - a greater focus on building the evidence base essential for good policy and accountability.

Housing affordability is one of the most pressing policy issues facing Australia. With rises in house prices and rents in recent years, many Australians are concerned about the lack of rental properties that are affordable for low-income earners, the increasing demand for homelessness services and social housing, and the prospect of younger Australians being locked out of home ownership.

One avenue for governments to address these issues is the *National Housing and Homelessness Agreement* (NHHA) — the intergovernmental agreement between the Australian, State and Territory Governments on housing and homelessness. The NHHA sets the framework for shared responsibility for housing and homelessness, and provides for the transfer from the Australian Government of about \$1.6 billion each year to the States and Territories to fund homelessness and housing services and programs.

The Australian Government asked the Productivity Commission to review the NHHA, and assess how well governments have achieved the objectives, outcomes and outputs in the Agreement and the suitability of the Agreement for the future. We were also asked to consider the impact of social and economic factors, including the COVID-19 pandemic, on housing and homelessness in Australia.

1. Affordable, safe and sustainable housing

The NHHA's objective is to 'contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation'. Access to affordable, safe and sustainable housing is essential to the wellbeing of all Australians.

Housing is a basic human need and is central to our physical and mental health and quality of life. The COVID-19 pandemic gave us a fresh appreciation of the importance of housing for our health and wellbeing. Housing is also important for economic and social outcomes. Not having affordable, safe, and secure housing can be a barrier to finding and holding down a job and engaging in education, and it can affect family relationships and community connections.

Housing is often the largest item for household budgets, and as a necessity is one of the first expenses paid. High housing costs can force people to cut spending on other essentials (such as food, medicine and heating) and/or compromise on the suitability of their housing. Because low-income households spend a higher share of their income on housing than other households, declining affordability particularly affects these households.

Access to safe housing also matters. Poor housing can harm physical health, mental health and people's ability to participate fully in society. For example, living in overcrowded and poor-quality housing increases the likelihood of acquiring chronic health conditions. These conditions can affect children's long-term development. The health and social issues caused by overcrowding can increase the risk of domestic and family violence. Access to safe housing is also critical for people escaping family violence. And poor design and build quality can put people's safety at risk and see renters and home owners incur significant and unexpected costs.

Sustainable housing has a number of dimensions, including to support people to maintain housing over time, provide accessibility for people with disability and support social, cultural and environmental wellbeing. Using environmentally sustainable design and materials can reduce energy use, energy costs and greenhouse gas emissions but can involve trade-offs with affordability.

Improving access to affordable and safe housing can reduce government spending on homelessness services, health, child safety and criminal justice. It can also reduce poverty, improve the functioning of the labour market and improve equality of opportunity and social inclusion.

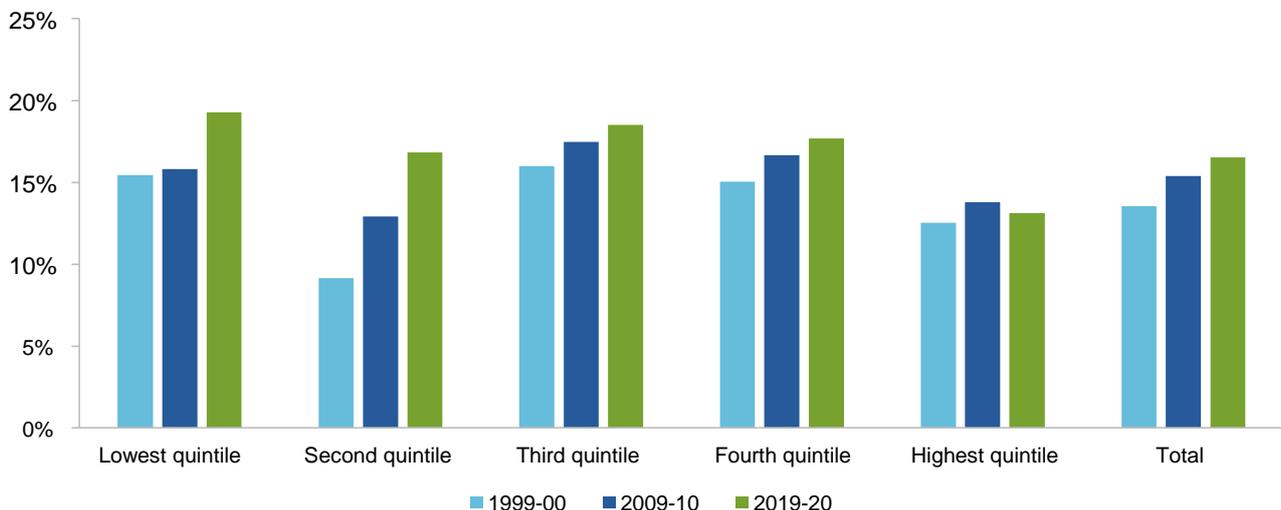
Housing is less affordable for many Australians

Australians are spending more on housing

Australians are spending more of their income on housing than they did 20 years ago (figure 1). The median share of disposable income spent on housing increased from 14 per cent in 1999-00 to 17 per cent in 2019-20. For some, higher spending on housing may reflect higher incomes, changed preferences or better-quality housing. But households in the lowest income quintile spend more of their income on housing than others. And housing costs as a proportion of income have increased the most for households in the bottom two quintiles of the income distribution.

Figure 1 – Housing costs have increased for low-income earners^a

Median ratio of housing costs to disposable household income, by equivalised disposable household income quintile



a. Equivalised disposable household income is a measure of income that adjusts for differences in household size and composition, allowing relative economic wellbeing to be compared. For a lone person household, equivalised disposable household income is equal to actual disposable income.

Housing affordability for private renters

House prices are often the focus of debates about housing affordability, but rents are a better reflection of the true cost of housing. Rents reflect how much it costs to have a place to live, whereas house prices capture both this value and the value of housing as a financial investment.

About a quarter of Australians rent in the private market. More Australians are renting, for more of their lives, than in the past. And renters tend to be younger and have lower incomes than the Australian population.

Affordability in Australia's private rental market, in aggregate, has been steady. The median proportion of income spent on rent has hovered around 25 per cent since 2000 and rents have largely tracked incomes (unlike property prices). However, some indicators suggest that the rental market has tightened since 2019-20 (the most recent year for comprehensive data). Rents dipped slightly at the beginning of the COVID-19 pandemic, but indexes of advertised rents suggest strong growth in rents and very low vacancy rates over the past year. In June 2022, median advertised rents were 9.5 per cent higher than a year before, and the vacancy rate was 1.2 per cent (compared to 2.2 per cent a year before).

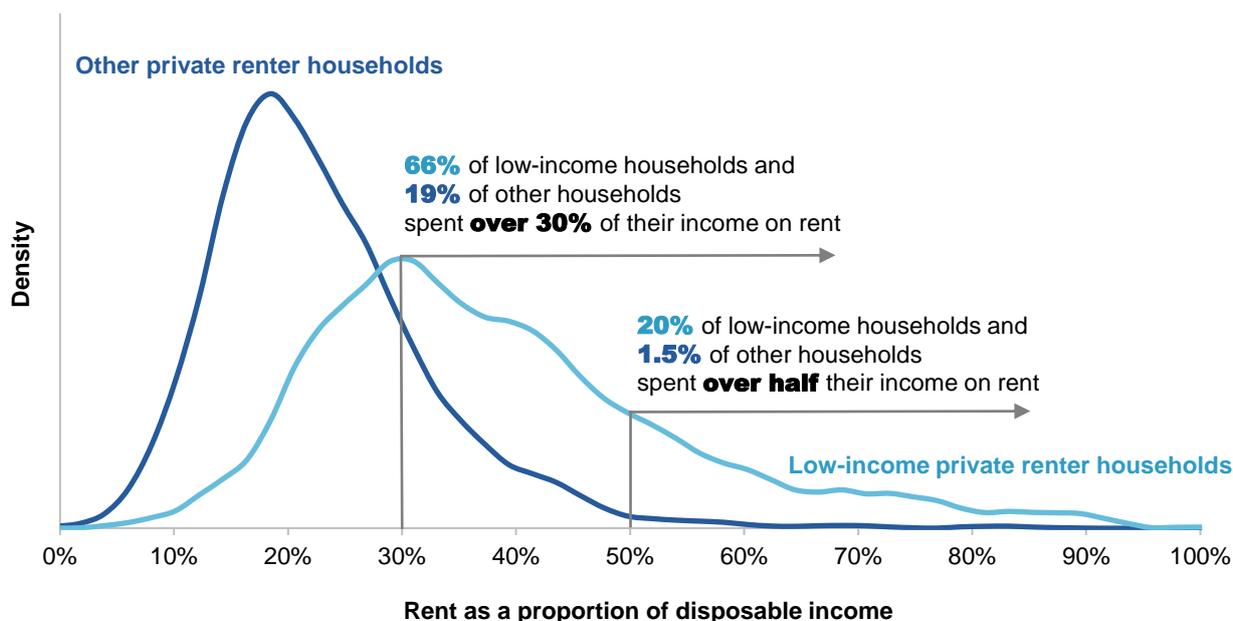
Many low-income private renters face heavy rent burdens

Low-income households spend a higher proportion of their income on rent ('rent burden') than the median renter. The median rent burden for households in the lowest income quintile was 43 per cent in 2019-20, and 32 per cent for households in the second quintile.

Median values can hide very different experiences of rental affordability. The majority — 66 per cent — of private renters with low incomes spent over 30 per cent of their income on rent in 2019-20,¹ while 20 per cent spent over half their income on rent (figure 2).

Private renters who are unemployed, aged over 65 or sole parents tend to spend a larger proportion of their income on rent.

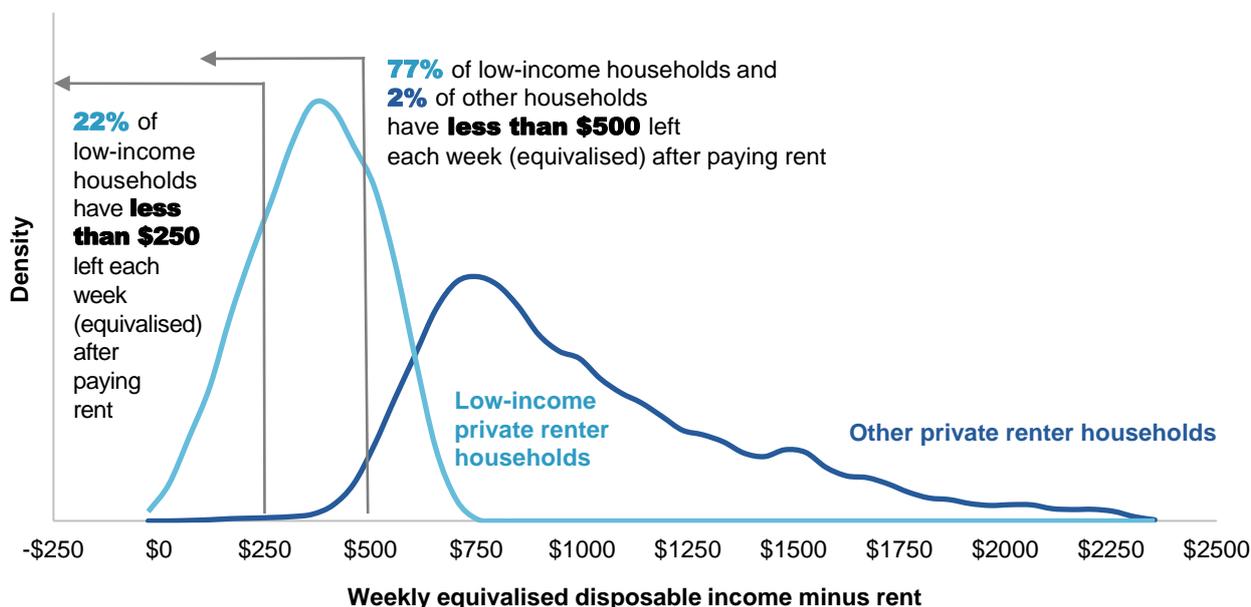
Figure 2 – Many low-income private renters spend more than 30 per cent of their income on rent
Distribution of rent as a proportion of disposable income, private renters, 2019-20



Some low-income households have little income left after paying their rent. About 22 per cent of low-income households have less than \$250 left each week after paying rent (figure 3).

¹ In Australia, households are typically considered to be in 'rental stress' if they spend more than 30 per cent of their income on rent and are in the bottom two quintiles (40 per cent) of the income distribution — the '30/40 rule'.

Figure 3 – Some low-income households have little income left after paying for housing
Distribution of weekly disposable income minus rent, equivalised values, 2019-20



Private rental unaffordability is fuelling demand for NHHA-funded assistance

Private rental unaffordability and low vacancy rates are fuelling demand for NHHA-funded homelessness services and social housing.

When rents rise, high-income renters can move to cheaper accommodation, but low-income renters already occupying lower-cost properties have fewer places to go. Their only options in the private market may be poorer-quality properties or informal or marginal rental properties (such as renting a room or a site in a caravan park). Higher housing costs can also make households more vulnerable to shocks (like job loss or a personal crisis) that can lead to homelessness. Adelaide Day Centre for Homeless Persons commented that:

... rental vacancies have decreased while rent has gone up resulting sometimes in bidding wars between people desperate to secure somewhere to live. People who have otherwise been able to live a reasonable working class life until recently are now having to live in their vans and cars. (sub. 13, p. 1)

More people are seeking homelessness services and more are being turned away. In 2020-21:

- about 278 300 people were assisted by specialist homelessness services (SHSs). The number of people seeking support from SHSs has increased each year since 2011-12
- about 114 000 requests (or an average of 312 requests each day) for assistance to SHSs were ‘unassisted’ — that is, people were turned away. This is up from 95 000 unassisted requests for assistance in 2016-17.

Faced with fewer affordable private rental options, renters are more likely to seek social housing (the income-based rents in social housing mean very few tenants face rental stress). There were 176 000

households on social housing waiting lists in 2021. Almost 40 per cent of households on the waiting list in 2021 were assessed as being in 'greatest need'.²

Once a tenant is in social housing, rental unaffordability can be a barrier to transitioning to the private rental market, because social housing assistance is more valuable when market rents are higher. The security and accessibility of the private rental market can also affect the attractiveness of social housing. Insecure tenure in the private market can prevent tenants from considering it as an alternative to social housing. This is especially the case for people with long-term needs, or who require modifications to their home.

A lack of affordable and appropriate private rental accommodation also affects the cost and effectiveness of NHHA-funded services. For example, service providers are less able to help people experiencing homelessness move out of crisis or transitional accommodation if affordable private rental properties are not available.

Housing affordability for home owners

Most — about two-thirds — of Australians own their own home and aspirations for home ownership among younger people are high.

Home owners with a mortgage typically spend less of their income on housing than private renters. Low interest rates in recent years have meant the costs of mortgages have been more affordable.

- The proportion of home owners with a mortgage who spent more than 30 per cent of their income on mortgage repayments decreased from 28 per cent in 2007-08 to 21 per cent in 2019-20.
- The proportion of first home buyer households who spent more than 30 per cent of their income on mortgage repayments decreased from about 54 per cent to about 27 per cent over the same period.

That said, consecutive interest rate rises since May 2022 could reverse this trend. Low-income owners with a mortgage also typically spend a much greater proportion of their income on housing — about 39 per cent of low-income owners spent more than 30 per cent of their disposable income on mortgage repayments in 2019-20 and 17 per cent spent more than 50 per cent.

Home buyers typically pay off their loan over many years, if not decades, so mortgage payments over the lifetime of the loan are also important. Notwithstanding the relatively low interest rates, with house prices rising faster than incomes (median house prices are now around 8 times the median income, compared to 4 times in the 1980s and early 1990s), the share of working-life income needed to buy a home has increased.

Home ownership is increasingly out of reach for young people

Home ownership rates in Australia are falling³, particularly for younger people.

- The share of younger households owning their home fell from about 44 per cent to about 36 per cent from 1997-98 to 2019-20.⁴
- Home ownership rates at any given age have fallen for successive birth cohorts and there is limited evidence of 'catching up' later in life.

² A household is in 'greatest need' if they are homeless, have their life or safety at risk in their current accommodation, have housing inappropriate to their needs or have very high rental housing costs.

³ Australia is not alone in experiencing falls in its home ownership rate. The majority of OECD countries saw declines in home ownership over the period 2010 to 2020.

⁴ Younger households refers to households where the ABS identified reference person for the household is aged under 35 years.

The sharpest falls in home ownership have been among middle-income households. There has not been a noticeable shift in the income distribution of first home buyers over the past 20 years — although most first home buyers are on relatively high incomes.

Saving for a deposit is often the most significant barrier

The main barrier preventing many prospective home owners from purchasing a home is saving a deposit. The average deposit has more than doubled from under \$50 000 in 2002 to well over \$100 000⁵ in mid-2022, far outstripping growth in earnings and prices (figure 4). The average first home buyer deposit now exceeds 80 per cent of average annual household disposable income.

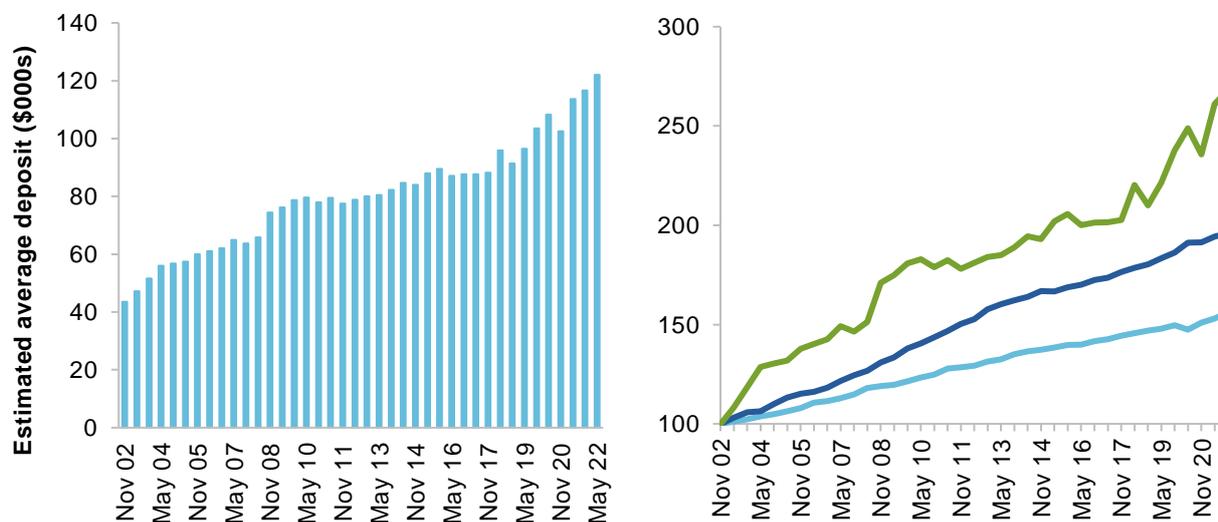
With larger deposits required, first home buyers are taking longer to save a deposit. The time required for a 24–35 year old household to save a 20 per cent deposit for a median priced dwelling has increased significantly for most capital cities since the mid-2000s (between 2005 and 2021, across all capital cities, the time taken to save a deposit has increased from about five to seven years).

With low interest rates, prospective home buyers may have the income to afford mortgage repayments, but can struggle to save a deposit (although with recent interest rate rises, the share of income needed to service a mortgage will increase — particularly for recent purchasers).

Figure 4 – First home buyer deposits have grown strongly

Estimated average deposit of first home owners^a

Index of estimated average deposit of first home owners, average full-time earnings and CPI^b



a. Average deposit was derived from ABS lending data. It assumes that a typical first home owner borrows 80 per cent of the property’s value with the deposit comprising the remaining 20 per cent. b. Average earnings refers to average full time adult earnings. November 2002=100.

Some prospective first home buyers have turned to their family — sometimes referred to as the ‘bank of mum and dad’ — for help with a deposit. Some have also reduced the size of their deposit (relative to purchase prices). More borrowers are choosing to borrow over 80 per cent of the principal — a recent survey found that the share of prospective first home buyers planning on saving a deposit of at least 20 per cent has

⁵ Based on a 20 per cent deposit.

dropped from just over 40 per cent in 2019 to about 27 per cent in 2021. That said, a 20 per cent deposit is still about the median among first home buyers.

2. Assessing the performance of the NHHA

The NHHA is a funding contract

Australia has a strong history of co-operation between governments through intergovernmental housing agreements. Under the first agreement, in 1945, the Australian Government supported post-war construction of rental housing for ex-defence force personnel and families. And the intention of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR), under which the NHHA was established, was to help governments collaborate on policy development and service delivery, and to enable nationally important reforms.

However, the NHHA is more of a funding agreement⁶ for homelessness and housing services than an agreement for coordinated policy action. While it facilitates the transfer of funds from the Australian Government to States and Territories to support housing and homelessness programs, it does not foster intergovernmental collaboration nor set out a national reform agenda.

In a complex system like the housing market, where different segments are connected and all levels of government use various policies to achieve their objectives, cooperation is essential. Policies affecting one segment of the housing spectrum ripple through other segments. Cooperation helps ensure policies pull in the same direction rather than work against each other, and that the best outcomes are achieved from limited housing assistance dollars.

Intergovernmental agreements under the IGA FFR were also meant to provide States and Territories with greater flexibility in service delivery while improving public accountability for outcomes. As funding is largely untied, State and Territory Governments have wide discretion about how they use NHHA funds. However, the NHHA is a highly transactional agreement that focuses on State and Territory Government accountability to the Australian Government, rather than all levels of governments being accountable to the Australian community.

A sound and broad objective

The Agreement's objective of contributing 'to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation', is a sound policy goal. However, the Agreement's objective would benefit from definitions of affordability, safety and sustainability, and an acknowledgement that there can be trade-offs between these goals.

One of the NHHA's strengths is that its objective is broad — it is intended to improve housing outcomes *across the housing spectrum*. The housing spectrum covers the full suite of housing tenures — from homelessness to home ownership. Including the housing spectrum in the objective recognises that the different segments of the housing spectrum are connected — including, as discussed earlier, that an important driver of demand for homelessness services and social housing is the extent to which people can afford suitable housing in the private rental market. Policy makers across different levels of government need

⁶ Financial transfers are a necessary feature of a federated system with decentralised responsibility for service delivery and high vertical fiscal imbalance.

to be aware of the effects of their housing policies across the spectrum, and the wider effects of policies targeted at different parts of the spectrum.

The broad objective also recognises that the functioning of the housing market cannot be assessed by only looking at the effectiveness of homelessness services and social housing. A well functioning housing market overall should be the goal.

And despite its broad objective, the NHHA has a narrow focus on funding for homelessness and housing services. It also does not include some important housing policy levers — such as Commonwealth Rent Assistance (CRA) and support for home buyers. These gaps in coverage limit governments' ability to work together to achieve the Agreement's objective. It is a missed opportunity that should be remedied in a new Agreement.

An inadequate performance framework ...

Well-designed performance frameworks hold governments to account by measuring and reporting progress against agreed outcomes. The NHHA sets out six desired outcomes and 14 national performance indicators (figure 5). The breadth of outcomes recognises that achieving the Agreement's objective depends on outcomes across the housing spectrum.

Some of the performance indicators in the NHHA have limited value. For example, the performance indicator for zoning reform is not increased housing supply (the goal of reform) but the far less useful measure of the change in the number of potential dwellings permitted by zoning. In other cases, such as the performance indicator 'the stock of affordable rental housing relative to the population', data are not available to report against the indicator.

The NHHA requires the Australian Government to publish an independent, annual report on national performance indicators. The Productivity Commission's Performance Reporting Dashboard was developed to fulfil this function. However, the Dashboard only reports on four of the 14 indicators and, for some of these indicators, data are collected infrequently. The Agreement provides for a Data Improvement Plan to improve the data available, but delays to the Plan being agreed has meant that many of the promised improvements are still being developed.

State and Territory Governments must also report annually on their expenditure through statements of assurance. These are meant to provide accountability for spending to the Australian Government, but they are of limited value, including to the Australian Government.

There is no agency or body responsible for ensuring that performance reporting is meeting the intent of the performance framework. As a result, there is little discourse on how policy and non-policy influences interact to produce outcomes, and how different government actions are (or are not) working together to achieve the NHHA's objective.

... and the objective has not been achieved

While the Agreement's objective has not been achieved, this is unsurprising given several features of its design. First, excluding housing policy levers that are important for improving outcomes is a severe handicap. Second, funding in the NHHA is disconnected from the objective (discussed below). And thirdly, supply-side policy levers, which are an important part of the solution to housing affordability (section 4), are mentioned in the Agreement, but not linked to any meaningful actions.

Figure 5 – The NHA performance framework

Objective						
Contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation						
Outcomes	A well-functioning social housing system that operates efficiently, sustainably and is effective in assisting low-income households and priority homelessness cohorts to manage their needs	Affordable housing options for people on low-to-moderate incomes	An effective homelessness service system, which responds to and supports people who are homeless or at risk of homelessness to achieve and maintain housing, and addresses the incidence and prevalence of homelessness	Improved housing outcomes for Indigenous Australians	A well-functioning housing market that responds to local conditions	Improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes
Performance indicators	The stock of social housing dwellings relative to the target population for social housing	The stock of affordable rental housing relative to the population	A decrease in the number of people experiencing homelessness*#	An increase in the proportion of Indigenous Australians purchasing or owning their own home* Other performance indicators disaggregated for Indigenous Australians where appropriate	The total number of dwellings relative to the population#	
	An increase in the proportion of social housing occupants that are housed in homes that match their needs #		A decrease in the number of people that experience repeat homelessness #		An increase in the number of dwellings that are permitted by zoning in cities or urban areas #	
	An increase in the number of social housing occupants with greatest need as a proportion of all new allocations*	A decrease in the proportion of rental households with household income in the bottom two quintiles that spend more than 30 per cent of their income on rent*#	An increase in the proportion of people who are at risk of homelessness that receive assistance to avoid homelessness #		A reduction in the average time taken to decide the outcome of a development application or residential building permit (as applicable) in cities or urban areas	
	An increase in the proportion of social housing occupants whose needs are met and are satisfied with services provided by their housing organisation		An increase in the proportion of people who are homeless that are assisted to achieve housing#			

* Data are reported on the PC Performance Reporting Dashboard. # Included in the Data Improvement Plan.

The NHHA has not spurred reform

Intergovernmental agreements can be a catalyst for reform. However, the NHHA does not commit governments to implementing any specific reforms. And while all States and Territories meet the requirement to have a publicly available housing and homelessness strategy addressing the NHHA's national priority policy areas and priority cohorts, this requirement has not prompted reforms. State and Territory Governments already had incentives to pursue reforms and many jurisdictions had strategies before the NHHA came into effect.

Some participants also noted that the NHHA does not require the Australian Government to have a housing strategy. They argued that a national strategy led by the Australian Government was essential for:

- providing a clear vision and strategic direction for housing in Australia
- taking account of all the factors affecting housing and homelessness, including significant policy levers outside the scope of the NHHA, such as taxation policy and immigration
- bringing all parties to the table, including the non-government sector and people with lived experience.

The Australian Government has recently announced it will develop a National Housing and Homelessness Plan, which can be expected to fill this gap.

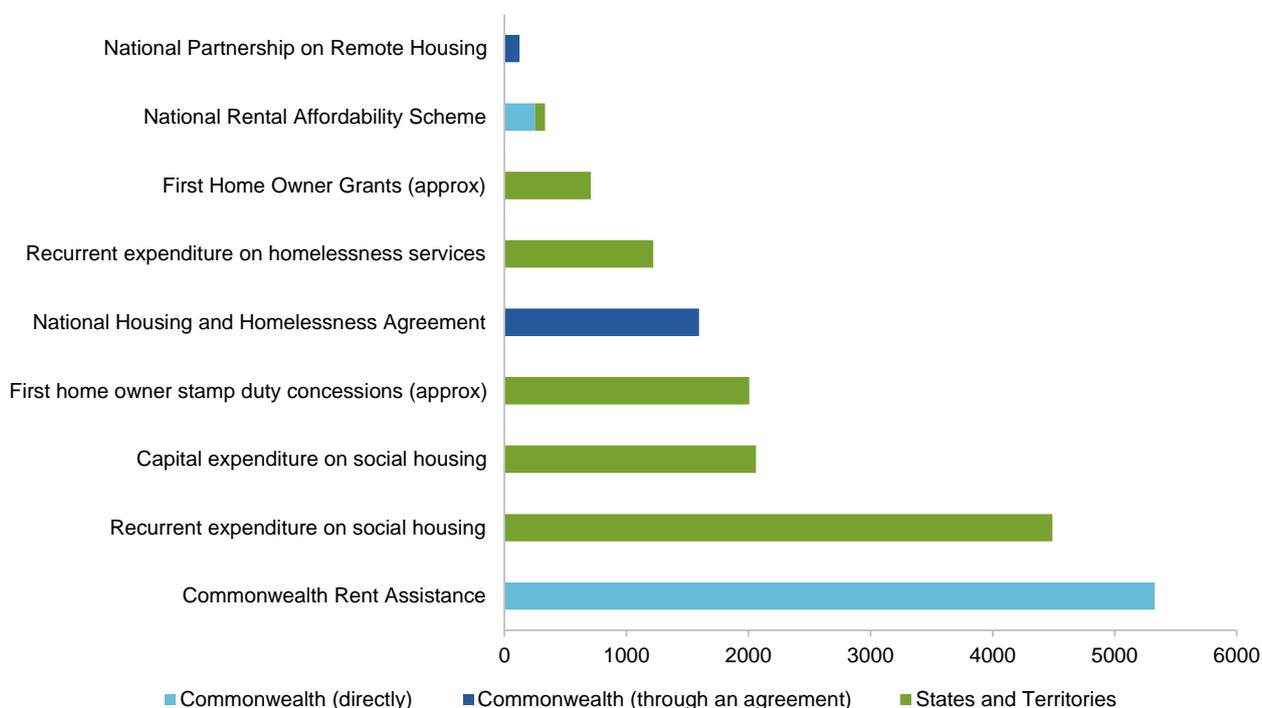
The NHHA also does not have a specific forum for policy coordination and discussion. In 2020, the Ministerial Council responsible for the NHHA disappeared during the shift to the National Cabinet. There is also no formal oversight of the Data Improvement Plan. State and Territory Governments said that not having governance structures makes coordinating with other jurisdictions time consuming, and results in bilateral rather than multilateral communication between governments.

Demands on funding are increasing

NHHA funding is critical for enabling States and Territories to provide services to people who need housing assistance. However, as highlighted by State and Territory Governments, other sources of funding for housing programs have ceased (including funding for remote housing) and demand for housing and homelessness services has increased, meaning there is additional pressure on funding delivered through the NHHA to deliver housing outcomes.

There is also a disconnect between the amount of funding under the Agreement and the broad objective — one jurisdiction described the Agreement as having the ambition of a Ferrari with funding for a wheel. The NHHA funding is only a small proportion of the total housing assistance dollars — it is \$1.6 billion compared to around \$16 billion spent in total on housing assistance (figure 6).

Recent announcements by the Australian Government will see more funds directed to housing and homelessness services, including for social and affordable housing, remote Aboriginal and Torres Strait Islander housing and crisis and transitional housing.

Figure 6 – Spending on housing assistance, 2020-21 (\$m)^a

a. State and Territory expenditure on homelessness services and social housing includes funding provided to the States and Territories under the NHHA, meaning there is some double counting in state and territory recurrent and capital expenditure on social housing and homelessness services. State and Territory Governments spent about \$7.8 billion on social housing and homelessness services in 2020-21, which includes the \$1.6 billion provided through the NHHA.

There is also little connection between need and the allocation of NHHA funding between States and Territories. Homelessness funding is distributed according to outdated data (from the 2006 Census) and general funding is based on population. Funding is not based on need nor the different costs of providing services in each jurisdiction.

3. What then for a future Agreement?

While the NHHA has not improved access to affordable, safe, and sustainable housing, or collaboration on housing policy, it has some features which could be improved and carried over into the next Agreement.

- The IGA FFR provides a strong base for improved coordination and accountability.
- Many of the NHHA's key elements are sound, including its policy objective, focus on outcomes, requirements for State and Territory Government housing and homelessness strategies, focus on improving data and five-year funding certainty.

However, to be effective, a new national Agreement for housing and homelessness will need to more closely reflect the principles of the IGA FFR,⁷ with a greater focus on governments working together to improve housing and homelessness outcomes.

⁷ Primary responsibility for service delivery; focus on improving the wellbeing of Australians; coordinated federal action; accountability; financial support; greater incentives for economic and social reform.

The next Agreement should be a living document, with the main part of the Agreement setting out the objective, outcomes, principles and governance arrangements, while the detail of reform commitments should be included in schedules and bilateral agreements. This will simplify the process for revising or updating the Agreement when policy or the broader environment changes. The next Agreement should also include:

- a better-defined objective, with key terms defined and the trade-offs between affordable, safe and sustainable acknowledged
- an agreed reform agenda
- an endorsed set of principles for designing and delivering housing assistance
- a broader scope, covering all government-funded housing assistance policies and programs
- clearer roles and responsibilities
- revised outcomes focused on improving outcomes for people across all tenure types
- a new performance monitoring and reporting framework with annual reporting against outcomes and performance indicators
- meaningful, achievable and measurable targets
- a single base funding pool for housing and homelessness services that is allocated to jurisdictions according to need and the costs of providing services
- effective governance arrangements, including oversight by a Ministerial Council
- alignment with other agreements and policies, including the National Agreement on Closing the Gap and Australia's Disability Strategy
- a schedule outlining support for Aboriginal and Torres Strait Islander housing and homelessness services, including capability building and effective involvement in the co-design of policies and programs.

The Agreement's scope should be broader

Some argued that the next Agreement should be confined to housing and homelessness services with a focus on what can be delivered within the funding envelope. Instead, the Commission considers that the funding envelope should be expanded to include all government-provided housing assistance — including Commonwealth Rent Assistance and first home buyer assistance.

Bringing all forms of housing assistance under the umbrella of the next Agreement should:

- encourage governments to consider how to best spend the housing assistance dollars to improve housing outcomes in a holistic way, guided by principles for housing assistance
- support decisions about the design of housing assistance, including eligibility criteria
- clarify which level of government is (or should be) responsible for what assistance
- provide a forum for governments to resolve any conflicts or overlaps in the assistance programs
- provide a forum for sharing data, evaluations and lessons learnt
- help ensure all measures are 'pulling in the same direction'.

But the next Agreement should not have a narrow focus on housing assistance measures alone. It should also have a focus on improving housing affordability and increasing the level and responsiveness of housing supply to changes in demand (section 4).

Several stakeholders called for policies that indirectly affect the housing market — including tax and immigration policy — to be included in the scope of the NHHA. While these policies affect the housing market, decisions on these policies usually require a whole-of-government perspective, reflecting the fact that a host of policy objectives are involved. It is appropriate for the NHHA to focus on policies and programs that are designed to improve housing outcomes. That said, housing policy settings should take into account the effects of these broader policies.

The next Agreement will need to align with and support the National Housing and Homelessness Plan. The Australian Government has indicated that it has offered State and Territory Governments an additional year of funding under the NHHA to provide funding certainty while the National Plan is developed. The Commission encourages governments not to defer worthwhile policy or other changes that can be agreed to and implemented immediately (including a review of Commonwealth Rent Assistance, section 4).

Principles for housing assistance

The Australian, State and Territory Governments should agree to a set of principles for housing assistance to be included in the next Agreement (figure 7). The principles should promote equity, choice of housing, economic and social participation and targeting of scarce funding to people in need. The principles should also provide direction for future reforms.

Figure 7 – Principles for housing assistance

Sufficient	Fair	Effective
 <p>People receiving assistance can access housing that meets their needs</p>	 <p>Assistance is targeted to people most in need</p>	 <p>Assistance is flexible and tailored to individual circumstances</p>
 <p>Household incomes after paying for housing costs are sufficient to cover other essential items (such as food, clothing and health care)</p>	 <p>People in the same circumstances are treated in the same way</p>	 <p>Assistance is delivered in a timely way</p>
		 <p>Assistance responds to changes in need over time</p>
		 <p>Assistance supports social and economic participation</p>
		 <p>Assistance delivers the best use of taxpayers' dollars</p>

Reforms rather than 'priorities'

The NHHA has national housing priority policy areas, homelessness priority policy reform areas and national priority homelessness cohorts, but all these priorities are largely for the purposes of reporting. Requiring States and Territories to include these priorities in their strategies has not driven reforms or improved outcomes.

Rather than reporting on priority areas, governments should commit to specific reforms aimed at improving housing affordability in the next Agreement.

The Commission suggests the Australian, State and Territory Governments commit to:

- reducing homelessness, expanding early intervention and prevention interventions and Housing First-type responses

- accelerating the shift to longer-term contracts for providers of homelessness services, and offering more flexible and, where appropriate, open-ended funding for homelessness support
- auditing the unmet need for homelessness support and conducting a stocktake of homelessness services
- reforming CRA, informed by recommendations from a CRA review
- trialling rental assistance that is portable across social and private rental housing
- winding back support for home buyers
- setting targets for new housing supply in major urban areas
- identifying the unmet housing needs of Aboriginal and Torres Strait Islander people and undertaking stocktakes of the supply and quality of social housing for Aboriginal and Torres Strait Islander people
- establishing a National Committee on Aboriginal and Torres Strait Islander Housing to work with governments to develop the Aboriginal and Torres Strait Islander housing schedule
- commissioning a housing Targeted Action Plan under Australia's Disability Strategy.

A stronger performance monitoring and reporting framework

The Australian, State and Territory Governments should develop a new performance monitoring and reporting framework which includes measurable targets and performance indicators.

To hold governments to account, targets should be achievable, rather than aspirational. The framework should have indicators for each target, as well as for the NHHA outcomes and reform areas, and for the National Plan.

An independent body (discussed below) should report annually on housing outcomes in Australia. This report would cover:

- governments' performance against the framework, including analysis and commentary about performance
- what governments are doing to improve outcomes, including new policies and interventions
- expenditure on housing assistance
- qualitative evidence from key stakeholders, including people with lived experience of homelessness, social housing and housing stress.

The independent body will require support and information from the Australian, State and Territory Governments. Governments should be required to provide information to the body at least annually, including data for the performance indicators, and information on expenditure, programs and reforms.

A stronger performance monitoring and reporting framework would mean that statements of assurance are unnecessary.

Funding should be based on need

The arrangements for distributing funding under the NHHA should also be changed.

- The Australian, State and Territory Governments should commission the development of a new model for distributing funding between States and Territories. The model should consider the need for housing and homelessness services, and the cost of developing and managing housing stock and providing services across jurisdictions.
- There should be one pool of untied funding for housing and homelessness services so that jurisdictions have the flexibility to use funding to best meet their needs.
- The funding for higher wages under the Equal Remuneration Order in the Social, Community, Home Care and Disability Services Award should be considered ongoing and included in the general housing and homelessness funding.

Crafting a new, more equitable ‘needs-based’ formula will be complex and contested. The task could be given to an independent party such as the Commonwealth Grants Commission or an expert group created for the task. The final arrangement is likely to require transitional arrangements to avoid disruptions to services.

Stronger governance

The next Agreement should be bolstered by stronger governance. A council — made up of housing and homelessness ministers from each jurisdiction — should be established to oversee the negotiation, implementation and ongoing operation of the Agreement and the National Housing and Homelessness Plan.

An independent body that is arm’s length from housing policy and programs should undertake the monitoring and reporting functions.

One option is to establish a body for performance monitoring and reporting on all National Agreements under the IGA FFR. The Commission raised this option in its review of the National Agreement on Skills and Workforce Development.

Another option is to give the task to the proposed National Housing Supply and Affordability Council. Given its proposed research, analysis and reporting functions, performance monitoring and reporting could be a good fit. However, given the Council’s ‘home’ will be the proposed Housing Australia (currently the National Housing and Finance Investment Corporation), there may need to be governance arrangements to ensure full independence for the Council in this role.

Other independent bodies, such as the Australian Institute of Health and Welfare, the National Competition Council and the Productivity Commission, could also support the Council to undertake performance monitoring and reporting, by providing data and other information, undertaking analysis and/or reporting.

Building a better evidence base

Data and evidence are critical for governments to effectively direct resources to meet people’s housing needs. However, the evidence base is lacking in some areas. In the next Agreement, the Australian, State and Territory Governments should commit to bolstering the housing and homelessness evidence base, including by expanding the scope of the Data Improvement Plan, changing how the National Housing Research Program is delivered, and establishing a ‘what works’ centre to draw together insights and make evaluations publicly accessible.

A Targeted Action Plan under Australia’s Disability Strategy

The Commission was asked to consider the extent to which the NHHA is meeting the obligations of governments under *Australia’s Disability Strategy 2021–2031*. One of the Strategy’s outcomes is ‘people with disability live in inclusive, accessible and well-designed homes and communities’. It is supported by two priority policies directly related to housing.

- Increasing the availability of affordable housing.
- Housing is accessible and people with disability have choice and control about where they live, who they live with and who comes into their home.

The NHHA predates the Strategy so it is not surprising that the Agreement has not contributed to either goal for people with disability. The next Agreement should align with Australia’s Disability Strategy. The Australian, State and Territory Governments should also commission a housing Targeted Action Plan under Australia’s Disability Strategy to improve the availability of affordable and accessible housing for people with disability.

4. Making housing more affordable

Given the rental affordability challenges faced by many low-income Australians, the next Agreement should have a greater focus on improving housing affordability. Housing affordability is a function of both income and housing costs. Tackling housing affordability from both the cost and income side will be important for ensuring that the private rental market is accessible to low-income households. This, in turn, will help to reduce the number of people who experience homelessness or need social housing.

CRA is a key tool for improving rental affordability

Addressing renters' income is one way to improve rental affordability. Many factors affect low-income renters' income, including depressed wage growth for low-wage workers, unemployment and underemployment, as well as income support and other government services.

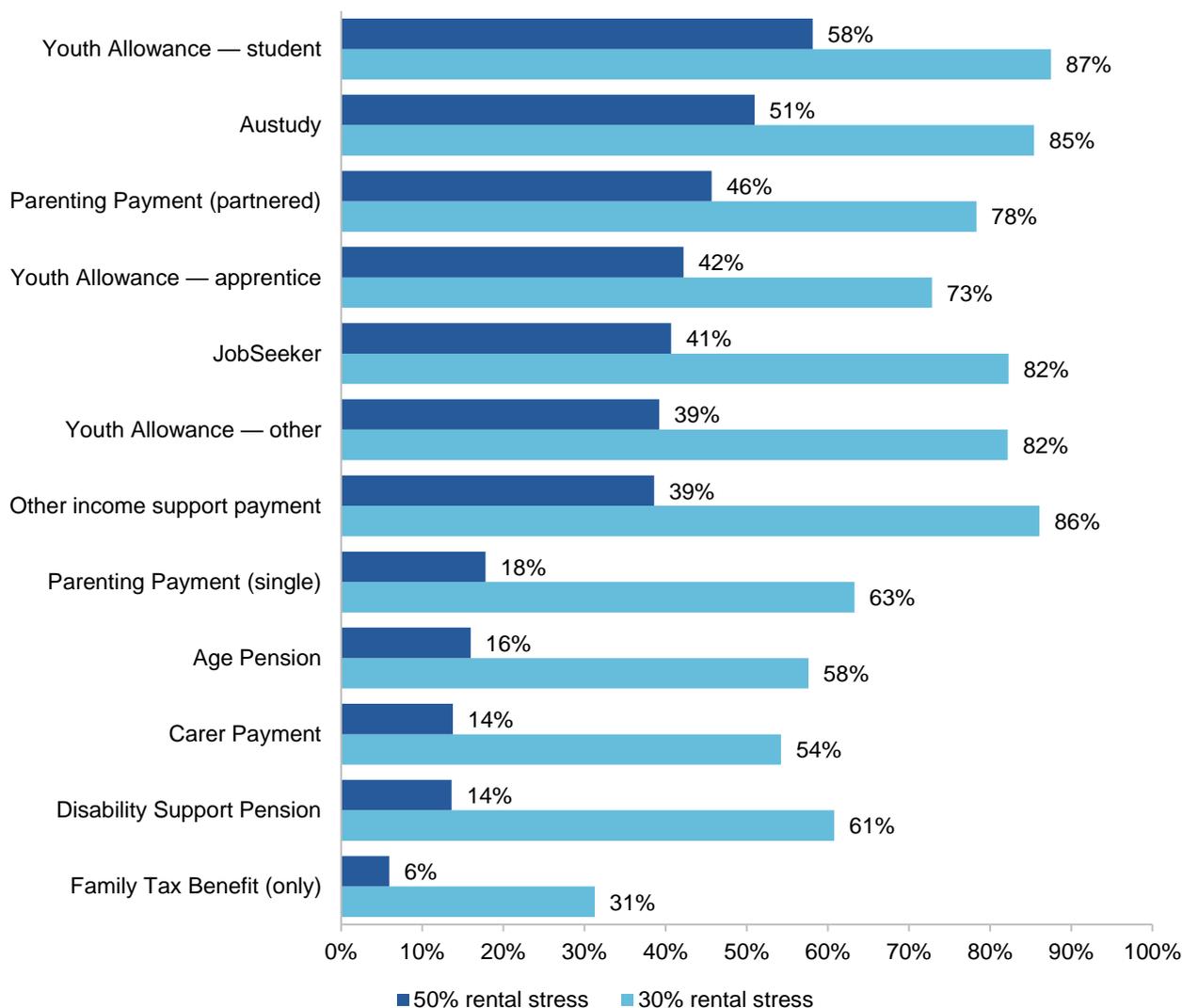
CRA provides an income supplement for about 1.35 million renting households. At a cost of \$5.3 billion per year, CRA is the largest single housing assistance program. CRA is paid to people renting privately (or from community housing providers) who receive an income support payment or Family Tax Benefit Part A above the base rate. It is just one part of the broader income support system, but it plays an important role. Private renters often face high housing costs and typically have little scope to adjust their spending on housing in the short term if their circumstances change. CRA helps shield renters from significant fluctuations in rents that could otherwise affect their social and economic participation.

CRA is designed on sound principles. As a payment directly to renters, it aligns with many of the Commission's suggested principles for effective housing assistance (figure 7) — it is a flexible payment that responds to recipients' needs in a timely way, supports housing choice and adjusts as needs change over time. But it falls short on the principles of sufficiency and fairness.

Even after receiving CRA payments, many recipients experience high rent burdens and rental stress (figure 8). In June 2022, 63 per cent of CRA recipients paid more than 30 per cent of their income on rent, and 23 per cent paid more than half of their income on rent. And CRA's capacity to shield renters against rent shocks has deteriorated — 79 per cent of recipients paid enough rent to receive the maximum CRA payment in June 2022, so their payment does not increase if their rent rises. There is also evidence that some payments are not targeted to people in greatest need, and some people in similar circumstances might be treated differently because of their eligibility for income support. There is a strong case for changes to CRA.

The Australian Government should review CRA as a priority. The review should cover all aspects of the payment design (including minimum and maximum rates, the co-payment rate, indexation, income tapering and eligibility) with the aim of improving the sufficiency, fairness and effectiveness of the payment.

Figure 8 – Some CRA recipients experience high rates of rental stress
CRA recipient households spending more than 30 per cent or 50 per cent of income (including CRA) on rent, June 2022, by primary payment type



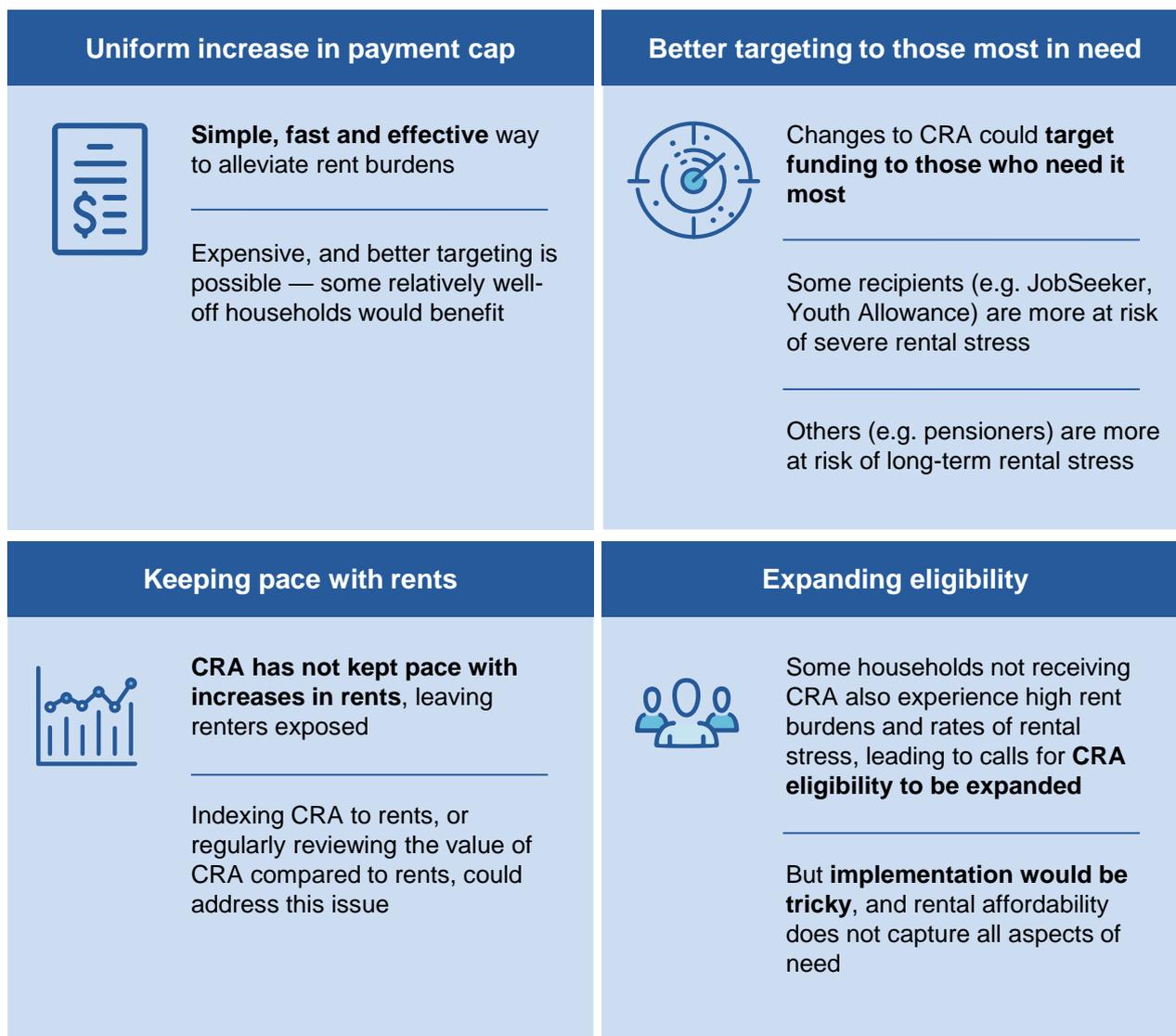
The review should also consider how changes to CRA will affect, and interact with, other housing and social policies of both the Australian and State and Territory Governments. For example, CRA is an important source of funding for the community housing sector, and it assists many people on social housing waiting lists or receiving other assistance (such as tenancy support services). CRA policy settings will affect the success of the Commission’s recommended social housing reforms (section 5), including introducing a portable rental assistance model.

CRA should be brought into the scope of the next Agreement. The recommendations from the review of CRA could be part of the Australian Government’s actions under the next Agreement’s reforms. CRA could also be reflected in the performance monitoring and outcomes framework, informed by the review of CRA, as well as work on new rental affordability measures.

Some options a CRA review should consider

The Commission conducted some preliminary analysis of options that a CRA review should consider, including a uniform increase in the maximum rate, changes to better target funding to those most in need, indexing CRA to rents and expanding eligibility (figure 9).

Figure 9 – Some options for CRA reform



Many participants called for a uniform increase to the maximum rate of CRA. A uniform increase would be a simple, fast and effective way to deliver relief for many renters. Increasing the maximum threshold only benefits CRA recipients paying relatively high rents, so assistance would be somewhat targeted toward those with relatively high housing costs. But this option would be costly. Treasury estimated that a 40 per cent increase in the maximum rate of CRA would cost \$1.7 billion per annum (in 2019-20 dollars).

Better targeting of CRA dollars is possible. CRA is paid to some households that appear to be at little risk of financial stress due to renting. In 2019-20, 27 per cent of recipients had household income in the top three quintiles of the income distribution.⁸ About 28 per cent of CRA recipients would not experience rental stress if

⁸ That is, equivalised disposable household income greater than \$794 per week in 2019-20 dollars.

they did not receive CRA. In part, this is because income support recipients remain eligible for the full value of CRA even if their primary payment is reduced because their income or assets exceed the relevant thresholds (for example, part pensioners are eligible for the full value of CRA).

A review could consider options to target support where it is needed most, including changes to eligibility, income tapering or maximum rent thresholds according to payment or household type. This will involve trade-offs and fine judgments about need. Recipients of lower-value allowances, like Youth Allowance and JobSeeker, have lower residual incomes, and experience more severe rental stress, than people receiving pensions or Family Tax Benefit (figure 8). But other recipient groups, such as full pensioners, tend to receive CRA for longer periods of time, so might experience more persistent rental stress. A range of rental affordability and wellbeing metrics should be considered, because there is no single reliable measure of rental stress or affordability. And reform options should be assessed in the context of the aims of the broader income support system.

A review could also consider the degree to which CRA payments should move with market rents. CRA is indexed to the consumer price index, which leaves renters exposed to fluctuations in rents. These fluctuations can have a disproportionate effect on low-income renters' budgets — rent makes up only 6 per cent of the bundle of goods and services that form the consumer price index, but absorbs 36 per cent of the median low-income private renter household's income. A review should look at the case for other indexation options, as well as alternative approaches like regular appraisals of the relative value of CRA.

About 43 per cent of low-income private renters — or 395 000 households — did not receive any CRA payment in 2019-20. These households (often low-wage workers who do not have children) also face high rent burdens and rates of rental stress, leading to calls for CRA to be expanded to all low-income private renters. But point-in-time rental affordability metrics are a poor basis for decision making. The CRA review could consider other measures of poverty and deprivation, as well as the broader income support landscape. It should also explore data and implementation challenges to expanding CRA, the potential for rental market distortions and the effects of any changes on work incentives.

Some stakeholders expressed concern that any increase in CRA would just pass into rents. On balance, this effect is likely to be small. CRA serves as an income supplement, not a rental subsidy, so increases in CRA will not translate one-for-one into increases in housing demand.

The risk of increases in CRA passing into rents is greater when vacancy rates are very low and supply is relatively inelastic. The risk can be reduced through reforms that increase the responsiveness of supply (discussed below). CRA changes could also be designed to reduce the chance that increases pass into rents. For example, decreasing minimum rent thresholds (rather than increasing maximum thresholds) would increase the amount of assistance to recipients without changing the relative price of housing, minimising potential distortions. But this approach would be less targeted to households with the highest housing costs. The review of CRA should investigate evidence regarding the potential effect of CRA increases on rents to help weigh up these conflicting aims.

Housing will also be more affordable if more homes are built

The supply side of the housing market (including the level and responsiveness of supply) is a key determinant of rents and house prices. There are many reasons why housing in Australia has become more expensive, including record low interest rates. But, holding constant these factors, housing would be more affordable if more homes had been built and the supply of housing responded more quickly to demand.

Australia has 411 dwellings per 1000 people. This is among the lowest housing stock per person in the OECD. But across OECD countries, Australia ranks high in terms of the flow of new housing, reflecting in part our

relatively low base. In recent years, about 200 000 new dwellings were added to the stock of housing each year (equal to almost 2 per cent of the stock). Most new dwellings were detached houses, but there has been an increase in the number of new apartments and townhouses, particularly in Sydney and Melbourne.

A large body of research shows that building more homes can reduce aggregate house prices and rents. Increasing the supply of rental properties lifts vacancy rates and improves renters' bargaining power. Australian studies have found that increases in building approvals and housing construction lead to lower rents, and some countries that have undertaken supply reform have quickly seen lower rents and improved housing affordability. For example, in 2016 Auckland upzoned about three-quarters of its core residential land area to promote construction of higher density housing. Land-use regulations were eased to enable higher density development, such as terraces and apartments. In five years, the reforms added around 20 000 additional new dwellings, or 4 per cent of the city's housing stock, with most being dense, multi-unit, urban infill development. Since upzoning, rents in Auckland have grown significantly slower than in the country as a whole.

Some question whether building more housing does enough to lower rents for low-income earners. They argue that the market will not build housing that is affordable and governments need to promote 'affordable housing', tailored specifically to low-income households. But the data shows that low-cost housing is being built. In 2016-17, twice as many houses in Australia were built in the lowest house price decile relative to the highest decile. And because housing is an integrated, dynamic market, supply does not need to be targeted to the low-cost segments of the housing spectrum to improve affordability. New supply across the housing spectrum can flow through to improve housing affordability in lower-cost segments. As people move into new homes, they vacate their old homes, which become available for new residents (so called movement chains). Many low-cost rental properties are occupied by people who could afford to pay more for housing — if new construction provides opportunities for these renters to purchase homes, there will be less demand for low-cost rental stock. And, over time, some ageing properties may also become affordable to successively lower-income households.

The responsiveness of housing supply matters for affordability

Given the importance of supply to improving affordability, it is critical that housing supply is able to quickly, and sufficiently, respond to changing demand.

The evidence suggests that when housing demand in Australia increases (for example, because of low interest rates), there is little response in supply and house prices and rents increase rather than the supply of housing (that is, supply is 'inelastic'). Inelastic housing supply can reflect geographical constraints that make developable land scarce, or regulatory policies such as land use and planning regulations that do not permit new developments.

Some types of housing supply are more inelastic than others.

- The supply of detached housing is more inelastic than the supply of apartments, probably because detached housing requires more land.
- Supply is more inelastic in areas with greater density, reflecting that there is less available land or tighter planning restrictions.

Reforms to housing's two main inputs — land and construction — can increase the responsiveness of supply and therefore improve affordability.

Land use planning and zoning reforms can improve affordability

The planning system affects the number, type and location of new dwellings built in Australia. Planning and zoning can facilitate the supply of new housing. However, planning regulation can also constrain supply and push up prices.

Despite planning and zoning reform being a priority policy area in the NHHA, the Agreement has not driven reform in this area. All State and Territory Governments are undertaking land use planning and zoning reforms, but more needs to be done to ease constraints on new supply.

The next Agreement should explicitly recognise the importance of housing supply as a solution to housing affordability and include a requirement for States and Territories to commit to targets for new housing supply in major urban areas.

State and Territory Governments should work with local Governments to meet these targets. This would help to ensure sufficient new housing to meet demand, including through infill development. Setting targets at the state and territory level would allow governments to tailor their approaches based on local need.

A targets approach will need to be supported by better data and indicators that measure changes in housing stock, density, zoning and supply of land at key points in the development pipeline. Targets should be publicly available, updated regularly and supported by transparent data, assumptions and methodology.

States and Territories should also set and publish annual progress against long-term and short-term rolling land supply objectives for major growth areas.

The Australian Government has announced it will establish a National Housing Supply and Affordability Council. Depending on the Council's remit, it could promote consistency in the measures and methods used by States and Territories in setting and reporting progress on land supply — or go as far as setting the land supply targets itself, in consultation with States and Territories, experts and industry.

States and Territories should require local Governments to meet targets through local strategic planning instruments, and consider transferring responsibility for assessing development applications to independent planning panels when housing targets are not being met. State and Territory Governments should also consider new, or review existing, payments to local Governments to support meeting the housing targets and/or step in to resolve infrastructure issues.

To support meeting their housing targets, State and Territory Governments should revise zoning regulations that restrict greater density, especially in established suburbs and locations with good access to jobs and transport. Increasing density will increase supply and lower house prices and rents. But there is no one-size-fits-all solution to achieving greater density. Any changes to zoning regulation should balance the benefits of additional supply against the costs, including costs to the environment, amenity and liveability of cities.

The changes should also be supported by existing or proposed infrastructure, public transport, community facilities and access to jobs. A starting point would be for State and Territory Governments to strongly consider:

- reforming zoning rules that allow only single detached houses
- allowing more dense development 'as of right' along key transport corridors, with height limits set up front
- relaxing regulations limiting the building and use of secondary dwellings
- relaxing minimum carpark requirements around existing public transport
- relaxing minimum floor sizes.

Relaxing does not necessarily mean removing. Regulations may remain but be made less stringent.

State, Territory and local Governments should also review planning rules to facilitate greater diversity in housing types, including lower cost or innovative housing models such as ‘tiny’ houses. Demonstration projects on government land could help to build community acceptance of diverse housing types.

The timely delivery of infrastructure is critical to unlocking new housing supply. Local governments can lack the financial capacity, or be unwilling to borrow, to fund infrastructure — greater use of debt financing could help to address infrastructure bottlenecks. Some jurisdictions have supported housing development through infrastructure ‘accelerator’ funds. A similar facility is offered by the National Housing Finance and Investment Corporation. A whole-of-government approach to economic and social infrastructure such as schools, hospitals and transport can best support residential development. While a user-pays approach to funding local infrastructure can be efficient and equitable, governments should not use developer charges to cost-shift the funding of general community services onto new home owners.

Building and construction conditions also affect affordability

Conditions in the construction industry affect housing affordability in two ways.

Construction costs directly affect the cost (and therefore the price) of each new dwelling built. On average, construction costs account for between 45 and 60 per cent of infill development costs and between 36 and 53 per cent of greenfield development costs.

Construction industry productivity affects the number of dwellings that can be built in each period (and therefore the balance of aggregate supply and demand). Building a residential dwelling requires both equipment and workers. The more that must be used for each dwelling, the fewer dwellings can be built in the short term (when the availability of these inputs is largely fixed). And if equipment and workers are tied up in projects for long periods, the industry will be less responsive to changes in demand.

Construction industry productivity is a key determinant of construction costs and has been declining in recent years. The causes of slow productivity growth, and the solutions to it, are not clear. An independent review of the construction sector, with a focus on identifying reforms that can boost productivity (and improve affordability) should be commissioned.

Since the mid-1990s, governments have regulated key aspects of the construction sector including through the intergovernmental National Construction Code. Past code reforms lifted sector productivity and cut construction costs. However, code changes also have the potential to inhibit productivity and increase costs, despite the requirement for proposals to be subject to cost–benefit analysis. There will also be inevitable trade-offs between affordability, accessibility and sustainability which need to be carefully considered.

Subsidising properties is not a good way to tackle rental affordability

Some participants called for government subsidies for affordable rental properties in response to private rental affordability issues. These initiatives usually involve payments or concessions to property owners to compensate them for accepting below-market rent from eligible renters (usually low- and middle-income households). Sometimes, eligibility is further restricted — for example, ‘key worker housing’ is reserved for particular groups of essential workers.

The largest subsidised affordable rental program was the National Rental Affordability Scheme, which provided regular payments to investors who built new dwellings and rented them to low- and middle-income households at 80 per cent of market rents for ten years. Governments can also provide in-kind subsidies (such as giving or leasing land at below-market rates) or use inclusionary zoning policies.

Subsidies for affordable rental properties are not a good way to tackle rental affordability. Subsidised construction can partly displace private construction of market-rate housing — it competes for the same finite pool of land, finance, construction materials and workers as private developments. This lessens the effect on overall affordability. And subsidies have hidden costs. For example, when governments provide land for housing at below-market rates there is an opportunity cost — governments could have used the proceeds from the sale of land to fund other government services, pay down debt or reduce taxes, but their choices are not explicit.

Subsidies tied to properties have inherent disadvantages — they give people fewer options in the homes they can choose and may lock them in because, even when their needs change, they cannot move without losing assistance. Subsidies are often poorly-targeted and, because the number of people eligible is usually greater than properties available, assistance is often distributed unfairly.

Governments should consider alternatives to subsidising affordable rental housing, including key worker housing. Social housing should provide the safety net for people in most need. Portable rental subsidies, supply-side and tenancy reforms, and expanding tenancy support services are more effective and equitable ways to improve affordability and security in the private rental market.

5. Homelessness and housing services and programs

Homelessness services

Homelessness services support people who are homeless or at risk of homelessness (box 1). Services include short-term and emergency accommodation, medium-term or transitional housing, help obtaining long-term housing, assistance to sustain tenancies, assistance to prevent foreclosures or for mortgage arrears, care coordination, counselling, advocacy, health, education and employment services, outreach support, brokerage and meals services.

While many people are well supported by homelessness services, many others are not receiving support, not receiving support early enough to avoid prolonged homelessness, or not receiving the right support for their needs. For example, people in prison, hospital and other types of care are often discharged into homelessness — 54 per cent of prisoners expect to be homeless on release and 30 per cent of people who leave out-of-home care experience homelessness within the first year of leaving.

The supply of good quality crisis, transitional and medium-term accommodation for people experiencing homelessness is limited. Many people cycle in and out of homelessness and poor-quality accommodation, such as motels and rooming houses. People stay in unsafe or inappropriate housing situations (such as staying in violent situations and sleeping rough or in cars) because they cannot access support and accommodation.

People often do not receive support until they are homeless. This results in more expensive support and poorer outcomes. Others who receive support are not being supported 'out of homelessness' because suitable permanent housing is not available. One service provider reported giving tents to clients because no suitable permanent housing was available.

Box 1 – About homelessness in Australia

On any given night, more than 100 000 people in Australia are homeless. Rough sleeping is the most visible and extreme form of homelessness, but it is only a small proportion of all homelessness (accounting for about 8200 people). The most common form of homelessness is people living in severely crowded dwellings, followed by people in supported accommodation for the homeless and people staying temporarily with other households.

Some people are more likely to experience homelessness than others. Young people, Aboriginal and Torres Strait Islander people, people experiencing family and domestic violence, people with mental and physical ill-health, people from culturally and linguistically diverse backgrounds, people leaving institutions and care, recent migrants and asylum seekers, and people in the LGBTIQ+ community all experience higher rates of homelessness.

Homelessness is caused by a range of structural and individual factors. The main cause of homelessness is not being able to afford a place to live in. Other factors include family and domestic violence, family breakdown, mental and physical ill-health, trauma, barriers to accessing housing or support services — such as the discrimination many Aboriginal and Torres Strait Islander people face in the private rental market — low incomes, low educational attainment and unemployment.

Homelessness can have devastating effects. Homelessness affects people's mental and physical health, their ability to participate economically and socially in the community and their security and safety.

The issues of housing stress and homelessness have impacted every facet of my life in ways that have, at times, been beyond my understanding, let alone control. When you are in housing stress or you are at risk of or experiencing homelessness, you are in fight or flight/survival mode and you simply cannot be productive or participate within society to your full capability. Every ounce of your energy is spent just trying to get through the day. (Sarah Nelson, sub. 96, p. 1)

Homelessness also imposes costs on governments and the wider community, including the cost of providing homelessness services, as well as higher costs in sectors such as justice and health care.

There is good evidence about what works to address homelessness. Housing First — which is based on placing people experiencing homelessness into long-term housing, then giving them the support to address the underlying cause of their homelessness — has been shown to be effective for people with even the most complex needs. It has been embraced globally as a best practice approach to ending long-term homelessness.

The COVID-19 pandemic highlighted significant issues in the homelessness service system and presented challenges to service providers in adapting their model of care, but the response to the COVID-19 pandemic also showed that governments can respond quickly to house people. Many of the homelessness programs implemented in response to COVID-19 adopted Housing First principles.

There are two key drivers of the problems in the homelessness service system. First, there are insufficient funds and resources to meet demand. In 2020-21, about 114 000 requests for assistance to specialist homelessness service providers were unassisted. This is up from 95 000 unassisted requests in 2016-17.

Second, there is a shortage of long-term affordable and secure housing. In 2020-21, 70 per cent of people did not receive the long-term accommodation they needed. The success of homelessness services relies on

being able to transition people out of homelessness support into social or private housing. The Salvation Army explained that:

Without adequate exit points and transition supports, systems experience a backlog as they are unable to find adequate accommodation for clients out of immediate crisis. This has knock-on effects for all other homelessness services, and precludes these resources from assisting others experiencing homelessness. (sub. 42, p. 30)

People becoming and remaining homeless is often the result of failures in other parts of the housing market. Improving access to housing that is affordable to low-income households, including social housing, would help to prevent people becoming homeless and help people transition into long-term and secure housing more quickly. In addition, making improvements to the private rental market, including better access and security of tenure, and improving CRA, would help people to sustain their tenancies. It would also help them to successfully transition from social housing or homelessness services to the private rental market (when private rental is suitable to their needs).

Improving homelessness support through the NHHA

The next Agreement should include a commitment to improve support for people facing homelessness.

- Governments should establish an additional separate pool of funding for prevention and early intervention. Preventing people from becoming homeless results in better outcomes for people and is less costly for government (taxpayers) than addressing homelessness. Prevention includes supporting:
 - people leaving health and correctional facilities and out-of-home care. There should be a national policy of no exits into homelessness
 - young people at risk of homelessness and their families, including their engagement in education, employment, or training and the community
 - people at risk of losing their social housing or private rental tenancies — tailored tenancy support services to help tenants maintain their tenancies and avoid evictions.
- Governments should scale up the use of Housing First-type support.
- State and Territory Governments should ensure longer-term funding for homelessness services and trial flexible funding arrangements that enable services to provide long-term support to people with complex needs, rather than support with arbitrary time limits.
- Governments should undertake a stocktake of homelessness support and estimate the unmet need for support, to better identify the funding required for services, and to tailor support for vulnerable groups.
- As part of the performance monitoring and reporting framework, governments should commit to agreed targets for improving homelessness support and outcomes, including reducing the prevalence of homelessness and the number of people exiting health and correctional facilities and out-of-home care into homelessness.
- Governments should continue improving homelessness data.

Social housing

Social housing is an essential safety net for people on low incomes (mostly people who receive income support) who cannot access appropriate or adequate housing in the private market. Social housing is a small but important part of the affordable housing solution — just over 4 per cent of households (about 418 000 households) or around 800 000 people live in social housing.

As demand for social housing outstrips supply (there have been less than 4000 dwellings added to the stock since 2018 when the NHHA commenced), properties are highly rationed, with priority given to people who are homeless or at risk of homelessness. Compared to the general population, people in social housing are

far more likely to be receiving income support and living in single adult households. With tenants' limited capacity to pay rent, governments cover a large funding gap between the costs of providing housing and the revenue from rents, as well as additional costs from supporting clients with complex needs.

For people who can access social housing it provides affordable rent (tenants typically pay 25 per cent of their income as rent) and secure tenancy. Secure tenure is an important benefit, as are tenancy support services.

The evidence shows that social housing is an effective response to addressing and preventing homelessness (it facilitates a Housing First response). But social housing has many shortcomings.

- Waiting times are long, especially for people not in a priority category, which constrains timely housing support to people who most need it.
- Tenants have little choice about where they live and are not always matched to a suitable property. It is not equitable between people who have access to the system and people with similar characteristics who rent privately and receive other forms of housing assistance.
- There are inequities within the social housing system — the in-kind subsidies vary depending on the location, size and quality of the dwelling that a tenant is allocated.
- It can create work disincentives, because a tenant's rent rises when their income rises (until the market rate rent cap is reached). Tenants may lose eligibility if their income increases.
- There are few incentives for people to leave social housing as rents are below market rates and tenure is often long term, if not life time. Almost half of public housing tenants have stayed in the same property for 10 or more years. The low exit rates from social housing limit the capacity of providers to assist more people with timely assistance.
- Housing providers have little incentive to respond to tenants' needs and preferences. This can result in homes not meeting tenants' requirements on size, location and accessibility, underutilisation and overcrowding (a particular issue in State Owned and Managed Indigenous Housing).

More social housing — the answer to improving housing affordability?

A common proposed solution to declining affordability for low-income renters, increasing homelessness and long social housing waiting lists is to build more social housing. The Australian Government and some State Governments have announced new investment in social and affordable housing (box 2).

This investment in social housing will improve access to social housing for many people. However, some stakeholders argue that governments should invest much more.

The 'right' amount of social housing is hotly debated. Comparing the proportion of social housing stock with historical levels, with other countries and across Australian jurisdictions, or estimating housing need based on the number of people on social housing waiting lists, provides little insight on the 'right' amount of social housing.

The need for social housing depends on:

- the level of income support
- how well private rental markets are working for vulnerable and low-income people
- the other types of housing assistance available
- demand in particular communities and the resources available to those communities.

Box 2 – Governments have announced investment in social housing

During 2021 and 2022 State Governments announced the following spending on social housing.

- The New South Wales Government announced \$812 million to deliver new and upgraded social housing.
- The Victorian Government announced \$5.3 billion to build 12 000 new social housing, and affordable and low-cost homes.
- The Queensland Government announced \$526 million for new and upgraded social housing.
- The Western Australian Government announced \$875 million for about 3300 social housing dwellings.
- The South Australian Government announced a \$76 million construction stimulus for social and affordable housing.
- The Tasmanian Government announced plans for about 2350 new social housing dwellings.

The Australian Government has also committed to establishing the Housing Australia Future Fund. The returns from this \$10 billion fund will be used to build 30 000 social and affordable housing properties over five years.

While social housing eases affordability pressures for some households, providing substantially more social housing is an expensive option. Estimates of the cost to government of additional social housing dwellings range from \$10 000 to \$17 000 each year, or an upfront capital contribution of between \$240 000 to \$330 000. This compares to about \$3800 each year for a single income support recipient receiving the maximum rate of CRA, noting that CRA on its own will not always make housing affordable for low-income households.

Social housing is also not the best long-term option for many people. Social housing should be targeted to people who are at risk of long-term homelessness and people who are unable to access or sustain housing in the private rental market.

More tailored and time-limited assistance could be provided to people who may only need short-term support, such as young people who are homeless or at risk of homelessness, and families affected by domestic and family violence. For people who can access private rental properties, financial support and tenancy support services, and reforms that make the private rental market work better, may improve their outcomes and reduce the pressure on the social housing system.

The next Agreement should support innovation in providing housing assistance. Better information on people needing support with housing can help to tailor housing assistance to people's needs and better target housing assistance. Undertaking evaluations of alternative approaches will be critical to understanding what works and for whom. Trials of alternative approaches, if effective, could be scaled up and adopted in other jurisdictions.

Under the next Agreement, Governments should commit to:

- reforming social housing based on the agreed housing assistance principles
- improving data and evaluation to support evidence-based decision making and a comprehensive comparison of the full costs and benefits, including the opportunity cost, of different approaches to providing housing assistance
- improving reporting, including outcomes for recipients of all types of housing assistance.

Portable rental assistance should be trialled

The Commission's inquiry into Competition and Choice in Human Services recommended making rental assistance portable across social and private rental housing. Public housing tenants would become eligible

for CRA. States and Territories would provide a housing supplement based on need. All social housing tenants would pay market rent. This approach continues to have merit.

Portable rental assistance has a number of benefits. It would:

- address the inequities in the social housing system
- put public housing authorities on a more sustainable financial footing
- give new and existing tenants greater choice about where they live and improve outcomes for tenants (including by allowing them to locate closer to family or services they need) and the responsiveness of the social housing system (by increasing competition between housing providers). Greater choice between social and private rental housing could also take some pressure off the social housing system.

The distribution of funds across jurisdictions would change and additional funding is likely to be required. The Commission's Human Services inquiry did not consider replacing NHHA funding to the States and Territories with CRA to public housing tenants but this approach could be considered.

In the first instance, the Australian Government could negotiate with one State or Territory (through a bilateral agreement) to trial portable rental assistance, with evaluation outcomes shared to inform wider take up.

Tenancy laws and support services

Residential tenancy laws and tenancy support services are important complements to affordability and supply measures (section 4) to make the private rental market function well. These policies and programs aim to improve security, safety and accessibility for renters.

- Private renters have less secure tenure than home owners or social housing renters, which can be a source of stress, disruption and financial cost. About 19 per cent of private renters' moves were involuntary in 2019-20. Some vulnerable renters — including older renters, people with disability or low levels of education are disproportionately likely to face involuntary moves.
- Low-income renters' dwellings are more likely to have major structural problems and need repairs than other properties. In 2019-20, 15 per cent of private renters reported that their home had major structural problems, compared with 9 per cent of owner-occupiers and 21 per cent of social housing renters. Poor-quality rental properties can threaten renters' health and wellbeing. And these issues are much worse in the informal and marginal rental market, where dwellings often violate basic safety standards.
- People with disability face particular challenges finding rental properties that are safe and meet their needs. Few rental properties are accessible, and it can be difficult to secure funding or permission from property owners to make modifications.
- Some renters face direct or indirect discrimination in the private rental market.
 - Participants reported that many people experience direct discrimination, including Aboriginal and Torres Strait Islander people, people from culturally and linguistically diverse backgrounds, and people with disability. One Aboriginal elder submitted:

I would ask my Aboriginal friend who has light skin to approach the real estates and ask if they had properties for rent. He would be received favourable, and usually told yes there were homes for rent. However when the Aboriginal family in desperate need would front up to the office, they would be told that the houses were all gone. (SEARMS Aboriginal Corporation, sub. 44, p. 13)
 - Renters without a secure income, good rental history or understanding of 'how the system works' can also be at a disadvantage when navigating the private rental market and are more likely to be refused rental accommodation, especially when vacancy rates are low.

Tenancy reform that encourages security of tenure in the private rental market is a national housing priority policy area in the NHHA. Several States and Territories have introduced, or are considering introducing, changes such as prohibiting without-grounds evictions and increasing minimum standards for rental properties. These changes improve security and safety for renters, but they can also increase landlords' costs, potentially pushing up rents. There is little evidence on the size of these effects, making it difficult for jurisdictions considering reform to weigh up the costs and benefits.

Tenancy support services, or private rental brokerage services, provide tailored support for tenants who face challenges finding or sustaining a tenancy. This typically involves assistance to search and apply for properties, one-off grants for moving or other costs and links to other support services. These services can help renters achieve sustainable housing outcomes, and could play a greater role in the private rental market. But expanding tenancy support services will not be straightforward and more evidence is needed to understand what works, where and for whom.

The Commission's recommended 'what works' centre (section 3) can help develop the evidence base for both tenancy reform and tenancy support services. The Commission's recommendations to improve private rental affordability (section 4) will increase renters' bargaining power, which will also improve the security, quality and accessibility of the private rental market and make support services more effective.

Government support to help people buy a home

The Australian, State and Territory Governments have a range of measures to assist people to buy a home. Most — but not all — of this assistance is directed at first home buyers.

In 2020-21, more than 55 000 people received a state or territory first home owner grant, at a cost to taxpayers of over \$700 million.

Most State and Territory Governments — the exceptions being South Australia and the Northern Territory — also offer stamp duty concessions to first home buyers. The value of these concessions is about \$2 billion a year.

The value of assistance provided through state and territory first home owner grants and stamp duty concessions more than doubled from \$1.2 billion in 2016 to just under \$3 billion in 2020. Home buyer assistance is a sizeable proportion of state and territory spending on housing — for context, States and Territories spent about \$1.2 billion on specialist homelessness services and about \$6.6 billion on social housing in 2020-21 (figure 6).

Many governments also operate low deposit loan schemes, shared equity schemes and concessional savings vehicles for first home buyers. And more assistance is likely. As part of its election platform, the Australian Government pledged to establish a national shared equity scheme. NSW is also trialling its own shared equity scheme. The result is a hodgepodge of overlapping programs — often with the same broad goal but pursued through different eligibility criteria.

The economic case for supporting home ownership is not strong

The evidence that home ownership delivers clear benefits for society (beyond the benefits that accrue to home owners) is not strong, especially if tenancy reforms reduce the insecurity and other problems associated with the rental market.

There is some evidence that home ownership can reduce wealth inequality. Several studies point to a strong inverse relationship between home ownership rates and wealth inequality across countries. What is less clear is whether declining rates of home ownership lead to greater wealth inequality. One OECD paper suggests that countries with declining home ownership rates tend to have a decreasing share of wealth held

by the bottom 40 per cent of households in the wealth distribution, but this relationship was less clear in countries with rising house prices (such as Australia). This may be because rising house prices increase the share of wealth held by home owners, including those in the bottom 40 per cent of the wealth distribution, offsetting falls in shares of wealth due to declines in home ownership.

If reducing or moderating wealth inequality is the aim, support would need to be tightly targeted to households who would not be able to buy a home without assistance. Assisting households who can buy a home without support could compound wealth inequality and would not be a good use of taxpayer's money.

The bottom line is that the case for governments providing assistance to help people buy a home is not strong unless it is targeted at specific cohorts who experience persistent marginalisation in the housing market. Governments would be better spending the money allocated to assist first home buyers to support the housing needs of people who are homeless or at risk of homelessness. Given that the amount of assistance provided to home buyers has increased (while the number of people seeking assistance for homelessness has also increased) governments should consider this in the context of the potential funding envelope of the next housing and homelessness agreement.

And supporting home ownership can reduce housing affordability

It is well known that assistance to first home buyers can contribute to higher house prices. Assisting prospective home buyers increases the number of people wanting to buy a home and the amount they can borrow. The additional demand, if not accompanied by an increase in the number of homes available, places pressure on house prices and reduces housing affordability. It is not typically home buyers who benefit from the assistance,⁹ it is the sellers who receive a higher sale price. What this means is that assisting home buyers can (somewhat counterintuitively) make housing less affordable, particularly for people who do not qualify for assistance.

There is also a risk that, over time, governments may fuel an 'assistance spiral', where the assistance makes house prices more expensive by increasing demand, prompting governments to increase assistance, pushing up prices further, and on it goes.

The absence of a clear cut economic case for government support for home buyers, together with the potential for home owner assistance to reduce housing affordability, means that there are better community returns from providing more assistance to people who are (or are at risk of) experiencing homelessness. As a first step, governments should phase out first home owner grants and stamp duty concessions (ideally in concert with wider reforms to stamp duty) unless these measures are targeted at people experiencing marginalisation in the housing market. Savings should be redirected to supporting people who are homeless or at risk of homelessness (including because of rental stress).

⁹ Home buyers could benefit if they are buying a property where there is little competition.

6. Housing outcomes for Aboriginal and Torres Strait Islander people

Housing outcomes for Aboriginal and Torres Strait Islander people, on average, are poorer than those for non-Indigenous Australians (figure 10). While many of the housing issues faced by Aboriginal and Torres Strait Islander people are similar to those faced by other Australians, some of the additional challenges (and factors that contribute to some Aboriginal and Torres Strait Islander people needing higher levels of housing support) include socioeconomic disadvantage, discrimination in the private rental market, difficulty accessing mainstream financial services, limited opportunities to strengthen financial literacy and build credit and rental histories, geographic location (households living in remote areas) and overcrowded conditions.

Figure 10 – Housing outcomes are poorer, on average, for Aboriginal and Torres Strait Islander households and people

Aboriginal and Torres Strait Islander households , compared with other households, are:	Aboriginal and Torres Strait Islander people , compared with other Australians, are:
1/2 as likely to own their own home (with or without a mortgage)	10x more likely to be classified as homeless
6x more likely to live in social housing	16x more likely to live in severely overcrowded dwellings
3x more likely to live in overcrowded dwellings	10x more likely to access Specialist Homelessness Services

A spotlight on overcrowding

Addressing the housing needs of Aboriginal and Torres Strait Islander people has been a long-term focus of Australian governments with efforts at improving housing outcomes for Aboriginal and Torres Strait Islander people often centred on addressing overcrowding.

At the national level, the *2020 National Agreement on Closing the Gap* (NACTG) acknowledges the importance of addressing overcrowding in Aboriginal and Torres Strait Islander households and includes a housing target to direct policy attention and monitor progress.

Between 2008 and 2018, the Australian Government allocated \$5.4 billion to the *National Partnership Agreement on Remote Indigenous Housing* and the *National Partnership on Remote Housing* (NPRH) to address overcrowding. This reduced overcrowding and narrowed the gap of overcrowding between Aboriginal and Torres Strait Islander people and non-Indigenous people. But overcrowding remains a significant problem for Aboriginal and Torres Strait Islander people living in remote areas.¹⁰

The COVID-19 pandemic highlighted that overcrowded housing increases the risks of contracting and spreading infectious diseases. In some Aboriginal and Torres Strait Islander communities, people had to live temporarily in tents and campervans when they needed to isolate to stop the spread of COVID-19. The

¹⁰ Rates of overcrowding (based on the 2018-19 National Aboriginal and Torres Strait Islander Health Survey) are highest in the remote areas of the Northern Territory (63 per cent) and Queensland (34 per cent).

National Aboriginal and Torres Strait Islander Housing Association, commenting on the spread of COVID-19 through the community of Wilcannia in New South Wales, reported that one family:

... had to find a way to protect themselves while living with three other families in the same home where 20 people were crammed into just four bedrooms. All caught COVID-19 and there was nowhere to isolate. Three weeks into the outbreak, NSW Health finally offered isolation accommodation to COVID-19 patients in 30 campervans it hired for the town, too late to avoid some 40% of Aboriginal people in the town ending up with COVID-19. (NATSIHA 2022, p. 5)

Most Aboriginal and Torres Strait Islander people (70 per cent) who were homeless on Census night 2016 were living in severely overcrowded dwellings. The remainder were living in supported accommodation, tents or sleeping out, staying temporarily with other households and living in boarding houses. And there is also the hidden homeless (box 3).

Box 3 – The hidden homeless — Uncle Tom Slockee’s^a reflections

Drifting homelessness

In regional towns we have Aboriginal people living in the bush, close to the town, in makeshift tents. Many are the drifting homeless, moving from place to place just to survive. They won't fill in the white fella forms to register their homelessness because the forms are complicated. Most have given up hope. Can't get private houses, racial prejudice exists. Can't get into Community Housing. Centrelink and Job Provider breach them all the time. Have no constant form of income. Can't get work. Homeless and without hope. (SEARMS Aboriginal Corporation, sub. 44, p 16)

Moving between families

This is an example of the life of many Aboriginal families: an Aboriginal man and wife have two small girls (5 and 3) and nowhere to live. They alternate by staying at either the man's fathers place (social housing) and the wife fathers and mothers place (again social housing). They both love and care about their parents but they do bring pressure on both households. They do not report the staying to the community housing organisation nor do they apply for housing. The travelling costs are expensive but it's the only way they can find somewhere to live. They say the forms are too complicated and invasive. This family is homeless and these people are invisible, non-existent on statistics. (SEARMS Aboriginal Corporation, sub. 44, p. 12)

a. Tom Slockee is the current chair of SEARMS Aboriginal Corporation.

A number of factors influence household size and contribute to overcrowding in Aboriginal and Torres Strait Islander households, including:

- the greater prevalence of multi-generational and multi-family households in Aboriginal and Torres Strait Islander communities
- limited supply of housing in many Aboriginal and Torres Strait Islander communities, with housing often priced so it is out of reach of many Aboriginal and Torres Strait Islander people, which leads to increased house-sharing arrangements
- temporary and semi-permanent visitors, including people who would otherwise be homeless
- seasonal and cultural movements by family members and strong family obligations.

In 2018, the NPRH expired and the Australian and Northern Territory Governments committed to the joint funding of \$1.1 billion over 5 years to improve housing outcomes in remote communities of the Northern Territory, under the *National Partnership for Remote Housing 2018–23, Northern Territory*. Also in 2018, under the NHHA governments committed to improved housing outcomes for Aboriginal and Torres Strait Islander people. However, the NHHA has been a missed opportunity to articulate how governments are working together to address the persistent inequality in housing outcomes, including overcrowding, that Aboriginal and Torres Strait Islander people face.

The NHHA should articulate the needs, priorities and principles of housing assistance for Aboriginal and Torres Strait Islander people

Under the NHHA, Aboriginal and Torres Strait Islander people are identified as a national priority homelessness cohort and one of the national performance indicators is an increase in the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home. What the NHHA is missing is:

- an articulation of the housing needs and priorities of Aboriginal and Torres Strait Islander people
- principles to guide housing assistance for Aboriginal and Torres Strait Islander people
- targets to drive improvements in housing outcomes for Aboriginal and Torres Strait Islander people.

The NHHA was agreed before the NACTG. The next NHHA will need to align with the commitments governments made under the NACTG, including the four Priority Reforms (formal partnerships and shared decision making; building the community-controlled sector; transforming government organisations and; shared access to data and information at a regional level), the Aboriginal and Torres Strait Islander housing target and the national sector strengthening plan for housing.

If a future NHHA is to contribute to improving housing outcomes for Aboriginal and Torres Strait Islander people, it should include:

- a schedule on Aboriginal and Torres Strait Islander housing developed with a new National Committee on Aboriginal and Torres Strait Islander Housing
- effective state and territory housing and homelessness strategies for Aboriginal and Torres Strait Islander people
- clearly defined roles and responsibilities for remote Aboriginal and Torres Strait Islander housing
- commitment to self-determination and increasing the proportion of services delivered by Aboriginal and Torres Strait Islander housing organisations
- identifying unmet housing need for Aboriginal and Torres Strait Islander people
- indicators and targets to measure outcomes and progress
- transparency and accountability to the community.

Recommendations and findings

Housing in Australia



Finding 2.1

Policy needs to take account of the interconnectedness of the housing spectrum

Housing markets are interconnected, which means policy decisions in one part of the housing spectrum affect outcomes in other parts (including demand for housing assistance). To design good housing policy, policy makers need to consider these connections, including when the effects of policy decisions cross over lines of responsibility and departmental silos.

Affordable, safe and sustainable housing?



Finding 3.1

Housing affordability measures should reflect the outcomes that matter most

House prices are often the focus of the housing affordability debate, but rents are the cost of living in a home, and matter most for low-income households and people experiencing vulnerability.

Rental affordability is often reported through measures of rental stress (a National Housing and Homelessness Agreement performance indicator). An increasing proportion of low-income households are experiencing rental stress. But rental stress alone is a poor predictor of other outcomes such as financial stress and wellbeing. Looking at the depth and duration of affordability pressures can provide a more complete picture of affordability.



Finding 3.2

Australians are spending more on housing

Australians are spending more of their household budgets on housing than they did 20 years ago. For some people, higher spending on housing reflects higher incomes, changed preferences or better quality housing. But the lowest-income earners spend more of their income on housing than others. And housing costs as a proportion of income have increased the most for households in the bottom two quintiles of the income distribution. Many low-income households have little income left after paying for housing.

Performance of the NHHA



Finding 4.1

The NHHA's objective may not cover all aspects of adequate housing

The National Housing and Homelessness Agreement's objective refers to improving access to affordable, safe and sustainable housing, but these terms are not defined, meaning that it is not clear if the objective covers all aspects of adequate housing. The objective also does not acknowledge the trade-offs between affordability, safety and sustainability.



Finding 4.2

Roles and responsibilities in the NHHA are administrative

Governments' responsibilities under the National Housing and Homelessness Agreement are largely administrative, and not focused on policy actions to achieve the Agreement's objective.



Finding 4.3

The NHHA's performance framework is not sufficient to hold governments to account

The National Housing and Homelessness Agreement's performance framework is not sufficient to hold governments to account on their contribution to improving access to affordable, safe and sustainable housing across the housing spectrum. The performance indicators are not comprehensive, and some are ambiguous. Reporting is incomplete and data development has been slow.

The Data Improvement Plan is narrow in scope and the statements of assurance do not provide much useful information for understanding expenditure on housing across jurisdictions. Expenditure reporting requirements for statements of assurance do not support analysis of the full costs of providing housing assistance.



Finding 4.4

There is no strategic oversight of performance monitoring

There is no agency or body responsible for ensuring that performance reporting reflects the intent of the performance framework.

The Data Improvement Plan is focused on a small set of technical data issues, and does not inform strategic judgements about whether the measures used are the most appropriate to monitor progress against the National Housing and Homelessness Agreement's outcomes and objectives.

**Finding 4.5****Greater demands are being placed on NHHA funding, and funding is not distributed according to need**

Greater demands are being placed on the National Housing and Homelessness Agreement's funding and some other sources of funding for housing programs have ceased or reduced in value, placing additional pressure on the NHHA to deliver housing outcomes.

NHHA funds are not allocated between States and Territories according to need — homelessness funding allocations are based on outdated data on each jurisdiction's share of the homeless population, and general funding is based on total population.

**Finding 4.6****Governance arrangements are missing from the NHHA**

Governance arrangements are missing from the National Housing and Homelessness Agreement. There are no intergovernmental forums, and there is no oversight of performance or regular communication between the Australian Government and State and Territory Governments on housing policy.

**Finding 4.7****The practical value of homelessness priority cohorts, housing priority policy areas and homelessness priority reform areas in the NHHA is questionable**

The requirement under the National Housing and Homelessness Agreement for State and Territory Governments to address national homelessness priority cohorts, national housing priority policy areas and homelessness priority reform areas in their housing and homelessness strategies does not appear to have driven reforms. The value of national homelessness priority cohorts, housing priority policy areas and homelessness priority reform areas is questionable.

**Finding 4.8****The NHHA is not meeting governments' requirements under Australia's Disability Strategy**

The National Housing and Homelessness Agreement preceded Australia's Disability Strategy, and has not contributed to meeting governments' requirements under Australia's Disability Strategy to increase the availability and accessibility of affordable housing for people with disability, and for people with disability to have choice and control over their housing.

Future arrangements



Recommendation 5.1

The next Agreement on housing and homelessness

The Australian, State and Territory Governments should develop and agree to a new intergovernmental, person-centred agreement for housing and homelessness. The next Agreement should include:

- a better-defined objective, with key terms defined and trade-offs articulated
- principles for how housing assistance should be provided
- a broader scope, covering all forms of government-funded housing assistance
- clarified roles and responsibilities
- outcomes focused on improving outcomes for people across all tenure types
- an agreed agenda of reforms
- a new performance monitoring and reporting framework with annual reporting against outcomes, targets and performance indicators
- a single base funding pool for housing and homelessness services that is allocated to jurisdictions according to need and the costs of providing services
- oversight by a ministerial council
- provisions to align the Agreement with other agreements and policies, including the National Agreement on Closing the Gap and Australia's Disability Strategy 2021–2031.

The next Agreement should be a 'living' document and make use of schedules to set out more detailed arrangements or operational matters, with the schedules amended as circumstances warrant. It should be reviewed by an independent body periodically.



Recommendation 5.2

An improved objective for the next Agreement

The Australian, State and Territory Governments should ensure the National Housing and Homelessness Agreement's objective covers all aspects of adequate housing. All key terms used in the objective should be defined and trade-offs involved in meeting different parts of the objective articulated in the next Agreement.



Recommendation 5.3

The next Agreement should cover all government-provided housing assistance

The scope of the next Agreement should be expanded to cover all forms of housing assistance provided by governments, including:

- Commonwealth Rent Assistance
- Australian, State and Territory Government home buyer assistance
- State and Territory Government private rental assistance
- Australian Government homelessness services
- subsidies for affordable rental housing, including key worker housing
- the announced Housing Australia Future Fund.



Recommendation 5.4

Outcomes in the next Agreement should focus on people, not systems

The outcomes in the next Agreement should focus on improved outcomes for people across all tenure types. In addition:

- the outcome 'improved housing outcomes for Indigenous Australians' should be revised to align with the National Agreement on Closing the Gap
- an outcome on improving housing outcomes for groups at a high risk of homelessness should be added
- the outcome 'improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes' should be removed.



Recommendation 5.5

Base funding should be untied and distributed according to need and the cost of delivering services

In the next Agreement, there should be a single pool of Australian Government housing and homelessness base funding. Homelessness funding and funding for increased wages under the Equal Remuneration Order in the Social, Community, Home Care and Disability Services Award should be considered ongoing and included in the general housing and homelessness base funding.

Australian Government funding should be allocated across jurisdictions according to need and the cost of providing services. The Australian, State and Territory Governments should commission the development of a new model for determining the distribution of funds across jurisdictions.

Base funding should be untied. The requirements under the current Agreement for the State and Territory Governments to deliver outputs and under the *Federal Financial Relations Act 2009* (Cth) for State and Territory Governments to have housing and homelessness strategies to be eligible for funding should be removed.



Recommendation 5.6

Performance monitoring and reporting framework

The Australian, State and Territory Governments should develop a new performance monitoring and reporting framework to cover the performance of governments under the next Agreement and the National Plan.

An independent body should be responsible for monitoring and reporting progress against the next Agreement. This could be a body set up to undertake monitoring and reporting across all national agreements or an independent council supported by a secretariat for monitoring and reporting progress for the next Agreement.

The performance monitoring and reporting framework should be a schedule to the next Agreement.



Recommendation 5.7
A ministerial council

A council — made up of housing and homelessness ministers from each jurisdiction — should be established to oversee the next Agreement and the National Plan.



Recommendation 5.8
A more comprehensive Data Improvement Plan

The Australian, State and Territory Governments should ensure that the 2023–28 Data Improvement Plan (DIP) develops data for all performance indicators in the new performance monitoring and reporting framework (recommendation 5.6). The DIP should also identify improvements to existing housing and homelessness datasets, develop new datasets to address gaps in the housing evidence base and identify opportunities to link data sets. The Australian and State and Territory Governments should ensure that the DIP is sufficiently funded to carry out this work.



Recommendation 5.9
More contestable National Housing Research Program funding

The Australian, State and Territory Governments should widen eligibility for funding under the National Housing Research Program to researchers beyond those from the Australian Housing and Urban Research Institute's (AHURI) partner universities. Governments should also have greater control over the grant allocation process, which is currently with AHURI.



Recommendation 5.10
A 'what works' centre to draw together insights and disseminate evidence

The Australian, State and Territory Governments should establish a 'what works' centre for housing policy to gather, and make accessible, evaluations on housing policies and programs, and pull together insights from the housing evidence base. The centre could be established within an existing institution such as the Australian Housing and Urban Research Institute, or the proposed Housing Australia.



Recommendation 5.11
Targeted action plan under Australia's Disability Strategy

In the next Agreement, the Australian, State and Territory Governments should commit to commissioning a housing targeted action plan under Australia's Disability Strategy 2021–2031, to improve the availability of affordable and accessible housing for people with disability.

Homelessness



Finding 6.1

The NHHA has not improved homelessness outcomes

It is unlikely the National Housing and Homelessness Agreement (NHHA) has met its objective of contributing to preventing and addressing homelessness.

- Homelessness does not appear to have declined over the life of the Agreement.
- The homelessness-related requirements do not appear to have changed State and Territory Government homelessness investment and activities, and identifying homelessness priority policy reform areas and priority homelessness cohorts has not led to increasing expenditure and focus in these areas.
- Homelessness funding is not allocated to jurisdictions based on need.

However, the NHHA has made some positive contributions to the governance and funding of homelessness services.

- The five-year funding contribution has provided certainty to homelessness services.
- The requirement for State and Territory Governments to have a publicly available homelessness strategy is a positive step towards improving information, transparency and accountability.



Recommendation 6.1

Prevention and early intervention should be a higher priority

Prevention and early intervention programs should be a higher priority under the next Agreement. The Australian, State and Territory Governments should establish a separate pool of funding for prevention and early intervention programs to address the causes of homelessness for the main 'at risk' cohorts, including but not limited to people leaving health and correctional facilities and care, Aboriginal and Torres Strait Islander people, young people and people needing support to maintain their tenancy.



Recommendation 6.2

Expanding Housing First should be a key reform area

In the next Agreement, the Australian, State and Territory Governments should commit to expanding Housing First programs to improve housing outcomes for people experiencing homelessness.



Recommendation 6.3

Determining the funding required to meet need

In the next Agreement, the Australian, State and Territory Governments should commit to a study into the unmet need for homelessness support and a stocktake of current services, to determine the level of funding required to adequately meet the needs of people experiencing or at risk of homelessness.



Recommendation 6.4

Improving funding arrangements for service providers

In the next Agreement, State and Territory Governments should commit to reforming contract arrangements for specialist homelessness services.

- State and Territory Governments should trial flexible funding that allows services to provide a range of supports to meet people's needs, for however long they are needed.
- Funding to specialist homelessness services should be provided for a minimum of five years, where this is not already the case, in line with the recommendations of the Productivity Commission's Human Services and Mental Health inquiries.

Social housing



Finding 7.1

Social housing is an essential part of the affordable housing solution

Social housing is an essential safety net for people experiencing, or at risk of, homelessness and for people unable to access or sustain housing in the private rental market. And it is effective at preventing and addressing homelessness.

However, social housing tenants often have little choice about the location and type of property they are offered. The gap between housing assistance provided in social housing compared with private rental markets discourages people from changing homes if their family or other circumstances change. Income-based rents help with affordability, but can also create work disincentives. The mismatch between social housing stock and tenants needs (and underutilisation of properties) also points to the potential for better management of the social housing stock.



Finding 7.2

Social housing waiting lists are not a useful basis for new social housing investment decisions

New social housing investment decisions should prioritise meeting the housing needs of people experiencing, or at risk of, long-term homelessness and people who are unable to access or sustain housing in the private rental market, not on the numbers of people on social housing waiting lists and others eligible for social housing.

**Recommendation 7.1****The Australian, State and Territory Governments should trial portable rental assistance based on need**

The Australian, State and Territory Governments should trial tenure-neutral rental assistance that is portable across social and private rental housing. This will involve extending Commonwealth Rent Assistance to public housing tenants, removing income-based rent settings in social housing and designing a high-needs based housing subsidy to ensure housing is affordable and tenancies can be sustained.

In the first instance, the Australian Government could negotiate with one State or Territory (through a bilateral agreement) to trial portable rental assistance, with evaluation outcomes shared to inform wider take up.

Subsidised affordable rentals

**Recommendation 8.1****Governments should consider alternatives to subsidies for affordable rental properties**

Subsidies for affordable rental housing are inflexible, inefficient and often unfair. Going forward, governments should consider other uses for funds that better align with the Commission's suggested principles for housing assistance (recommendation 5.1).

Private rental

**Recommendation 9.1****Developing new measures of rental affordability**

The next Agreement should move away from rental stress as the headline measure of rental affordability. Governments should develop a suite of new rental affordability measures as part of a new performance monitoring and reporting framework (recommendation 5.6).

**Finding 9.1****Addressing system-wide barriers is the most effective way to increase the supply of rental properties**

Addressing barriers to the supply of housing is the best way to increase the supply of rental properties and moderate rents. Removing distortionary barriers to institutional investment could marginally increase supply, but governments should not tip the scales in favour of this investment.



Finding 9.2

There is a strong case for changes to Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is the Australian Government's largest housing assistance measure. It is designed on sound principles — CRA is flexible, portable and responds to changes in renters' circumstances. But issues of sufficiency and fairness need to be addressed.

- Many CRA recipients experience high rent burdens and have little income left to afford other essentials after paying for rent.
- The value of the payment has declined over time, relative to rents, reducing its effectiveness.
- Some relatively well-off households, whose rent payments appear affordable, receive the payment.



Recommendation 9.2

The Australian Government should review Commonwealth Rent Assistance

The Australian Government should review Commonwealth Rent Assistance. It should assess all aspects of the design of the payment (including minimum and maximum rent thresholds, the co-payment rate, indexation, income tapering and eligibility), with the aim of improving the sufficiency, fairness, and effectiveness of Commonwealth Rent Assistance.



Recommendation 9.3

Commonwealth Rent Assistance should be within the scope of the next Agreement

Commonwealth Rent Assistance (CRA) should be brought into the scope of the next Agreement (recommendation 5.3). Informed by recommendations from the Australian Government's review of CRA (recommendation 9.2), changes to CRA should be a reform area in the next Agreement and CRA should be included in the performance monitoring and reporting framework.



Finding 9.3

Tenancy reform and support services can improve renters' experiences

Tenancy reform can enhance renters' security of tenure and the safety of rental homes, and tenancy support services can help some renters to find and sustain private rental tenancies.

There is merit in State and Territory Governments exploring further reform options and expansion of support programs, but the limited evidence base is a constraint. The Commission's recommended 'what works' centre (recommendation 5.10) can play a key role in building and sharing this evidence base.

Home ownership



Finding 10.1

There is little evidence that the NHHA is supporting home ownership

While home ownership is identified in the National Housing and Homelessness Agreement as a 'priority policy area', there is little evidence that the Agreement is boosting home ownership.

- There is little evidence that the funds available to the States and Territories through the Agreement are used to fund programs supporting home ownership.
- The Performance Indicators in the Agreement do not require reporting on home ownership outcomes, except for reporting on the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home.



Finding 10.2

The public and private benefits from assisting people who are — or at risk of — experiencing homelessness are likely to be greater than helping people buy a home

The public benefit argument for governments to subsidise home ownership is not strong and assistance provided to people to buy a home can work to inflate house prices (which works against affordability). The benefits from assisting people who are experiencing — or are at risk of — homelessness are likely to be greater than supporting people (particularly people on middle to high incomes) to buy a home.



Recommendation 10.1

Governments should redirect assistance provided to home buyers

State and Territory Governments should phase out assistance provided to first home buyers through grants and stamp duty concessions, unless measures are tightly targeted to support people experiencing marginalisation in the market and who would otherwise be locked out of home ownership. Savings from phasing out grants and concessions to assist first home buyers should be diverted to assist other people in the housing market who are experiencing — or at risk of — homelessness.

Governments should avoid other forms of home buyer assistance unless it can be demonstrated that it is tightly targeted and effective at assisting people experiencing marginalisation in the market and who would otherwise be locked out of home ownership.

State and Territory Governments should use the phasing out of stamp duty concessions for first home buyers as a stepping stone to replace stamp duties on residential properties more broadly with a broad-based land tax, consistent with recommendation 4.8 in the Commission's *Shifting the Dial* report.



Recommendation 10.2

All home buyer assistance should be brought under the next Agreement

All home buyer assistance that continues to be provided by governments should be included in the next Agreement (recommendation 5.3). Under the next Agreement, governments should commit to:

- revising their assistance measures to tightly target support to people who otherwise would be unable to buy a home. As part of this, governments should make more use of income testing to target their assistance, with eligibility restricted to households towards the lower end of the income distribution
- addressing overlap and duplication arising from the Australian, State and Territory Governments having similar assistance measures in place
- a holistic, public and independent evaluation of any support they provide to home buyers.

Governments could direct any savings from these actions to supporting people who are experiencing — or at risk of — homelessness.

Housing outcomes for Aboriginal and Torres Strait Islander people



Recommendation 11.1

An Aboriginal and Torres Strait Islander Housing schedule in the NHHA

A National Committee on Aboriginal and Torres Strait Islander Housing should be established under the next National Housing and Homelessness Agreement to work with Australian and State and Territory Governments to develop a schedule on Aboriginal and Torres Strait Islander housing.

The Aboriginal and Torres Strait Islander housing schedule should:

- align with the housing outcome in the *National Agreement on Closing the Gap 2020* (NACTG)
- articulate the housing needs, priorities and principles for Aboriginal and Torres Strait Islander housing
- be framed around the four Priority Reforms, and commitments made by governments under the NACTG
- include indicators and targets for monitoring and evaluation (recommendation 11.6).

**Recommendation 11.2****Effective housing and homelessness strategies for Aboriginal and Torres Strait Islander housing**

State and Territory Governments should have housing and homelessness strategies in place for improving Aboriginal and Torres Strait Islander outcomes that:

- are developed using co-design processes
- clearly specify objectives and priorities
- include an implementation plan with clear timelines and the responsible agencies identified
- link to other strategies, agreements and outcomes such as in the areas of health, and social and economic participation
- include a monitoring and evaluation strategy measuring and publicly reporting on progress on housing outcomes from the perspectives of Aboriginal and Torres Strait Islander people
- are based on continuous improvement processes.

**Recommendation 11.3****Roles and responsibilities for Aboriginal and Torres Strait Islander remote housing**

Bilateral agreements under the next National Housing and Homelessness Agreement should clarify the roles and responsibilities of each level of government for improving remote housing for Aboriginal and Torres Strait Islander people.

**Recommendation 11.4****Strengthening the Aboriginal and Torres Strait Islander community-controlled housing sector**

The next National Housing and Homelessness Agreement (NHHA) should be aligned with the *National Agreement on Closing the Gap 2020* sector strengthening plan for the housing sector.

State and Territory Governments, under bilateral agreements, should specify the proportion of funding in the next NHHA that will be allocated to Aboriginal and Torres Strait Islander organisations (particularly community-controlled organisations) to improve housing outcomes for Aboriginal and Torres Strait Islander people.

**Recommendation 11.5****Identify housing need for Aboriginal and Torres Strait Islander people**

State and Territory Governments should identify the unmet housing needs of Aboriginal and Torres Strait Islander people and undertake stocktakes of the supply and quality of social housing for Aboriginal and Torres Strait Islander people. Decisions on data selection and collection should be led by the proposed National Committee on Aboriginal and Torres Strait Islander Housing (recommendation 11.1).



Recommendation 11.6

Indicators and targets to measure progress and drive reform

State and Territory Governments working in partnership with the proposed National Committee on Aboriginal and Torres Strait Islander Housing (recommendation 11.1) should agree on indicators and targets for the next National Housing and Homelessness Agreement (NHHA) that can be used to monitor and evaluate outcomes for Aboriginal and Torres Strait Islander people, across the housing spectrum.

The *National Agreement on Closing the Gap 2020* housing target, that by 2031 the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing is increased to 88 per cent from the 2016 baseline of 79 per cent, should be included in the next NHHA.

Areas where indicators and targets should be considered in the next NHHA include:

- overcrowding in remote areas
- homelessness outcomes for Aboriginal and Torres Strait Islander people
- transitions from social housing into private housing markets for Aboriginal and Torres Strait Islander people
- the proportion of housing and homelessness services delivered (to Aboriginal and Torres Strait Islander households) by Aboriginal and Torres Strait Islander organisations
- Aboriginal and Torres Strait Islander housing supply
- housing quality, reflecting suitability of housing to climate under the anticipated impacts of climate change.

State and Territory Governments and the proposed National Committee on Aboriginal and Torres Strait Islander Housing should focus on developing clear and achievable targets for Aboriginal and Torres Strait Islander housing.

Processes for monitoring, reporting and evaluating indicators and targets should be based on the perspectives of Aboriginal and Torres Strait Islander people and led by the proposed National Committee on Aboriginal and Torres Strait Islander Housing. Targets should be revised once they have been met.



Recommendation 11.7

Transparency and accountability

As part of the performance monitoring and reporting framework (recommendation 5.6) State and Territory Governments should report on the funding of key programs targeted at improving housing and homelessness outcomes for Aboriginal and Torres Strait Islander people and distinguish between where funding is sourced from State and Territory own funding and the National Housing and Homelessness Agreement funding. This reporting should also provide links to program monitoring and evaluation on these key programs.

Housing supply



Finding 12.1 **Restrictions on supply are affecting affordability**

The supply-side of the housing market is not functioning well, due in part to restrictions on supply, and this is affecting affordability. High rents and house prices are rationing demand and resulting in:

- Australians forming larger households than they prefer
- low-income households being bid out of the market, leaving some people becoming homeless and/or requiring social housing.

Supply-side reforms, particularly reforms that make supply more responsive to price, are needed to improve housing affordability.



Finding 12.2 **More supply — in any segment of the market — can improve affordability for low-income households**

Most new housing is being built in lower-cost segments of the market, but there is still a housing affordability problem because the overall level, and responsiveness, of housing supply is inadequate.

Given the effects of ‘movement chains’ and ‘filtering’, *any* increase in the supply of housing can improve housing affordability for people on low-incomes, irrespective of where it occurs in the housing spectrum.



Finding 12.3 **Supply reform can put downward pressure on rents**

Supply-side reforms can lift rental vacancy rates and decrease rents, leading to improved rental affordability for low-income households over the short to medium term.

However, supply, and its effects on rents, is only one side of the affordability story. Without changes to lift incomes, and income supports, many households will not be able to find affordable rental housing.

Land use planning



Finding 13.1

Infrastructure can do more to unlock housing supply

The timely delivery of economic and social infrastructure to greenfield and infill development sites is critical to the supply of new housing. Better coordination across State and Territory government agencies and between governments can help to align infrastructure delivery with housing developments. There is also evidence that infrastructure funding is not as efficient as it can be in some jurisdictions.

- There appears to be instances of governments using developer charges to cost-shift the funding of general community services onto new home owners, which has a detrimental impact on housing affordability.
- Local governments are making little use of debt to fund infrastructure. Greater use could help to address infrastructure bottlenecks that constrain housing supply.



Recommendation 13.1

States and Territories should report annual progress against land supply targets

State and Territory Governments should set rolling long- and short-term land supply targets for major growth areas and report annual progress against these targets.

- States and Territories should set out how they estimate future demand for land, and report on the number and location of zoned and development-ready lots, disaggregated by infill/greenfield and permitted density.



Finding 13.2

Relaxing zoning constraints can encourage greater density in residential areas

There is no one-size-fits-all solution to achieving greater density, because the restrictions that constrain supply will be different in each jurisdiction. Any changes to zoning regulation should balance the benefits of additional supply against costs to the environment, amenity and liveability of cities. The changes should also be supported by existing or proposed infrastructure, public transport, community facilities and access to jobs. But a good starting point to encouraging greater density in residential zones would be to:

- review zoning rules that allow only single detached houses
- allow more dense development 'as of right' along key transport corridors, with height limits set up front
- relax regulations limiting the use of secondary dwellings
- relax minimum carpark requirements for developments where there is good access to public transport
- relax minimum floor sizes.

**Recommendation 13.2****State, Territory and local governments should revise their planning regulations to promote greater housing density and diversity**

States, with their local governments, and Territories should revise their planning regulations to promote greater density to meet demand for well-located housing in established suburbs and locations with good access to jobs, services and transport.

States, Territories and local governments should also revise planning regulations to facilitate greater housing diversity, including low-cost or innovative housing types.

**Recommendation 13.3****All States and Territories should set housing targets and work with local governments to meet the targets**

States and Territories should set housing targets for their main urban areas and work with local governments to meet the targets. Targets should be publicly available, updated regularly in response to changes in demand, and the data, assumptions and methodology underpinning the targets should be transparent.

States should require local governments to meet their targets through local strategic planning instruments, and consider transferring responsibility for assessing development applications to independent planning panels when housing targets are not being met.

State Governments should consider new or review existing payments to local government to support meeting the housing targets and/or step in to resolve infrastructure issues.

**Recommendation 13.4****The next Agreement should acknowledge the importance of housing supply as a solution to housing affordability and replace planning reforms with housing targets**

The next Agreement should acknowledge the importance of housing supply as a long-term solution to housing affordability. It should also include a requirement for States and Territories to commit to transparently setting housing targets, and regularly reporting progress on meeting the targets.

This requirement should replace the housing policy priority area 'planning and zoning reforms and initiatives, including consideration of inclusionary zoning and land release strategies'.

Building and construction



Recommendation 14.1

Governments should commission a review into the construction industry's productivity

Governments should commission an independent review of the productivity of the construction industry. The focus of this review should be on identifying microeconomic reforms (including but not limited to reforms to existing regulation such as the National Construction Code) that would improve construction industry productivity.



Recommendation 14.2

Improving the evidence base on building defects

State and Territory Governments should improve the evidence base on the prevalence, nature and severity of defects in their jurisdiction, including through better data collection and reporting.



Finding 14.1

The NHHA has no influence on the construction industry

The National Housing and Homelessness Agreement has no influence over Australia's construction industry, despite it being a key factor for achieving the Agreement's objective of improving access to affordable, safe and sustainable housing.



Recommendation 14.3

Incorporating construction into the next Agreement

The next Agreement should:

- articulate the importance of the construction industry for delivering more affordable, safer and sustainable housing
- where possible, explain how governments will balance inevitable trade-offs between affordability, safety and sustainability
- recommit governments to rigorous, transparent assessment of the costs and benefits of regulatory and other reforms affecting the construction industry
- contain indicators related to the physical quality and characteristics of Australia's housing stock
- consider construction market conditions when designing and reporting on indicators and targets.



Recommendation 14.4

Some requirements and references to building regulation should not be included in the next Agreement

The next Agreement should not include the requirements and references to building regulation found in Clauses 23(d), 23(e), 25(f) and 25(g) of the National Agreement on Housing and Homelessness.

Part A: Background and the NHHA

1. What this review is about

Housing affordability is one of the most pressing policy issues facing Australia. With rises in house prices and rents in recent years, many Australians are concerned about the lack of rental properties affordable for low-income earners, the increasing demand for homelessness services and social housing, and the prospect of younger Australians being locked out of home ownership.

The COVID-19 pandemic highlighted the importance of adequate housing for our health and quality of life. With many Australians forced into lockdowns in their homes, the pandemic also highlighted housing quality issues, including people living in overcrowded and unsafe housing.

There have been many inquiries into housing affordability and homelessness in recent years (box 1.1). The recent House of Representatives Standing Committee on Tax and Revenue's Inquiry into Housing Affordability and Supply in Australia (2022) commented that 'having a roof over your head has become harder to achieve for a larger group of people than ever before in Australia' (p. 5).

Many point to the need for a more coordinated approach to housing policy with calls for a national strategy on housing and homelessness to coordinate and facilitate reforms to make housing more affordable in Australia.¹ Community Housing Industry Australia NSW and Aboriginal Community Housing Industry Association NSW, for example, recently argued that:

The development of a National Housing Strategy is critical for providing the leadership and coordinated framework for governments at all levels and key delivery partners ... to make effective long-term planning and investment decisions, and ensure that all jurisdictions can deliver enough social and affordable housing for their current and future populations. ... a National Strategy must also respond to entrenched housing affordability issues, including the often narrow and limited housing options for very low, low, and moderate-income households along the housing continuum. (2021, pp. 6-7)

Box 1.1 – Recent inquiries on housing affordability and homelessness

Some of the more recent inquiries on housing affordability and homelessness include:

- The Australian Dream (House of Representatives Standing Committee on Tax and Revenue 2022)
- Inquiry into Homelessness in Australia Final Report (HRSCSPLA 2021b)
- Out of Reach? The Australian Housing Affordability Challenge (Senate Economics References Committee 2015)
- Inquiry into Homelessness in Victoria Final Report (LCLSIC 2021).

¹ For example, ACOSS (2019b); National Shelter (2018); Pawson, Milligan and Yates (2020); Whitzman (2015).

1.1 The National Housing and Homelessness Agreement

This review is about the National Housing and Homelessness Agreement (NHHA).

The NHHA, which commenced on 1 July 2018, is an agreement between the Australian, State and Territory Governments for providing housing and homelessness services. It continues a long history — dating back to 1945 — of cooperation between governments to improve housing outcomes. It is one avenue for governments to address housing affordability issues.

The NHHA sets out the roles and responsibilities of the Australian, State and Territory Governments in improving housing outcomes. It also identifies nationally agreed objectives, outcomes and performance indicators.

The Australian Government provides about \$1.6 billion each year (indexed annually from 2019-20) to the States and Territories to improve Australians' access to affordable, safe and sustainable housing across the housing spectrum. This funding includes \$129 million for homelessness services, which State and Territory Governments must match.

The NHHA stipulates that the Productivity Commission is to review the Agreement at least 12 months before 30 June 2023, and periodically thereafter. The terms of reference for this review of the NHHA were received from the Australian Government on 13 December 2021. At the request of States and Territories, the reporting date for the review was extended to 31 August 2022 to enable more consultation with stakeholders.

The Agreement is part of a broader framework for cooperation

Intergovernmental agreements seek to improve the wellbeing of Australians by establishing a framework for government cooperation. This is achieved through shared objectives, coordination of national policy reforms, improved transparency and accountability, clarified roles and responsibilities, and funding arrangements (COAG 2008). The NHHA (p. 2) states that:

In entering this agreement, the Commonwealth and the States recognise that they have a mutual interest in improving housing outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness, and need to work together to achieve those outcomes.

The NHHA is one of several national agreements under the Intergovernmental Agreement on Federal Financial Relations (IGA FFR) (COAG 2008). The IGA FFR framework of intergovernmental agreements reflects the fact that, while States and Territories have primary responsibility for many areas of service delivery, the Australian Government has greater capacity to raise revenues — a disparity known as vertical fiscal imbalance (PC 2018b).

The intergovernmental agreements also reflect the overlapping roles and responsibilities of the Australian and State and Territory Governments in many policy areas.² Even where policy responsibility is notionally allocated to one party, the actions of one government can affect outcomes that are the responsibility of another. An intergovernmental agreement is particularly important in a sector with as many overlapping responsibilities and levers as housing and homelessness. Intergovernmental agreements can also enhance accountability of governments through simpler, standardised and more transparent performance reporting (such as indicators and benchmarks), underpinned by clearer roles and responsibilities (COAG 2008).

² Local government responsibilities also overlap with those of the Australian, State and Territory Governments, but they are not a party to the intergovernmental agreements.

This review is part of a rolling series of reviews of National Agreements by the Productivity Commission (Commonwealth of Australia 2017, p. 169). The Commission reviewed the National Disability Agreement in 2019 and the National Agreement for Skills and Workforce Development in 2021.

1.2 What was the Commission asked to do?

The Commission was asked to review the NHHA, looking at:

- the effectiveness and appropriateness of the objectives, outcomes and outputs of the NHHA, taking into account the roles of the Australian Government, the States and Territories and their interaction with local governments
- the extent to which the NHHA is meeting its objectives
- evidence that the Agreement is contributing to achieving its outcomes and options to improve progress towards meeting the outcomes
- the adequacy and quality of the data and information reported under the NHHA
- the effectiveness of the performance monitoring and reporting framework of the NHHA for measuring the outcomes achieved and ensuring transparency and accountability
- options to maximise outcomes that can be achieved with the NHHA funding
- the suitability of the housing priority policy areas, national homelessness priority cohorts and homelessness priority policy areas and the extent to which they have been addressed
- the effectiveness of the Agreement's data improvement outputs for achieving an improved, nationally consistent data set
- whether the conditions to be eligible for funding under the Agreement are sufficient to achieve NHHA outcomes
- the extent to which the NHHA is meeting the obligations of governments under Australia's Disability Strategy.

The Commission was also asked to consider the respective roles of the Australian Government and the State and Territory Governments for housing and homelessness policy; the impact of social and economic factors, including the coronavirus pandemic, on housing and homelessness in Australia; the housing and homelessness strategies and priorities of each of the States and Territories; and the bilateral schedules between the States and Territories and the Australian Government.

The Commission's approach to the review

In undertaking this review, the Commission assessed progress by governments against the objective, outcomes and outputs of the NHHA. We drew on principles for good governance, including subsidiarity, accountability, transparency and effectiveness. The framework for analysis is in line with the principles in the IGA FFR (box 1.2).

We also looked at how the NHHA aligns with contemporary policy issues and whether an intergovernmental agreement is an effective long-term framework for governments to work together to achieve better housing and homelessness outcomes.

The NHHA is just one part of a broader set of policies affecting the housing market. For example, income support, immigration, financial regulation and taxes on housing all influence the market. As these policies sit outside the NHHA, the Commission did not look at them in any detail.

Box 1.2 – The Intergovernmental Agreement on Federal Financial Relations Principles

Primary responsibility for service delivery

The Intergovernmental Agreement on Federal Financial Relations (IGA FFR) recognises the primacy of States' and Territories' responsibilities for service delivery in many of the sectors covered by National Agreements, and does not intend to alter constitutional responsibilities or accountabilities.

Notwithstanding this, National Agreements should clarify responsibilities and accountabilities of the Australian and State and Territory Governments where co-ordinated action is necessary to address social and economic challenges.

Focus on improving the wellbeing of Australians

The aim of the financial framework in the IGA FFR is to improve the wellbeing of Australians through improving the quality, efficiency and effectiveness of government services. This is achieved through reducing Australian Government prescriptions on State and Territory service delivery, clarifying the roles and responsibilities of parties, and enhancing accountability to the public on outputs or outcomes. The focus is on the achievement of outcomes.

Co-ordinated federal action

National Agreements will record mutually agreed objectives, outcomes, outputs and performance indicators for the relevant service sector, and federal financial relations will be underpinned by a shared commitment to genuinely cooperative working arrangements.

Accountability

Enhanced accountability is a key objective of the framework for federal financial relations. Parties commit to enhancing accountability through: simpler, standardised and more transparent public performance reporting, and working together to improve performance reporting. Performance reporting will focus on the achievement of results, value for money and timely provision of performance information.

Financial support

The Commonwealth will provide ongoing financial support to States and Territories through general revenue assistance (including provision of GST payments), National Specific Purpose Payments, National Health Reform Funding, and National Partnership payments. The level of Australian Government funding will be reviewed at least every five years.

Greater incentives for economic and social reform

The Australian Government will provide National Partnership payments to the States and Territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms or service delivery improvements.

Source: COAG (2008, pp. 5–7).

The Commission's consultation process

The Commission put out an issues paper on 22 December 2021, and sought submissions and comments from interested parties. The Commission received 105 submissions and 8 brief comments. Submissions and comments are available on the Commission's website. A list of parties that made submissions is provided in appendix A.

We drew on information from a wide range of sources, including academic research, past reviews, data held by governments, consultations with participants, and our own research and analysis.

We held two roundtable — one on Aboriginal and Torres Strait Islander housing and homelessness, and another on Data and Evidence. We also engaged in an extended consultation with the disability sector, and held forums to hear about the experiences of private renters and public housing tenants.

The Commission met with senior officials from all governments, housing and homelessness service providers, academics, peak bodies, tenant representatives, and people supported by housing and homelessness services. The people and organisations that the Commission met with are listed in appendix A.

Structure of this report

This report is structured in three parts: background to and assessment of the NHHA (part A), issues across the housing spectrum (part B) and the supply side of the housing market (part C).

Part A places the NHHA in the context of the broader housing market. Chapter 2 describes key features of the Australian housing market and reasons for government intervention. Chapter 3 looks at how well the housing market is delivering affordable, safe and sustainable housing. Chapter 4 assesses the performance of the NHHA, and chapter 5 sets out what a future Agreement should look like.

Part B — chapters 6 to 10 — looks in depth at issues across the housing spectrum, covering the homelessness service system, social housing, affordable housing, the private rental market and home ownership. Chapter 11 looks at housing outcomes for Aboriginal and Torres Strait Islander people.

Part C focuses on the supply side of the housing market and how it affects housing outcomes. Chapter 12 looks at the relationship between supply and housing affordability. The last two chapters look in more detail at how planning and zoning policy (chapter 13) and the residential construction sector (chapter 14) affect the affordability, safety and sustainability of housing.

2. Housing in Australia

Key points

- * **The housing sector is a key part of Australia's economy. Australia has 10.8 million homes, collectively worth \$10.2 trillion, and the sector supports activity in the financial, construction, real estate and conveyancing industries.**
- * **The housing market is not a single market, but rather a system of closely linked submarkets — the housing spectrum. Households trade off various housing characteristics based on their preferences and budget, and these cut across the different housing submarkets.**
- * **Housing supply and demand are influenced by many factors.**
 - Demand for housing is determined by demographic factors, including population growth, household size and incomes, the availability and cost of credit, and government policies, such as taxation.
 - Housing supply is driven by the cost of acquiring and developing land, construction costs and the costs associated with housing-related infrastructure. Government policies, such as land use planning and construction regulation, also influence housing supply.
- * **There are sound reasons for governments to intervene in the housing market, and there are many policy levers governments can use improve housing outcomes. Non-housing policies, such as immigration and taxation, also affect the market, and governments need to be cognisant of their effects when developing housing policy.**
- * **With all levels of government involved in housing policy, a coordinated approach is needed to achieve a well-functioning housing market. This will ensure the efficient use of public funds and avoid policies pulling in opposite directions.**
- * **When housing markets do not function well, it is often the most disadvantaged people who are particularly affected.**

This chapter provides an overview of the Australian housing market and its role in the economy (section 2.1). It looks at the factors that affect housing supply and demand, including government policies (section 2.2). It also examines why and how governments intervene in the housing market (section 2.3) and why it is important to have a coordinated approach to policies affecting the housing market (section 2.4).

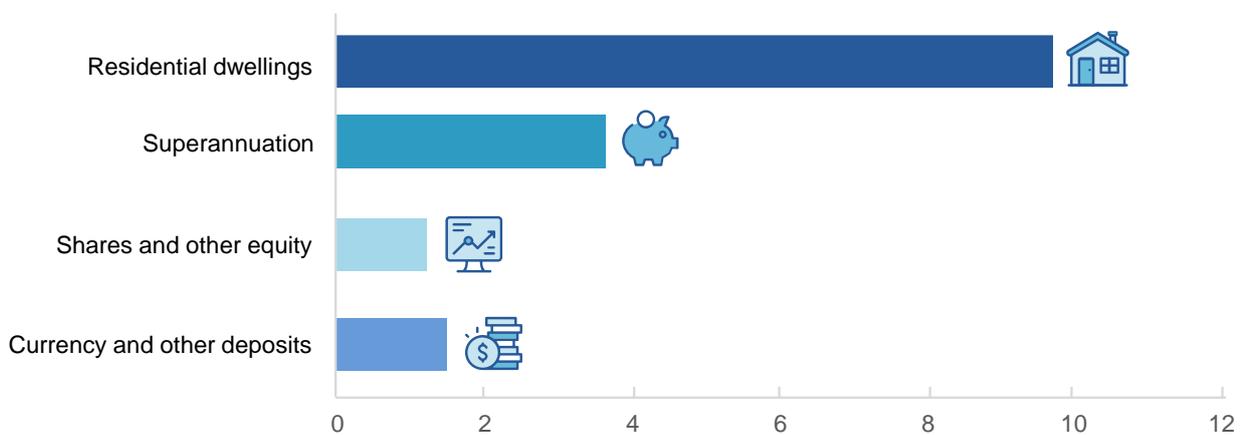
2.1 The Australian housing market

The housing market plays an important role in the economy

Housing makes up a significant share of the nation's wealth. In March 2022, there were 10.8 million homes in Australia, collectively worth \$10.2 trillion (ABS 2022i). Of this, \$9.7 trillion was held by households, which was more than the combined value of households' superannuation holdings, publicly-listed equities and currency deposits (figure 2.1). Property is a key vehicle for household savings and building wealth. It is typically the most valuable financial asset held by Australian households, making up over 55 per cent of household assets (ABS 2022b).

Figure 2.1 – Most household wealth in Australia is in housing

Household wealth by asset class (\$ trillions)



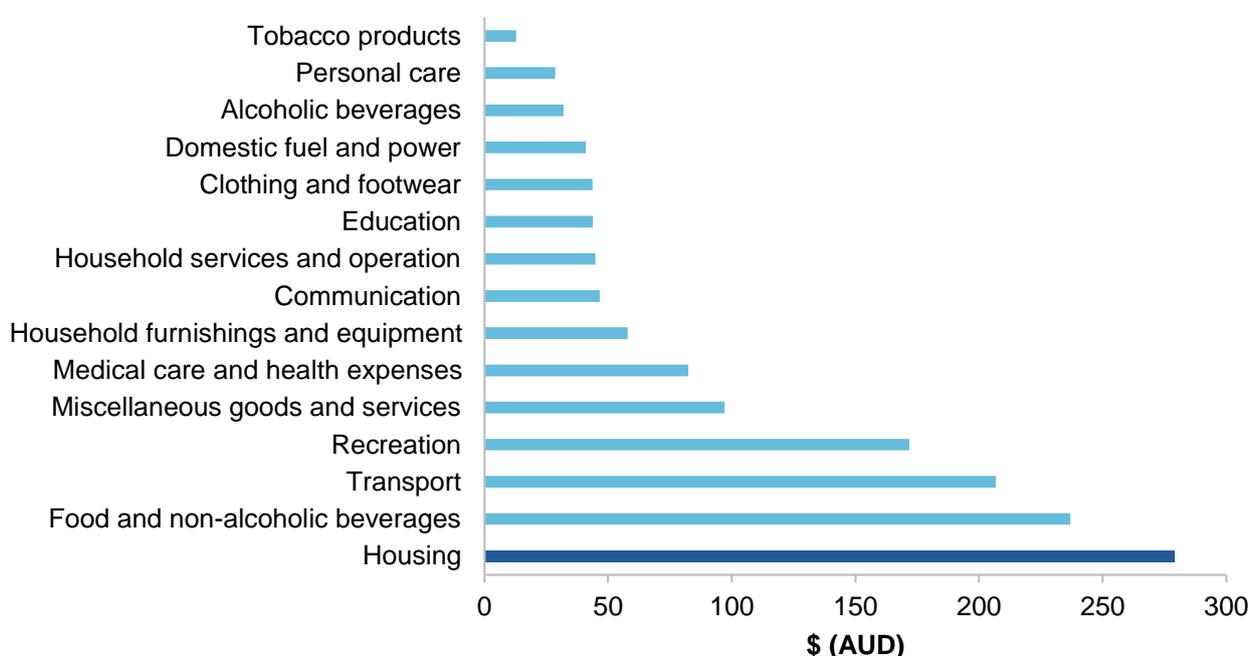
Source: ABS (*Australian National Accounts: Finance and Wealth, March 2022, Cat. no. 5232.0*).

Housing is also the biggest spending item for many Australian households (figure 2.2). As an essential item, it is one of the first expenses that households cover. In 2019-20, rent or mortgage repayments accounted for an average of 14 per cent of disposable household income, although about 30 per cent of households owned their home outright and so had very low housing costs (ABS 2022g). The median household paying off a mortgage spent 18 per cent of their disposable income on repayments (ABS 2022g).¹ And the median private renter spent 25 per cent of their disposable income on rent (ABS 2022d).² However, these averages conceal variation, and low-income households typically pay much higher shares of their income for housing.

¹ Commission estimates from ABS (*Microdata: Income and Housing, Australia, 2019-20, Cat. no. 6541.0.30.001*).

² Commission estimates from ABS (*Microdata: Income and Housing, Australia, 2019-20, Cat. no. 6541.0.30.001*).

Figure 2.2 – Australian households spend more on housing than any other item
Average weekly household spending by category, 2015-16



Source: ABS (*Household Expenditure Survey, Australia: Summary of Results, 2015-16 financial year*, Cat. no. 6202.0).

The housing market also supports activity in other parts of the economy.

- Most households take out a mortgage when they purchase a property and housing accounts for 60 per cent of total credit in Australia (ABS 2022i; Bullock 2021; CoreLogic 2022a). In 2021, Australian financial institutions lent \$371 billion for housing, excluding refinance (ABS 2022i).
- Housing is commonly used as collateral for small to medium business loans (Bullock 2021). A 2015 study found that 37 to 50 per cent of small business loans in Australia were secured against housing (Connolly, La Cava and Read 2015, p. 118). Housing collateral enables business owners to invest and generate value in other parts of the economy.
- Housing construction is a significant sector and employer. In 2020-21, it contributed nearly \$64 billion, or 5 per cent of GDP, to the economy and employed about 134 000 people (ABS 2021c; NHFIC 2020a, p. 3). Between 2015 and 2020, the construction industry added an average of 206 000 new dwellings to the housing stock each year (ABS 2021b).
- Housing transactions support the real estate and conveyancing industries. The real estate industry was estimated to be worth \$32.2 billion in 2022, and the conveyancing industry supported the transfer of 598 000 titles in the year ending August 2021 (CoreLogic 2022a; IBISWorld 2022).

The significant contribution of housing to the economy means that developments in housing-related activities have strong effects on the business cycle. House price cycles tend to lead economic cycles — countries that observed larger corrections in real house prices during the Global Financial Crisis also suffered larger declines in economic activity (OECD 2021a, pp. 20–21).

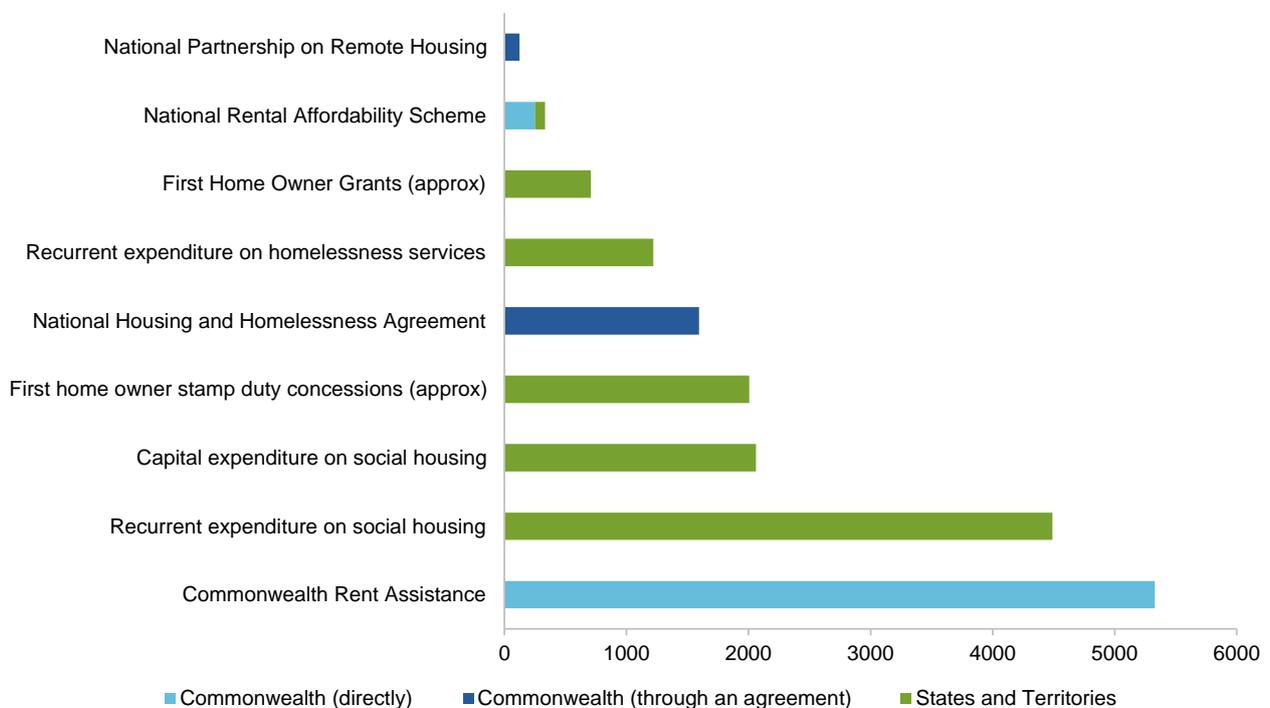
Governments spend billions of dollars on housing

While most activity in the housing sector is private, governments spent more than \$16 billion on housing-related policies and programs in 2020-21 (figure 2.3).

- State and Territory Governments spent \$10.6 billion on social housing, homelessness services, the National Rental Affordability Scheme and first-home owner grants and concessions.
- The Australian Government spent \$5.7 billion on Commonwealth Rent Assistance, the National Rental Affordability Scheme and remote housing, and transferred \$1.6 billion to State and Territories through the National Housing and Homelessness Agreement (NHHA).

Section 2.3 discusses the policy levers available to governments to intervene in the housing market.

Figure 2.3 – How much are governments spending on housing assistance? (\$m)^a



a. State and Territory Government expenditure on homelessness services and social housing includes funding provided to the states under the NHHA, meaning there is some double counting in state recurrent and capital expenditure on social housing and homelessness services. States and Territory Governments spent about \$7.8 billion on social housing and homelessness services in 2020-21, which includes the \$1.6 billion provided through the NHHA.

Source: Australian Government (2021b, p. 77); Department of Finance (Western Australia) (2021, p. 129); NSW Government (2021c); Queensland Government (2021); RevenueSA (2021); State Revenue Office (Tasmania) (2021b); State Revenue Office (Victoria) (2021c); Steering Committee for the Review of Government Service Provision (2022b).

Housing has a large impact on the environment

Housing affects the environment in several ways.

- Housing construction is resource-intensive. Construction materials consume about 40 per cent of available raw resources globally, and make up about 40 per cent of landfill in OECD countries (Eales 2017; Walker-Morison, Grant and McAlister 2007).
- Utilities installed in dwellings — such as water, gas, and electricity — can have large environmental impacts, particularly if the dwelling has inefficient water fixtures, outdated heating and cooking systems

and poor insulation (Randolph et al. 2007). The durable nature of dwellings can amplify the environmental effects by accumulating over a long timeframe.

- Urban sprawl can mean higher transportation needs, with flow on effects for the environment.

These impacts on the environment mean that there is a role for government to use regulation and policy to avoid or mitigate harm. This is discussed in section 2.3.

2.2 How does the housing market work?

Housing markets are interrelated

While the Australian housing market is often referred to as a single market, it is more accurately described as a system or collection of interrelated submarkets. Housing submarkets can be defined along one or more dimensions, including:

- tenure — for example, whether the dwelling is owner-occupied, rented in the private market or rented from a social housing provider. The various tenures within the Australian housing system are commonly conceptualised as forming a 'housing spectrum' (box 2.1)
- location — for example, whether a dwelling is located in a capital city or regional area, which part of a city it is located in, or whether it is close to particular amenities
- dwelling characteristics — including the size, quality, design and built form of the property.

Households will generally prefer a particular set of housing characteristics (which may change over time as they move through different life stages).³ When a household's housing preferences cannot all be satisfied within a given budget, they make trade-offs. They may, for example, be required to choose between:

- renting a smaller house in their preferred location or a larger house in a different location
- renting in their current neighbourhood or purchasing in another neighbourhood
- purchasing a small dwelling or renting a larger one in the same area.

As individual households make these trade-offs, there can be implications for the market as a whole. For example, when many households decide to rent in areas close to cities instead of purchasing houses in areas further away, low-income renters in the area may be priced out of properties (assuming a fixed supply of rental properties). Some households may choose to rent smaller or poorer-quality dwellings in the area, while others may choose to rent or buy in other locations (having made their own trade-offs with respect to their housing options). However, some — such as people who need to live in the area for employment, health or other reasons — may face (the risk of) severe rental stress or homelessness. Understanding that dynamics in the housing market cut across tenure types, locations and dwelling characteristics makes it clear that policies affecting one part of the housing market have implications across the market, and that governments need to coordinate their policies so that the market works in the best possible way (section 2.4).

³ For Aboriginal and Torres Strait Islander households, for example, housing preferences are often influenced by connection to Country, culture, kinship and the desire for self-determination (chapter 11).

Box 2.1 – The housing spectrum

The housing spectrum is made up of several distinct, but interrelated, forms of housing. Housing arrangements toward the left of the spectrum generally mean that people have lower levels of security and/or choice, while those to the right generally allow people greater levels of control over their housing.



Homelessness is defined as housing arrangements that are insecure, unstable, temporary or otherwise inadequate, and includes rough sleeping as well as more ‘hidden’ forms, such as couch surfing. Homelessness is associated with severe economic and social disadvantage, and its causes are many and varied (chapter 6). Across Australia, about 116 000 people were homeless on any Census night in 2016 (ABS 2018c).

Social housing covers public and community housing. About 790 000 people live in social housing (chapter 7). Subsidised affordable rentals are properties rented at a discounted rate to eligible low- and middle-income renters (chapter 8).

The private rental market covers residential properties owned by private individuals or companies, that are leased out at market rates to households for a fixed term or on an ongoing basis. About 24 per cent of households rent their home from a private landlord (ABS 2022d).

Home ownership refers to owner–occupied housing, where households have either fully paid off a mortgage or are in the process of doing so. Home ownership is the main tenure type in Australia — about 66 per cent of Australian households own their own home (ABS 2022g).

Housing has several unique characteristics

Housing is both a service and an asset

One characteristic of housing, which affects the way the market operates, is that it is both a service (‘a place to live’) and an asset that investors can hold and trade. Investors looking to invest in property add to the demand for housing assets, increasing house prices, and add to the supply of private rental properties if the property is rented out, decreasing rents. Rents are the price of housing as a service, whereas house prices incorporate both its value as an asset and the housing service.

The dual nature of housing highlights the interconnectedness of the owner–occupier and the private rental market, and the importance of understanding the implications of policy actions.

Houses are durable goods and housing assets are ‘lumpy’

Houses are durable assets which can last for many decades, if not centuries. As a result, houses can change hands many times, and most transactions in the market are for existing, rather than new, dwellings.

Because it takes time to build dwellings, large increases in demand are likely to result in higher prices for existing dwellings, rather than immediate increases in new housing supply (chapter 12).

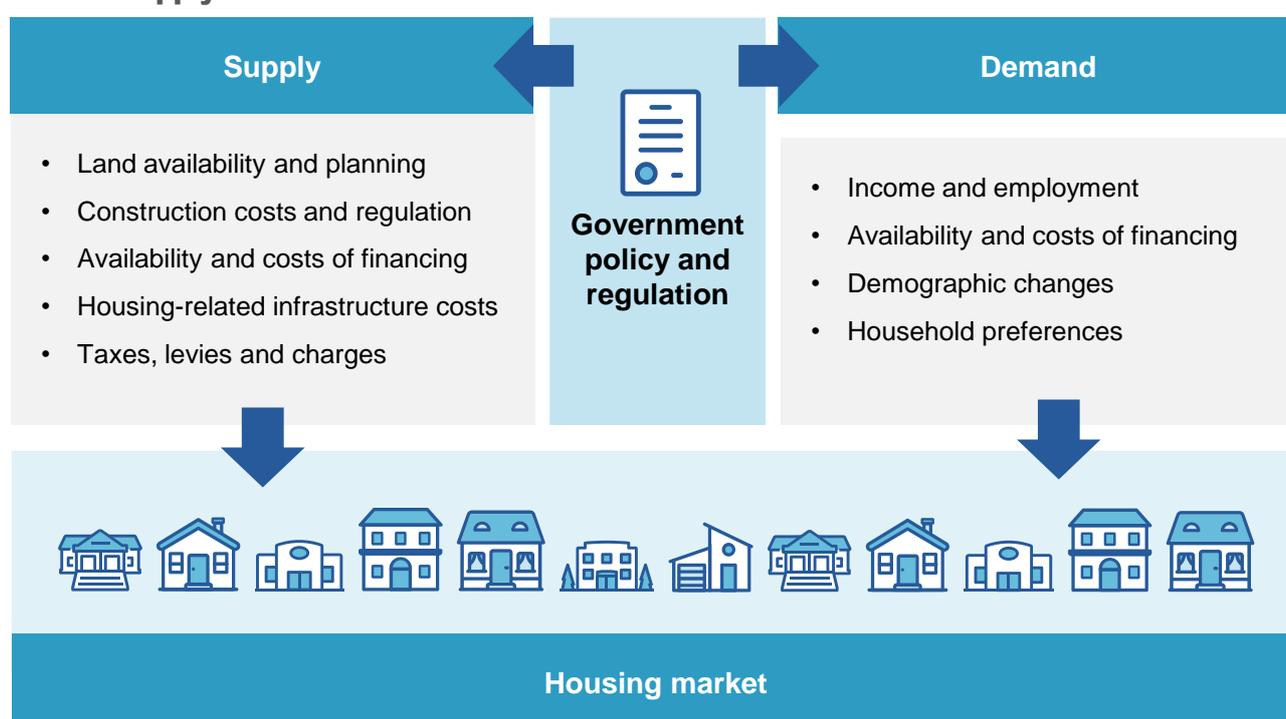
The lumpy nature of housing also means that there is a lag between the decision to begin construction and the sale. This creates risks for developers, who may try to sell properties off the plan before construction is complete. Demand forecasting can help, but uncertainty can lead to differences between expected and actual demand.

Factors affecting the demand and supply of housing

Like any market, demand and supply affect the housing market and housing outcomes (figure 2.4). Understanding the factors that affect both the supply and demand side of housing is important for improving housing policy.

Figure 2.4 – The housing market is affected by demand and supply

Market supply and demand drivers



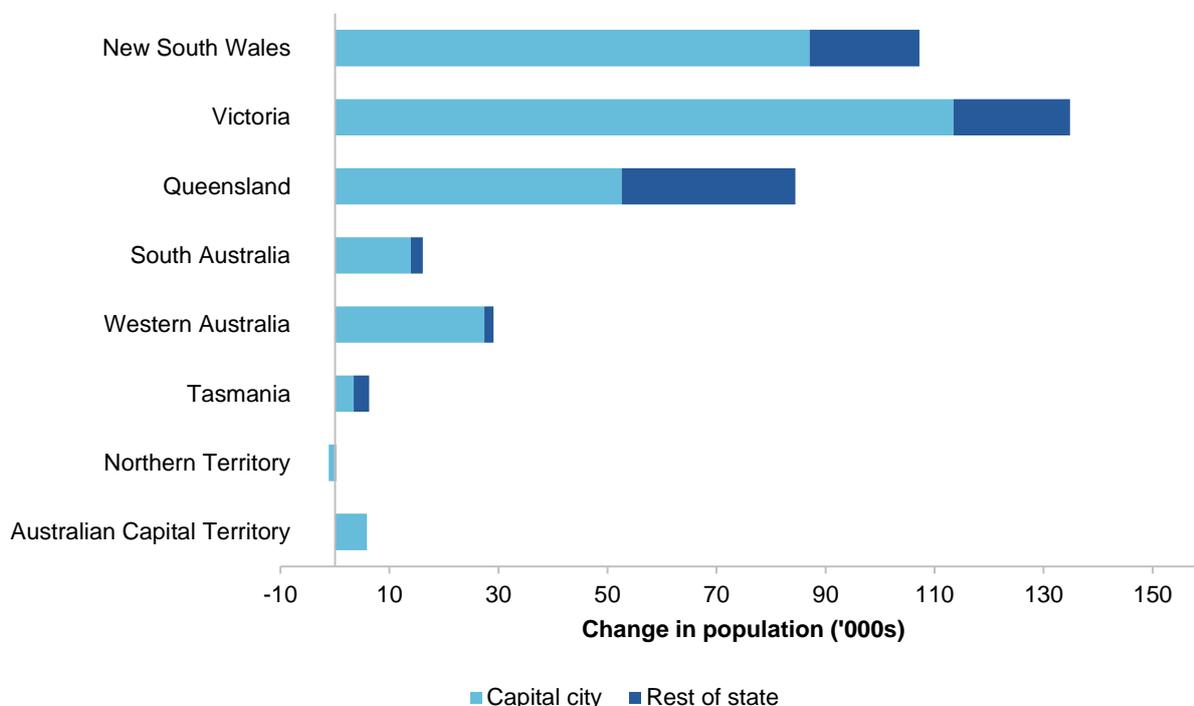
Population growth is a key driver of housing demand

Population growth has increased demand for housing, particularly in capital cities ...

Demand for housing is affected by population growth (both natural increases and net migration). Australia's population grew strongly over the past 20 years, increasing by 6.5 million people, with 56 per cent attributable to overseas migration (ABS 2021f).

Most of the additional recent demand for housing services was in urban areas. 77 per cent of Australia's population growth was in capital cities in 2018-19, and over 83 per cent of this growth was in Australia's three largest cities, Sydney, Melbourne and Brisbane (figure 2.5, ABS 2020b, 2021f). Student visa holders made up over 40 per cent of net migration between 2014-15 and 2018-19, with over 70 per cent of them moving to New South Wales or Victoria, placing additional demand on already in-demand Sydney and Melbourne (ABS 2021h). Agglomeration in urban centres, as a result of the economy becoming increasingly services- and knowledge-based, has also concentrated demand for housing into relatively small urban areas, particularly inner-city suburbs (Daley and Coates 2018, p. 30; PC 2021d, pp. 2–6).

Figure 2.5 – Population growth is concentrated in capital cities^a
Change in population between 30 June 2018 and 30 June 2019, by capital city and rest of state



a. Under the ABS Greater Capital City Statistical Areas, the whole of the Australian Capital Territory is considered a capital city. There is therefore no 'rest of state' data for the ACT.

Source: Commission estimates based on ABS (*National, State and Territory Population, December 2021*, Cat. no. 3101.0; *Regional Population, 2018-19 financial year*, Cat. no. 3218.0).

... but COVID-19 slowed population growth and shifted preferences away from cities

The COVID-19 pandemic and related border closures have seen Australia’s population growth fall to its lowest rate in a century. Current projections suggest that there will be 29.3 million people in Australia by 2031 — 1.5 million people fewer than predicted before the onset of the pandemic — reducing the demand for housing (Centre for Population 2021, p. 3).

The pandemic-induced shift to working from home also affected housing preferences. Many people have moved from capital cities to regional areas, and many have sought larger houses to accommodate working from home. Migration from capital cities to regional areas was 44 100 in the year to March 2021, the highest annual net loss for capital cities on record (ABS 2021i). This has reduced housing demand in capital cities and placed additional demand pressure on regional housing markets.

Household size and composition also affect housing demand

While, in general, a larger population results in greater demand for housing, the characteristics of the population and the way the population is organised into households affect the types of housing that will be demanded. Families with children, for example, are likely to require houses with more bedrooms and larger living spaces, while small apartments or units are typically what young students demand.

Historically, household size in Australia has been decreasing. Between 1966 and 1996, average household size fell from 3.5 to 2.6 people, reflecting couples having fewer children, an ageing population, shifting

lifestyle preferences and more family breakdowns (Daley and Coates 2018, p. 45). The 2021 Census showed that average household size has fallen to 2.5 since then, and varies across States and Territories — South Australia and Tasmania have the smallest average household size (2.4 people), while the Northern Territory has the largest (2.8 people) (ABS 2022k). And average household size is higher in capital cities than regional and remote areas across all jurisdictions.

Projections for household size vary over time and between locations. Prior to the release of the 2021 Census figure of 2.5 people, the ABS (2019c) estimated that Australia's average household size would increase from 2.61 people in 2016 to 2.64 people in 2026.⁴ But the NSW Government (2021a, p. 13) expects the state's average household size to fall from 2.5 people in 2018-19 to 2.3 people in 2061. Although projections are uncertain and apply different assumptions, household size is unlikely to fall to the same extent as during the 20th century, and is therefore likely to have a smaller impact on housing demand than in the past.

Higher incomes increase housing demand

Australians have benefited from strong income growth, with median equivalised household income increasing in real terms by more than 50 per cent over the past two decades (ABS 2003, 2022e). When households' incomes increase, housing consumption tends to increase proportionally, creating demand for larger or higher-quality dwellings (Albouy, Ehrlich and Liu 2016; Rosenthal 2014; Windsor, Jaaskela and Finlay 2013). However, households also become more likely to invest in housing assets as their incomes grow. Total spending on housing (both consumption and investment) therefore tends to increase as a share of income as incomes increase (Abelson et al. 2005, p. 20; Daley and Coates 2018, p. 16; Senate Select Committee 2008, p. 51). Where this housing demand is for additional dwellings that are partially or fully rented out, supply in the private rental market increases.

The cost of finance affects both supply and demand

The cost of finance influences the housing market in several ways, and affects demand and/or supply in several submarkets.

- Households purchasing owner-occupied housing typically require finance because dwellings usually cost a multiple of annual household income. Low interest rates reduce the costs of servicing a mortgage and allow households to borrow more, which in turn increases demand for owner-occupied housing.
- Falling interest rates also reduce the cost of investor loans, increasing the yield on equity, which can incentivise the purchase of investment property. When these properties are offered for rent, the supply of rental housing increases.
- Builders and developers, including those that develop social housing, often require finance because of the large upfront costs of their activities. Low interest rates increase these parties' borrowing capacity and their ability to build housing.

Tax and transfer arrangements also affect both supply and demand

Taxes may be recurrent or non-recurrent, and apply to the use, ownership or transfer of property. Taxes are a feature of housing markets around the world, making up about 6 per cent of taxation receipts across the OECD (OECD 2022b).

⁴ Based on Series II of the Household and Family Projections estimates, assuming a historical rate of change in living arrangement propensities from 2001 to 2016 that gradually plateaus.

In Australia, property taxes make up about 10 per cent of taxation receipts and include stamp duties on property, goods and services tax, land tax and capital gains tax (CGT). To the extent that these taxes increase house prices, they can discourage housing purchases.

However, a number of tax and transfer arrangements have more complex effects on housing markets. These include:

- the CGT exemption on a person's main residence
- the 50 per cent CGT discount on assets held for more than 12 months
- stamp duty concessions or discounts for first home buyers
- expense deductibility rules (negative gearing) for investment properties
- excluding a person's principal home from the Aged Pension means test.

These taxation arrangements, and their effects on the housing market, are discussed in more detail in section 2.3.

The cost of development is key to housing supply

Developers will build new dwellings if the costs of development are less than the price they expect to receive in the property market. The costs of development include the cost of acquiring and developing the land, material and labour costs as well as the costs of complying with land and building regulations. Developers also need to pay infrastructure charges to utilities and local councils, to ensure that essential services such as water and electricity are provided.

The availability of well-located land affects housing supply

Land may not be available for several reasons, and this may constrain housing supply. Where land ownership is fragmented such that consolidation is necessary for development, owners may choose not to sell because of the expectation of higher future returns, or for other reasons such as lifestyle or sentimentality. And since development usually requires all land owners to sell, any impediment to land access can restrict large developments (Hsieh, Norman and Orsmond 2012, p. 14). But land may also be unavailable because geography may make development unviable.

Land banking — the practice of holding vacant land for significant periods, with the expectation that developing land iteratively will be more lucrative than developing it all at once — can also impede housing supply (chapter 12). However, the costs of holding vacant land are significant — ongoing borrowing and maintenance costs, land taxes, council rates and limited tax deductions (compared with land containing a substantial and permanent structure) (ATO 2020b).

Land-use planning regulations can also influence housing supply

Land-use planning regulations determine the number, type and location of new dwellings, which influences housing supply. Planning regulations can enable the market to supply the right types of houses in the places where people want to live, but can also restrict housing supply and increase prices if they do not align with households' preferences.

User-funded infrastructure can raise initial costs

Residential construction cannot occur without sufficient housing-related infrastructure to service new housing dwellings, including water, sewerage, transport and energy. Governments historically covered these costs for new developments, with some costs recovered through rates and other charges over time. In recent times,

however, policies have shifted toward user-funded infrastructure so that the beneficiaries of the infrastructure bear the costs (Hsieh, Norman and Orsmond 2012, p. 13).

In practice, user-funded infrastructure means that utilities charge developers to connect water, sewerage and electricity to new dwellings, with these costs eventually passed on to consumers. But this can raise the initial cost of development, making some developments unviable and consequently reducing housing supply (Hsieh, Norman and Orsmond 2012, p. 13; NHFIC 2021c). This may be particularly pertinent to greenfield development, where there is limited existing infrastructure and the demand for housing in the area may be more uncertain.

2.3 Government intervention in the housing market

There are good reasons for governments to intervene

In many cases, the housing market functions well and Australians are able to obtain the housing they need. In some cases, however, government action is needed to avoid poor outcomes. Governments intervene to:

- assist people who face challenges obtaining or maintaining housing in the private market
- address misaligned incentives between providers of housing (or housing finance) and consumers
- protect the environment
- manage the use of land.

Providing a safety net for people in need

Housing is a basic human need. It provides shelter, privacy, security and safety, and is important for health and wellbeing. Housing also facilitates economic and social participation, and helps mitigate poverty and social exclusion.

Further, housing is a merit good — that is, it is something that the community considers people should have on the basis of need, rather than their ability or willingness to pay (Musgrave 1957). Australia is party to the International Covenant on Economic, Social and Cultural Rights, which states that everybody has the right to adequate housing at a reasonable cost (AGD 2021).

Some people face difficulties obtaining or maintaining housing in the private market. For example, their income may not be adequate to afford market rents, or they may face physical or mental health challenges that affect their ability to secure (or maintain) employment. In some cases, personal crises result in a person temporarily experiencing, or being at risk of, homelessness.

In these cases, governments seek to ensure people are adequately housed. Secure housing not only benefits the individual, but can reduce government spending in areas such as the health and justice systems.

Governments have a number of policy instruments they can use to assist people to access and/or maintain housing. These include:

- homelessness services, including temporary or transitional accommodation and wrap-around supports (chapter 6)
- social housing, including programs that make it cheaper or easier for social housing providers to access finance (chapter 7)
- subsidies for affordable rental housing (chapter 8)
- income supplements, such as Commonwealth Rent Assistance (chapter 9)
- private rental assistance, such as brokerage programs (chapter 9).

The type and level of assistance that is most appropriate will depend on individuals' needs. However, some policy instruments have features that make them more efficient, or more likely to be effective, in addressing housing needs. Income supplements such as Commonwealth Rent Assistance, for example, can be quickly scaled up or down as people's circumstances change, whereas programs that subsidise the construction of affordable rental housing usually require a longer timeframe (chapters 8 and 9).

The range of policy levers for providing housing assistance are held by different levels of government. As discussed in section 2.4, governments need to coordinate these levers to achieve the best possible outcomes.

Addressing misaligned incentives

At times, people who build or provide housing face different incentives to those that buy or occupy them, and people purchasing housing can have insufficient information or market power to ensure that housing suppliers meet their preferences.

- Prospective home buyers may be unable to assess the quality of a dwelling, and structural defects may only become apparent over time. This information imbalance can incentivise builders to build poor quality or unsafe dwellings.
- Renters may similarly be unable to assess the quality of a dwelling they intend to rent, including the efficiency of appliances. Once they have moved in, they can face high costs to move out. Landlords may therefore face little incentive to maintain properties to an adequate standard. Low-income renters, in particular, who face more constrained housing choices, may feel compelled to accept whatever service is provided to them by landlords.

Governments have a number of tools to align incentives and improve how the market functions. One option is to require housing suppliers to provide information about dwellings. The Victorian Government, for example, requires rental providers to make disclosures to tenants about certain aspects of a property before they enter into a rental agreement, including whether the property meets the minimum rental standards set out in the *Residential Tenancies Act 1997* (Vic).

Governments can also use regulation to protect consumers. For example:

- the National Construction Code sets minimum standards for the safety, health, amenity, accessibility and sustainability of certain types of buildings, including residential dwellings (ABCB 2019, chapter 14)
- tenancy regulations set minimum standards of service to protect renters from unscrupulous landlords, and outline the conduct expected from both tenants and landlords. They also reduce transaction costs by setting standard terms and conditions for rental contracts. Tenancy regulation in Australia is the responsibility of State and Territory Governments, and regulations differ across jurisdictions
- community housing providers are subject to additional regulation.⁵ Rents in community housing are set as a percentage of tenants' income, removing the price signals in the private market that regulate landlords' behaviour. Community housing tenants also tend to have low incomes, and therefore limited ability to choose or switch their housing providers. This can mute incentives for community housing providers to meet the needs of tenants (Victorian Government 2021b). Community housing regulation addresses this by requiring community housing providers to provide services in a fair, transparent and responsive manner, meet certain governance and probity standards, and be financially viable, among other things (Government of Western Australia 2022a; NRSCH 2022b).

⁵ All States and Territories except Victoria and Western Australia participate in the National Regulatory System for Community Housing. Victoria and Western Australia have their own community housing regulatory frameworks.

While regulation can improve the way markets work, it can also impose unnecessary costs if it is excessive or poorly implemented. For example, setting minimum standards for rental properties beyond what the community expects can make housing less affordable. Placing a high compliance burden on landlords or builders can also result in fewer dwellings being provided, which increases price.

Protecting the environment

As discussed in section 2.1, the construction and use of dwellings can have significant negative impacts on the environment. The costs of these impacts are borne by the community as a whole, whereas the cost of mitigating them — through more sustainable building practices or better dwelling design, for example — tend to fall on individual builders, providers or users of housing.

To address these mismatched interests, governments regulate to protect the environment. For example, they may stipulate how building materials must (or must not) be disposed of, or set minimum design or efficiency standards for dwellings. Standards for the environmental sustainability of dwellings are set out in the National Construction Code, and the next iteration of the Code plans to lift minimum energy efficiency 'star' requirements for new residential dwellings (chapter 14).

Managing land use

Property rights are inherently legal constructs that rely on government for their definition. Governments determine the amount and location of land available for different uses, and the conditions under which they must be used. Once governments have defined property rights, the land associated with them can be traded to their highest value use.

Governments make decisions about where, how much, and what type of housing can be built. They also manage the growth of urban areas and the provision of land-intensive amenities, such as roads, hospitals and parks. These decisions are made through planning systems, which State and Territory Governments are responsible for designing, and local governments for administering. Chapter 13 discusses the planning system in more detail.

The planning system can improve the way the market works by enabling supply to be responsive to demand, for example, by having land zoned for residential housing in places where people want to live. A well-functioning housing market improves affordability across the housing spectrum, and can lessen the need for governments to provide housing assistance. However, if planning regulations restrict rather than enable supply — for example, if too little land is released, or if uncertain processes make developers unwilling to invest in development — housing will be more expensive than it needs to be. And this has flow-on effects, including for low-income households and the most vulnerable in the community.

There is a weak case for governments to support home ownership

Governments often intervene in the housing market to support home ownership. They employ a range of policy instruments for this purpose, including:

- first home owner grants
- stamp duty concessions and exemptions
- concessional loan programs
- priority access to developments
- shared equity programs
- concessional savings vehicles.

Providing support for home ownership is usually based on arguments relating to positive spillovers, reducing inequality and ensuring wellbeing in retirement. However, as discussed in chapter 10, these arguments are weak, and the private benefits are likely to be far greater than the public benefits. Although home ownership support is often regarded favourably in the community because it is seen as helping individuals achieve the ‘Australian Dream’, it can increase house prices as government support can be capitalised into the market.

This has flow on effects for future prospective buyers, who now ‘need’ extra support to achieve home ownership. There are also implications for the private rental market, where many who would otherwise be home owners add to demand and push up rents. People who can no longer afford private market rents (or for whom private rents were already unaffordable) would then need (greater) housing assistance. Although home ownership assistance can be well intended, it distorts how the market works — and when the market does not perform well, the most vulnerable are particularly affected.

Government action to improve the functioning of the market would alleviate (but not eliminate) the need to provide housing assistance to low-income Australians, and lessen calls for ever-growing levels of home ownership assistance. Reforming planning systems to make supply more responsive to demand, for example, would moderate increases in house prices and rents, making home ownership more accessible. Although such a measure is not generally considered ‘home ownership support’, it can improve the ability of Australians to achieve home ownership.

A range of non-housing policies also affect the housing market

The discussion above illustrated the range of policy instruments governments use to achieve housing objectives. In addition to these, the housing market is affected by policies aimed at achieving other, non-housing objectives. These include:

- macroprudential regulation
- policies aimed at increasing wellbeing in retirement
- programs to stimulate economic activity
- immigration policy
- taxation policies.

Each of these are discussed below.

Financial regulation

Governments enforce a range of macroprudential policies to ensure that lending practices by financial institutions do not pose unacceptable risks to financial stability. These policies can require lenders to:

- maintain adequate capital
- maintain sufficient liquidity
- control credit risk by having provisions for impaired loan facilities
- limit large exposures and risk concentrations
- consider associations and dealings with related entities (APRA 2021).

When people purchase property, they usually require finance. Macroprudential policies can affect the amount and cost of finance, and therefore housing demand. For example, in December 2014, the Australian Prudential Regulation Authority set temporary limits on banks’ lending for property investment (APRA 2019, p. 10). Banks responded by limiting investment loans, with some increasing interest rates to reduce demand for finance (APRA 2019, pp. 13–14). This meant that fewer market participants had finance to purchase housing, decreasing housing demand.

Increasing wellbeing in retirement

The Age Pension is an income support payment for older Australians, and is subject to an income and assets test. However, the assets test has excluded the value of households' main residence since 1912, on the basis that home ownership would help older Australians retain independence, and have positive effects on national prosperity (Daniels 2011; Fisher 1912, p. 6971).

While it may have benefits, excluding the main residence from the assets test can distort older Australians' housing decisions. As the Commission (2011a, p. 293) previously observed, the arrangement incentivises residents to invest in their principal residence, funnelling capital into an asset that may not yield the best return for the individual or society. And to the extent that older Australians live in larger homes than they need or would otherwise want, the pension arrangements can reduce the supply of dwellings for larger households.

Stimulating economic activity

Due to the size and importance of the construction sector in the Australian economy (section 2.1), government programs to stimulate economic activity often involve construction. For example, as part of its response to the COVID-19 pandemic in 2020, the Australian Government announced the HomeBuilder scheme, which provided eligible owner–occupiers with a grant to purchase a new home or substantially renovate an existing home. The program cost \$2.1 billion, and was taken up by 137 555 home owners (The Treasury 2022a). Further, estimates suggest that the program supported \$120 billion of economic activity (Office of the Assistant Treasurer 2021). However, supply constraints have meant that the increase in the number of dwellings under construction has not translated into an increase in dwelling completions (Gharaie and Zolghadr 2021).

Some governments have also used social housing construction as a form of economic stimulus. For example, in June 2020, the Western Australian Government (2022f) announced the Social Housing Economic Recovery Package, which included \$97 million to build new social housing properties, \$142 million to refurbish existing social housing units, and \$80 million for maintenance of regional social housing properties, including within remote Aboriginal communities. As of August 2022, over \$96 million worth of grants had been administered for new builds and refurbishments (Government of Western Australia 2022e, 2022d).

Immigration policy

Immigration policy in Australia has different objectives, depending on the program. For example:

- the skilled stream, which offers visas to skilled migrants, is designed to improve the productive capacity of the economy and fill skill shortages in the labour market, including those in regional Australia
- the family stream enables Australians to reunite with family members.

The overall objective of migration policy is to maximise the economic and social wellbeing of Australians. The Commission has previously identified this group to be existing Australian citizens and permanent residents (PC 2016a, pp. 93–94).

Immigration influences the level and distribution of the population. In most cases, immigrants make decisions about where to live based on employment opportunities, family connections and other personal considerations. In other cases, however, their visa may restrict where they can settle. For example, immigrants entering on a regional visa as part of the skilled stream can settle anywhere except Sydney, Melbourne or Brisbane (Department of Home Affairs 2021, 2022). Since 2000, immigration has added nearly 4 million people to the Australian population (ABS 2021h; PC 2016a, p. 95), and the majority of immigrants have settled in either New South Wales or Victoria.

By affecting the level and distribution of population, immigration affects the demand for housing. Where high proportions of new immigrants settle in capital cities, concentrated demand can put pressure on these housing markets. Acknowledging that immigration has benefits for Australia, governments can and should exercise other policy levers (such as those relating to supply) to manage these pressures.

Capital gains tax and negative gearing rules

The Australian Government levies the CGT on the sale of assets acquired since September 1985. The tax was introduced following a recommendation in the 1985 Draft White Paper on the Taxation Review Committee, and aimed to improve economic efficiency and reduce tax avoidance (Reinhardt and Steel 2006). The main residence is exempt from the CGT, which can induce households to invest in their home over other asset classes.

In September 1999, the 50 per cent CGT discount was introduced for assets held for one year or longer, meaning that 50 per cent of the nominal capital gain would be taxed instead of 100 per cent of the real capital gain. The discount was introduced following a recommendation from the Ralph report (1999, p. 14), and aimed to improve the workings of Australian capital markets and encourage a greater level of investment and innovation.

Taxation rules also allow the costs of earning income to be deducted from that income when calculating profit and loss. This includes residential property, where the costs associated with offering a property for rent (such as interest and maintenance) can be deducted from rental income. Where costs exceed income, the loss can be deducted against income from other sources, including employment — colloquially known as ‘negative gearing’. Negative gearing arrangements were introduced in 1922, and were intended to incentivise businesses to invest in projects that might incur early losses (Australian Government 1922; Wright 2018).

Negative gearing arrangements and the CGT discount jointly affect the housing market. The CGT discount increases the return on holding investment property (by decreasing the tax paid), making investors more willing to accept lower returns in the years before sale. At the same time, negative gearing arrangements increase tolerance for operating losses by allowing losses to be deducted against other income. One effect of this is that investors may be willing to rent out their property in the private rental market for lower rents, with the expectation of higher capital gains. However, another is that these arrangements ‘magnify the attractiveness of investing in residential property during [upswings] in house prices, thereby adding to price pressures’ (PC 2004a, p. 75). While the CGT discount and negative gearing arrangements are not specific to residential investment property, the Australian Government has previously noted a bias towards investing in ‘bricks and mortar’, especially under certain market conditions (The Treasury 2016).

Governments must consider the effects of other policies on housing outcomes

Governments design and implement the non-housing policies above to achieve various objectives, and it is not the role of this review to assess their rationales. However, these policies can have (sometimes significant) effects on the housing market, and governments should take these into account when assessing their costs and benefits. Further, housing policy levers should be exercised in a way that accounts for, and addresses, the effects of non-housing policies. In this way, any ill-effects of non-housing policies on the housing market can be moderated, while governments continue to pursue policies that enhance the wellbeing of the Australian community.

2.4 Coordination is important for housing policy

All governments are involved in the housing sector, each with different policy levers (table 2.1). As a result, governments can face incentives to shift costs or set policies in a way that imposes costs on other levels of

government. Governments can also set policies that have conflicting effects, which reduces the effectiveness of taxpayer dollars devoted to housing assistance.

Table 2.1 – Which housing policy levers do the different levels of government hold?

Australian Government	State and Territory Governments	Local governments
Commonwealth Rent Assistance	Homelessness services	Planning (administration)
Access to discounted finance	Social housing	
Affordable housing subsidies	Private rental assistance	
Home buyer assistance	Home buyer assistance	
Homelessness services	Planning schemes (design)	

One example of the potential for governments to shift costs is in community housing. Community housing tenants are eligible for Commonwealth Rent Assistance (CRA), which is paid by the Australian Government. However, public housing tenants are not — and State and Territory Governments are responsible for the tenancy and property management costs associated with public housing. State and Territory Governments therefore have some incentive to transfer tenancy and property management of public housing stock to community housing providers. This means that increases in CRA expenditure do not necessarily represent an overall increase in housing assistance, but rather cost shifting from a State and Territory Government to the Australian Government (and the not-for-profit sector).

Another example of the need to coordinate policy can be seen in the interaction between CRA and housing supply. Housing supply is heavily influenced by planning systems, which States and Territories are responsible for designing (and local governments for administering). CRA is intended to increase the ability of recipients to pay for housing, but its effectiveness in doing so depends on market rents, which are influenced by supply. Where housing supply is not responsive to increases in demand, rents are likely to increase and erode the purchasing power of CRA, reducing its effectiveness as a form of housing assistance.

And, as discussed above, home buyer assistance affects the way the market functions, which has implications for the need for housing assistance towards the left of the housing spectrum. Governments need to understand how their policies interact across the spectrum, and employ them in a coordinated way to ensure that the most vulnerable people in the community have access to adequate housing.

The importance of governments coordinating their housing policy levers underscores the need for an effective intergovernmental housing agreement. The success of the current intergovernmental agreement, the NHHA, is discussed in chapter 4, and chapter 5 recommends reforms for a future agreement.



Finding 2.1

Policy needs to take account of the interconnectedness of the housing spectrum

Housing markets are interconnected, which means policy decisions in one part of the housing spectrum affect outcomes in other parts (including demand for housing assistance). To design good housing policy, policy makers need to consider these connections, including when the effects of policy decisions cross over lines of responsibility and departmental silos.

3. Affordable, safe and sustainable housing?

Key points

- * Australians are spending more on housing today than 20 years ago. Low-income households spend more of their income on housing than other households. Over the past decade, housing costs have been absorbing an increasing share of low-income households' budgets.
- * While rents have increased more slowly than house prices, recent rent increases have been significant and rates of rental stress are rising. Low vacancy rates in many places have led to higher rents and, often, a shortage of private rental properties affordable for renters on low incomes or experiencing vulnerability.
- * House price increases have outpaced growth in incomes. Although low interest rates have reduced the cost of servicing a mortgage, saving a deposit for a first home is taking longer (over 7 years to save a 20 per cent deposit for an entry-level house in Sydney). Recent increases in interest rates will moderate price growth but will also increase mortgage payments.
- * Rising housing costs put pressure on household budgets. For low-income households, this can increase the risk of homelessness and make it more difficult for people to access jobs and essential services.
- * The quality of housing affects a range of other outcomes important to people's wellbeing. Poor housing quality, for example, is linked to poor health (physical and mental) and child development outcomes. Although most people live in adequate housing, some are forced to live in unsafe or unhealthy conditions. Young people, people with long-term health conditions and disability, people in low-income households and Aboriginal and Torres Strait Islander people were all found to be overrepresented in poor-condition housing.

Housing is essential for meeting the basic needs of all Australians. Affordable, safe and sustainable housing can reduce pressure on household budgets, support economic and social participation, and improve the health and wellbeing of Australians.

This chapter looks at how well the housing market is delivering affordable, safe and sustainable housing.¹

¹ The objective of the NHHA is 'to contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation'.

3.1 Housing affordability

What is housing affordability?

Housing affordability is not just about the price of housing; it is about what people can afford to spend on housing relative to their income. Housing costs are said to be unaffordable when there is insufficient income left to pay for other essential items (such as food and clothing).

... affordability (and lack of affordability) is *not* an inherent characteristic of a housing unit — it is a relationship between housing and people. For some people, all housing is affordable, no matter how expensive; for others, no housing is affordable unless it is free. (Stone, Burke and Ralston 2011, p. 2)

There is no single measure of housing affordability, and all measures have their virtues and limitations.

Aggregate measures of prices and incomes

Some housing affordability measures are useful for understanding trends in housing spend or house prices over time, but do not assess whether individual households can actually afford to pay for their housing at any given time. Where aggregate measures are used (based on average measures of income, housing prices or rents), trends for households with different characteristics can be concealed. In contrast, disaggregated measures look at affordability for a range of different households based on characteristics including income, age, ethnic background or location.

Measures of housing stress

Other measures apply broad rules about what proportion of a household's income can be spent on housing for it to remain affordable. A common 'ratio' measure of housing affordability is the 30/40 rule. This measure defines housing unaffordability (or 'housing stress') as when a household in the bottom two quintiles of the income distribution pays more than 30 per cent of its income in housing costs. While such measures provide some indication of a household's ability to meet their housing costs, the rules applied may not be relevant to all households. The measures involve arbitrary cut-offs (the 30 per cent threshold is a historical artefact). Indeed, the 30/40 rule can be a poor measure of the degree to which a household faces financial stress due to their housing costs (chapter 9). And it provides no insight into the depth or persistence of housing stress. Many people experience only transient stress, others cycle in and out of stress and some face persistent stress (PC 2019b, p. 73).

There are a number of alternative approaches to measuring rental affordability based on the ratio approach.

- The rental affordability index compares average incomes and median rents (SGS 2021). The index is used to track rental affordability relative to income for all households and is also used to illustrate the situation for groups experiencing vulnerability. Index values of 100 and less indicate that households spend 30 per cent or more of their income on rent.
- The rental affordability snapshot identifies how many properties advertised for rent within a certain period are affordable and appropriate for different types of households (Anglicare Australia 2022).
- The affordable housing income gap index is calculated as the difference between median incomes in a given area and the income that would be needed for a household to spend no more than 30 per cent of its income to pay the area's median rent (Kennedy 2018). This figure is then expressed relative to the area's median household income to enable comparison across locations and identify the most expensive markets relative to the household income of renters in that area.

Housing stress can also be measured using the residual approach. Residual income measures compare a household's income after housing costs with a budget standard. These measures are often considered more informative than ratio-based approaches (Burke, Stone and Ralston 2011; Phillips, Gray and Biddle 2020). The Tenants' Union of NSW argued that:

More consistent consideration of residual affordability methods would better capture the extent and distribution of our housing affordability problem, as well as improve our understanding of the measures required to wholly address the problem (sub. 81. p. 7)

But residual income measures have not been widely adopted. The main barrier is that they require a widely-accepted budget standard against which to compare a household's income after rental costs. The development of such standards can be controversial, because they require normative judgements about the minimum essentials of life. Normative judgements are implicit in every comparison of rents and incomes, and embedded within common measures such as the 30/40 rule. But budget standards make explicit these otherwise hidden norms, and require regular updating as prices, and norms, change.

Housing accessibility

Another related concept is 'housing accessibility'. This measures the ability of households to purchase a home or pay for a rental bond for rental housing (RBA 2021). For potential home owners, housing accessibility is affected by their access to finance and ability to save a deposit.

This report presents a range of measures of housing affordability and accessibility, which together provide a richer understanding of affordability pressures, including the depth and persistence of housing stress.

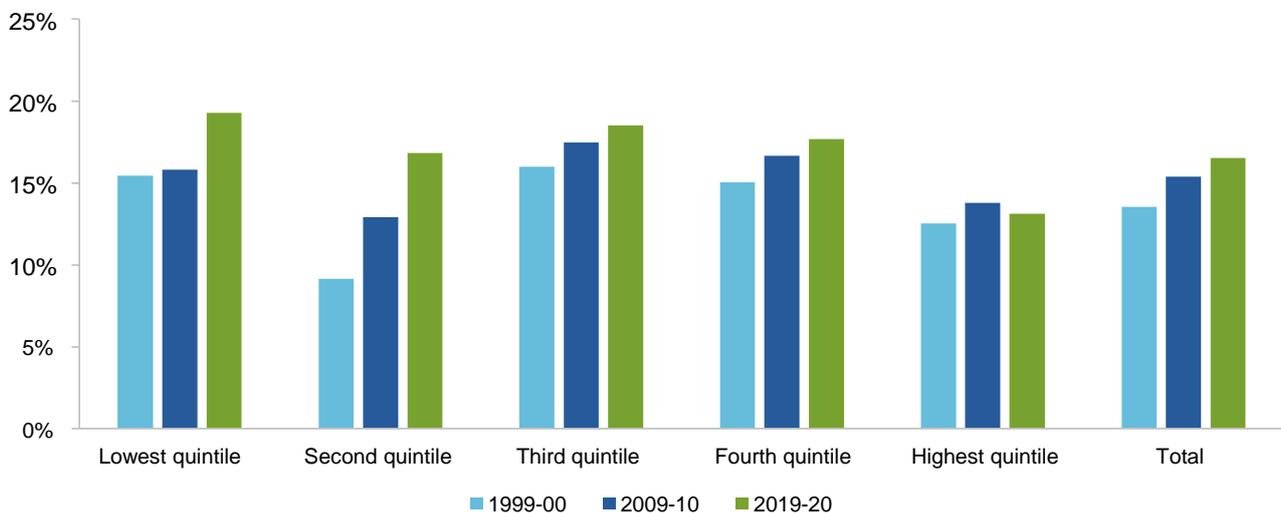
The affordability measures in this report do not take into account many financial and non-financial costs and benefits that households weigh up when choosing a home. Some households may be living in housing that is unsuitable in terms of its size, location or condition, but based on the measures discussed, it is affordable. However, a safe and healthy home may be unaffordable for these households. These issues are discussed further in sections 3.2 (safe housing) and 3.3 (sustainable housing). On the other hand, some people may choose housing that is unaffordable based on the measures presented in this report if there are other benefits that make up for the higher housing costs. This could include lower utility bills, lower transportation costs or benefits associated with living in a preferred neighbourhood.

Australians are spending more on housing...

Australians are spending more on housing than they did 20 years ago. The median share of disposable income spent on housing increased from 14 per cent in 1999-00 to 17 per cent in 2019-20.

The lowest income earners spend more of their income on housing than others. For households in the lowest income quintile, the median ratio of housing cost to disposable income was 19 per cent in 2019-20. And housing costs as a proportion of income have increased the most for households in the bottom two quintiles (figure 3.1).

Figure 3.1 – Housing costs have increased for low-income earners^a
Median ratio of housing costs to disposable household income, by equivalised disposable household income quintile



a. Equivalised disposable household income is a measure of income that adjusts for differences in household size and composition, allowing relative economic wellbeing to be compared. For a lone person household, equivalised disposable household income is equal to actual disposable income.

Source: Commission estimates using ABS (*Microdata: Household Expenditure, Income and Housing, 2009-10*, Cat. no. 6540.0; *Microdata: Income and Housing, Australia, 1999-00, 2019-20*, Cat. no. 6541.0.30.001).

Housing affordability for renters

While house prices are often the focus in the debate about housing affordability, rents are the cost of living in a home, and reflect shifts in the balance of demand and supply of the housing stock. House prices, on the other hand, reflect the value of both the asset and the housing service. The consumption equivalent to a house owned by someone is the rent (less other housing costs) that would be charged by a landlord.² Rents are therefore more relevant because they are the price of housing services (including for home owners).

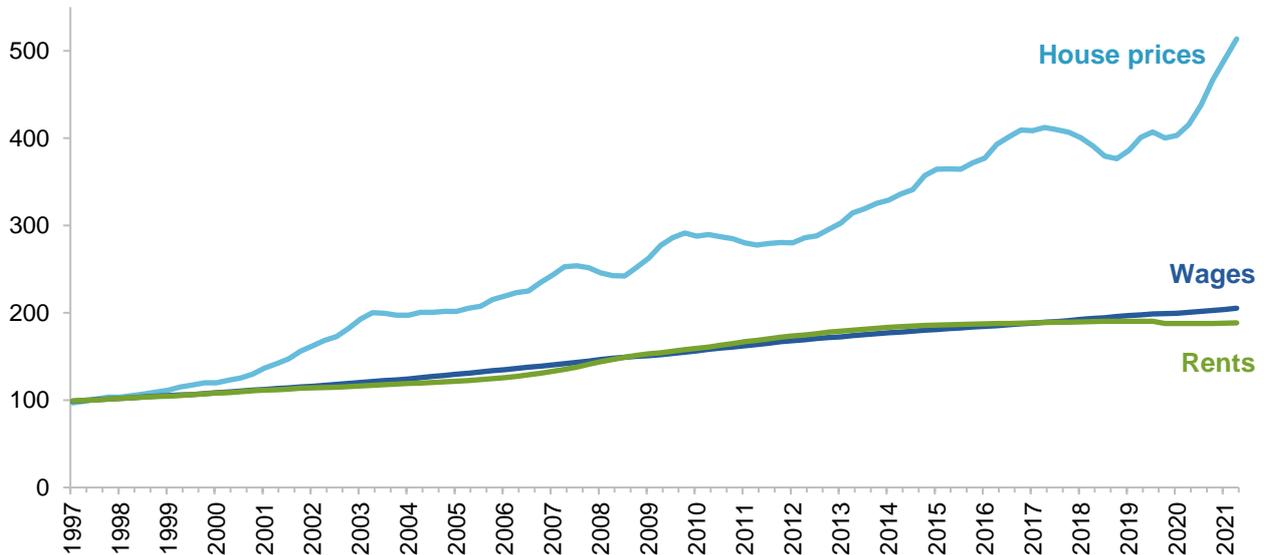
About a quarter of households rent in the private market (chapter 9). Rents have increased, but more slowly than house prices, and more in line with wages growth (figure 3.2). As a result, the share of income paid as rent has remained relatively steady across the private rental market. In 2019-20, the median proportion of income spent on rent was 25 per cent (chapter 9).

More recently, the rental market has tightened. Nationally, median advertised rents increased by 9.5 per cent in the year to June 2022, and the vacancy rate fell to 1.2 per cent (from 2.2 per cent a year before) (CoreLogic 2022c).

² Notably, this is the way that the ABS records the consumption value of owner-occupied housing.

Figure 3.2 – Rents have increased more slowly than house prices and more in line with wages growth^{a,b,c,d}

Index 1997-98 = 100



a. Rent from the CPI captures rent paid to landlords. Rents are stratified according to location, type and size. As advertised rents account for only a small proportion of the existing rental stock, changes in advertised rents pass through to the CPI rent measure gradually. **b.** Nominal house price index. **c.** Seasonally adjusted wage price index (total hourly wages excluding bonuses, private and public). **d.** Year labels on the horizontal axis refer to September of that year.

Source: ABS (*Consumer Price Index, June 2022*, Cat. no. 6401.0; *Wage Price Index, June 2022*, Cat. no. 6345.0), BIS (2022).

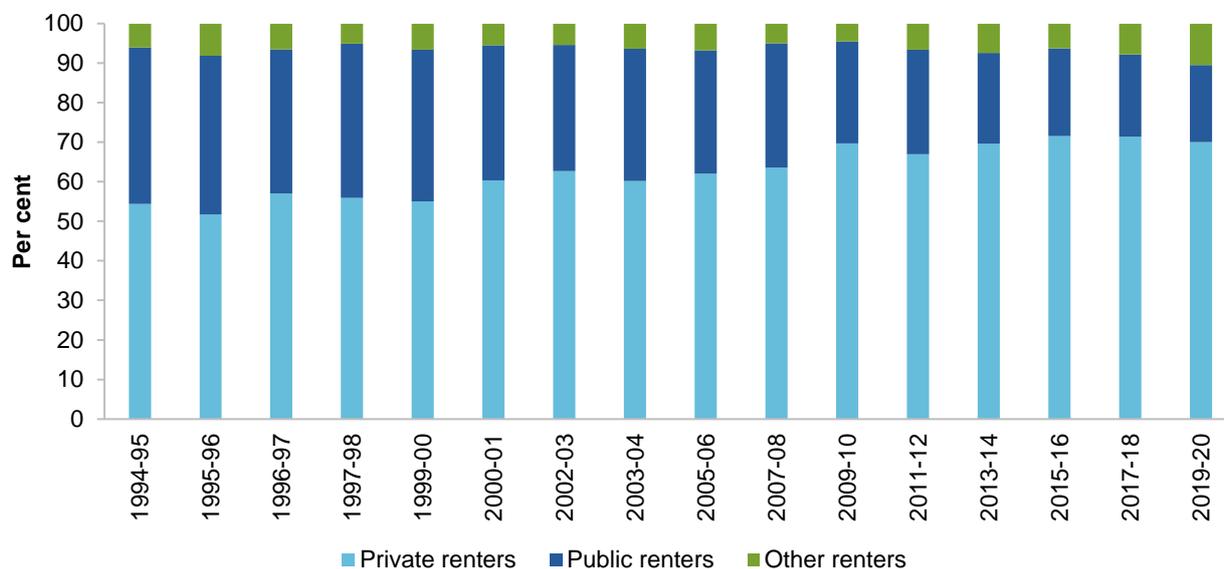
The overall trend masks the situation for different types of households and different regions. Rental stress for low-income households (a National Housing and Homelessness Agreement performance indicator) has trended up in the last decade (chapter 9). According to the measure of rental stress that was agreed by the Housing and Homelessness Data Working Group, in 2019-20, 42 per cent of low-income renters (or more than 600 000 households) experienced rental stress, up from 35 per cent in 2007-08 (ABS 2022g).³ And many low-income households have little income left after paying rent (chapter 9).

The rates of rental stress for low-income households renting in the private market are higher again — rental stress is rare for social housing tenants (tenants in social housing pay rent based on income, chapter 7). And declining social housing stock, relative to the population, has increased the proportion of low-income households renting in the private market (figure 3.3). The combination of a growing share of private renters and their higher rate of rental stress has lifted the rate of rental stress among all low-income renters (PC 2019b, p. 6). Many participants spoke about the difficult situation for low-income renters in the private market (box 3.1, chapter 9).

Anglicare's Rental Affordability Snapshot 2022 (which covered over 45 000 rental listings on a sample weekend in March 2022), found that less than 1 per cent of listed properties were affordable to a single adult parenting two children earning the minimum wage and benefiting from Family Tax Benefit Part A and Part B (this was down from 5.3 per cent in 2018). And for a couple receiving the Age Pension, 1.4 per cent of lettings were affordable (down from 4.4 per cent in 2018) (Anglicare Australia 2018, 2022).

³ This measure of rental stress is reported for all renter households (including social housing renters).

Figure 3.3 – There is a growing share of private renters^a
Low-income renter households



a. Private renters are households renting from real estate agents or persons not in the household. Public renters are households renting from a state or territory housing authority. Other rental households include the community housing sector, people renting from their employer, owner/managers of caravan parks and others.

Source: Commission estimates using ABS (*Microdata: Household Expenditure, Income and Housing*, Cat. no. 6540.0, various years; *Microdata: Income and Housing, Australia*, Cat. no. 6541.0.30.001, various years).

Some households experience deep, and more persistent, rental affordability issues (chapter 9).

- The majority (66 per cent) of private renters on low incomes spent over 30 per cent of their income on rent in 2019-20, while 20 per cent spent over half their income on rent. About 22 per cent of low-income households had less than \$250 left each week after paying for rent.
- Nearly half of those who were in rental stress in 2013 were also in rental stress in 2017 (PC 2019b, p. 73). Long-term rental stress is associated with poorer health and other wellbeing outcomes (section 3.4).

Participants also noted the importance of non-housing costs. For example, Equality Rights Alliance and Women’s Property Initiatives said that some people can be in inappropriate housing that does not meet their needs, and this can have other costs:

The problem of housing stress for women may be significantly underreported because assessments of housing stress tend to focus on direct housing costs only, while women are more likely to accept inadequate or inappropriate housing that is affordable, but which lacks key features such as adequate heating/cooling, and physical accessibility, even if it is far away from employment options and services such as childcare, health care and disability service providers. The cumulative effect of this process can be a divesting of housing costs into other areas of life, resulting in women spending less on direct housing costs, but more on energy, transport etc and spending more time on compensating for inadequate housing through travel etc. (sub. 32, p. 10)

There are also concerns about declining rental affordability in some areas, particularly since the COVID-19 pandemic (chapter 9). A number of regional areas have seen population increases as city dwellers moved to the regions and the normal movement of people from regions to cities slowed (NHFIC 2022c). Without commensurate increases in housing supply, this has resulted in very low vacancy rates and increasing rents.

Although median rents are typically higher in capital cities compared with regional areas, the gap narrowed in some jurisdictions between December 2019 and December 2021 (NHFIC 2022c, p. 83).

Commonwealth Rent Assistance (CRA) improves affordability for eligible low-income renters. It prevents many households from experiencing rental stress, but the program is not intended to prevent rental stress for all households. In June 2022, about 63 per cent of CRA recipients were in rental stress (after accounting for CRA) (chapter 9). Rising rents have resulted in the number of recipients receiving the maximum (capped) payment rising since 2000, with 79 per cent of CRA recipients eligible for the maximum rate in June 2022.

Box 3.1 – Rental affordability is a problem for low-income households

Many participants spoke about the impacts of low vacancy rates and declining rental affordability on low-income households.

The private rental market in Katherine currently has a 0.1% vacancy rate, with weekly rent on listed rentals increasing by approximately 30% over the last 18 months. ... Finding private rentals at short notice, or at all, can be near impossible. This issue is compounded for those women who experience discrimination in applications for private rental housing or do not have an existing rental history. At KWILS, we hear women tell of living in caravans, in industrial sheds, or staying in insecure housing with family or friends when they are unable to find their own affordable rental. (KWILS, sub. 85, p. 8)

A survey response from someone with lived experience of homelessness:

...private rental is the only option for low income earners and sometimes it's just not possible to survive on little income from centrelink and then have to pay most of my income on rent. (Western Homelessness Network, sub. 41, p. 33)

City Futures Research Centre highlighted the interconnectedness of the rental market with other parts of the housing spectrum:

Home ownership rates have continued their steady decline among younger generations in the face of record house prices, stagnant wages, and more insecure work (and despite historic low interest rates). Resultant rental demand has increased pressure on rents and vacancy rates in many suburban and regional sub-markets, intensifying housing stress and housing-related poverty among lower income renter households particularly. And access to social housing is in long term decline, contributing to homeless numbers at record levels. (sub. 87, p. 8)



Finding 3.1

Housing affordability measures should reflect the outcomes that matter most

House prices are often the focus of the housing affordability debate, but rents are the cost of living in a home, and matter most for low-income households and people experiencing vulnerability.

Rental affordability is often reported through measures of rental stress (a National Housing and Homelessness Agreement performance indicator). An increasing proportion of low-income households are experiencing rental stress. But rental stress alone is a poor predictor of other outcomes such as financial stress and wellbeing. Looking at the depth and duration of affordability pressures can provide a more complete picture of affordability.

Affordability of home ownership

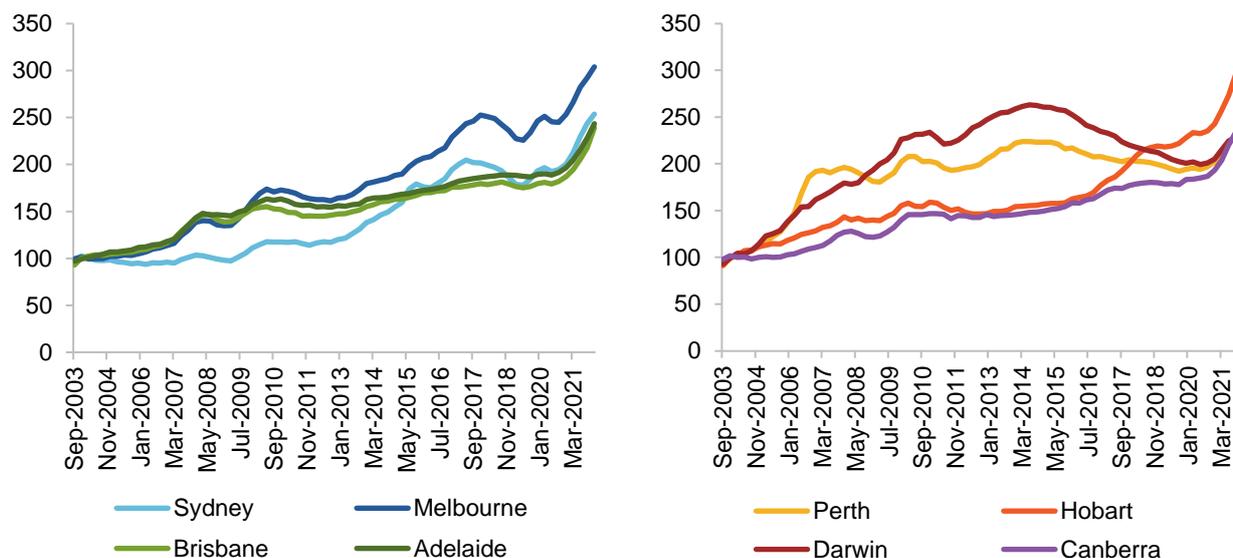
Home ownership is the main form of tenure in the Australian housing market, with about two-thirds of Australian households owning their own home (either outright, or with a mortgage). Home ownership has long been part of the Australian psyche and most young Australians aspire to own their own home (chapter 10).

House prices have risen

Since the mid-1990s, real house prices in Australia have increased (figure 3.2). House prices have increased in all Australian capital cities (and most regions) (figures 3.4). The mean price of a residential dwelling was \$941 900 in March 2022 (up from \$488 600 in March 2012). New South Wales had the highest mean price (\$1 222 200) and the Northern Territory the lowest (\$509 100) (ABS 2022i). The rise in house prices is not unique to Australia. A low interest rate environment has seen house prices increase in many OECD countries (box 3.2).

Figure 3.4 – Median house prices have increased in all capital cities

Residential property price index, 2003-04 = 100

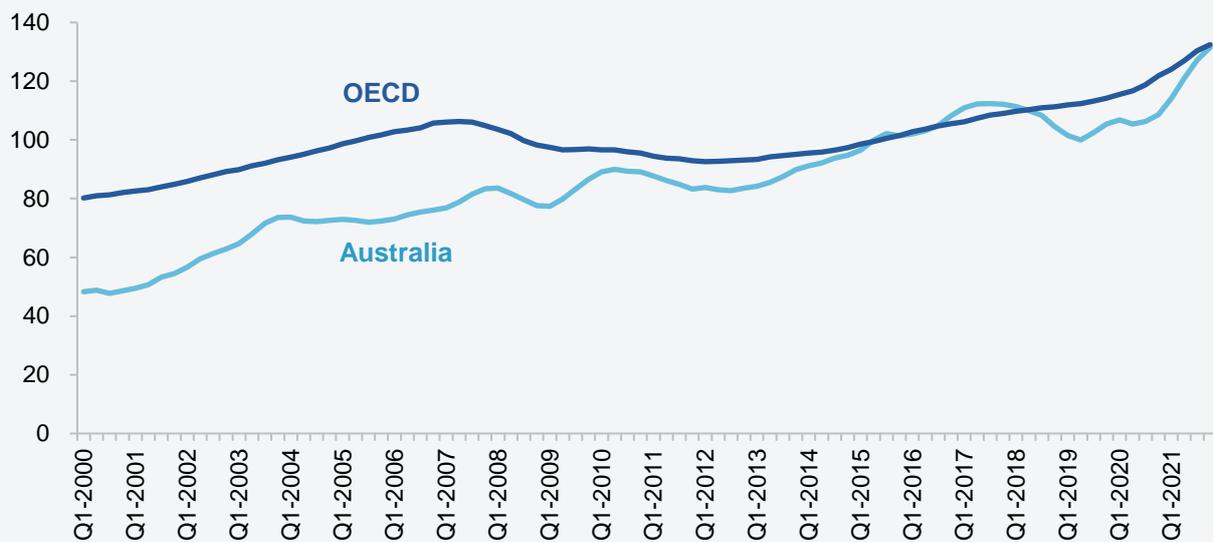


Source: ABS (*Residential Property Price Indexes: Eight Capital Cities, December 2021*, Cat. no. 6416.0).

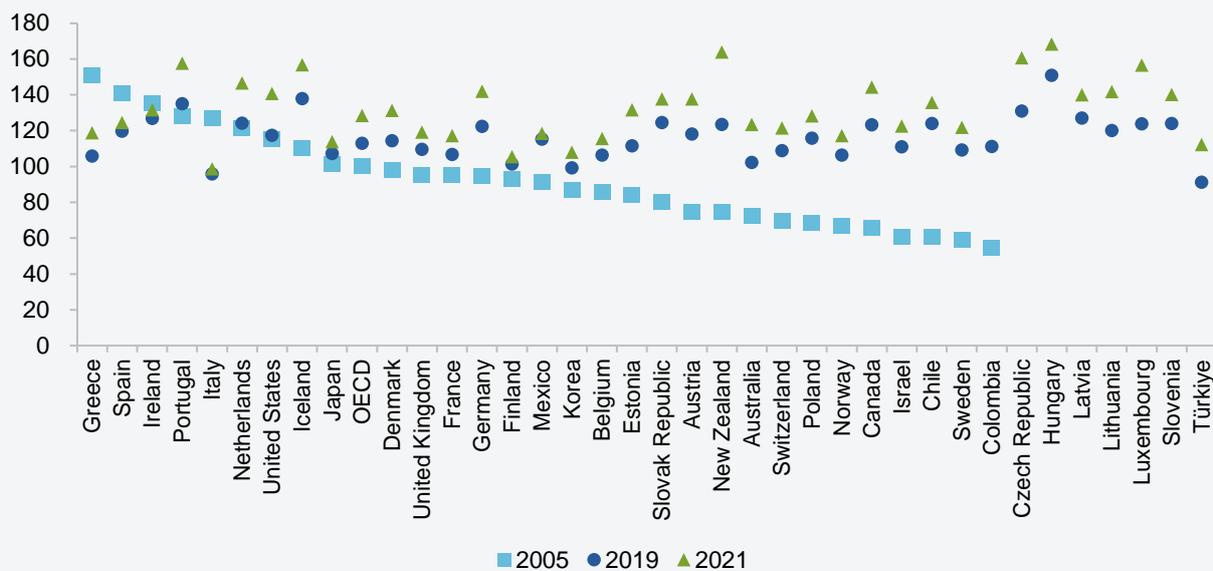
Box 3.2 – House prices across the OECD

Real house prices have increased across the OECD since about 2012, and continued to grow during the COVID-19 pandemic. From the fourth quarter of 2019 to the fourth quarter of 2021 real house prices experienced the fastest year-to-year growth in twenty years. Looking at country-specific trends, house prices increased in most OECD countries between 2005 and 2021.

Real house price index, 2015=100



Real house price index, 2005, 2019 and 2021, 2015=100



Source: OECD (2022a).

Incomes have not kept pace

One way to assess affordability is to look at changes in house prices relative to incomes. As shown in figure 3.2, growth in incomes has not kept pace. Median house prices are now more than 8 times the median income, compared with about 4 times in the 1980s and early 1990s (Grattan Institute, sub. 70, p. 3).

However, this measure has limitations. As the RBA (2021, p. 5) said, first home buyers do not typically purchase an average priced home and they typically earn more than the median household. And looking at trends in house prices does not account for borrowing costs, which are the largest ongoing cost for most home buyers.

Low interest rates mean lower mortgage repayments

As home buyers typically borrow to purchase a home, the mortgage burden (or proportion of household income spent on mortgage repayments) is also used as a measure of affordability. Although housing debt to income has been increasing, low interest rates made the costs of servicing loans considerably more affordable (figure 3.5). That said, interest rate rises since May 2022 will moderate price growth but will also increase mortgage payments.

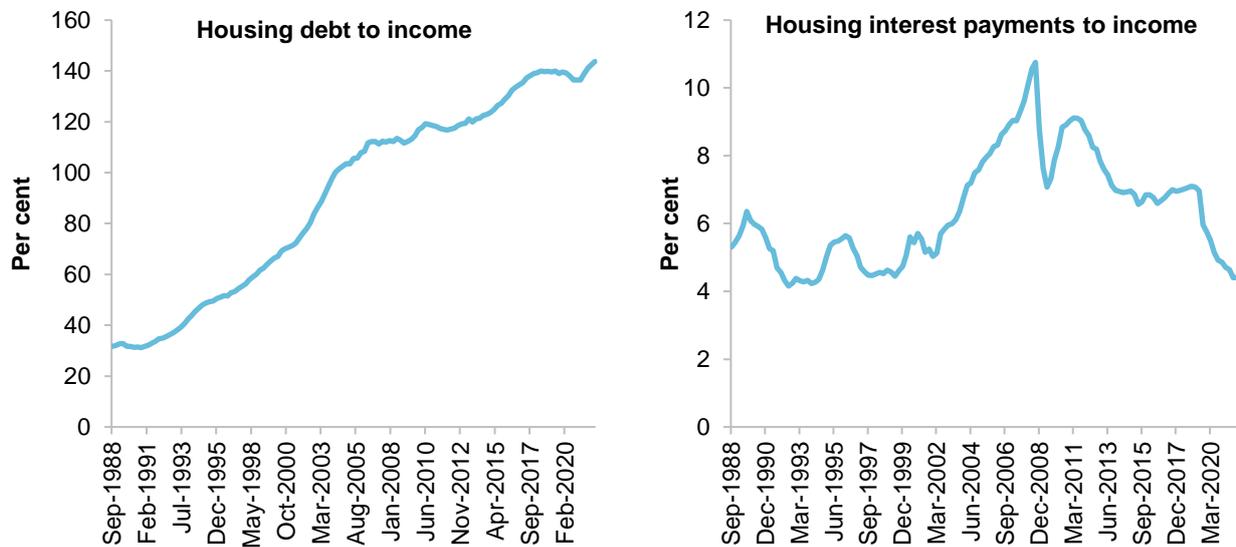
The most recent data from the Australian Bureau of Statistics (ABS) show that home owners with a mortgage were spending less of their income on housing costs. The proportion of owners with a mortgage who spent more than 30 per cent of their disposable income on mortgage repayments decreased from 28 per cent in 2007-08 to 21 per cent in 2019-20.⁴ And the proportion of first home buyer households who spent more than 30 per cent of their disposable income on mortgage repayments decreased from about 54 per cent to about 27 per cent over the same period.

However, low-income owners with a mortgage typically spend a much greater proportion of their income on housing — about 39 per cent spent more than 30 per cent of their disposable income on mortgage repayments in 2019-20 and 17 per cent spent more than 50 per cent.

Home buyers typically pay off their loan over a long period, so mortgage payments over the lifetime of the loan are important. The mortgage burden over the life of the loan will depend on interest rates and income growth over time. And, despite the relatively low interest rates, the share of working-life income needed to buy a home has increased (chapter 10). As the Grattan Institute noted, despite the lower initial mortgage burden on a newly purchased first home, buyers face an increased risk:

... a first home loan now entails more risk, since purchasers are borrowing a larger share of their lifetime incomes to purchase a home, and borrowers live with much of that risk for longer. ... Most people who bought 20-to-30 years ago now use only a relatively small share of their income to pay the mortgage. ... In contrast, a new homebuyer today is likely to continue to spend a large proportion of their income on the mortgage for many years, unless wages start to grow faster than in the recent years. (sub. 70, p. 5)

⁴ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Figure 3.5 – Household finances^a

a. Ratio of housing debt-to-annualised household disposable income and ratio of interest payments on housing debt-to-quarterly household disposable income.

Source: RBA (*Household Finances – Selected Ratios, March 2022*, Statistical table E2).

Higher house prices mean larger deposits

Before first home buyers can borrow to purchase a property they need to save a deposit. Saving an initial deposit is a significant barrier to home ownership. With prices rising faster than incomes in recent years, saving for a deposit is now taking longer. It takes a first home buyer couple aged between 25–34 years over eight years to save a 20 per cent deposit for an entry-priced house in Sydney (table 3.1).

Table 3.1 – The time it takes first-home buyer couples aged 25–34 years to save a 20 per cent deposit for an entry-priced house^a

	Time to save	Annual change	5-year change
Sydney	8 years 1 month	18 months	18 months
Melbourne	6 years 6 months	6 months	15 months
Brisbane	4 years 10 months	3 months	10 months
Adelaide	4 years 7 months	7 months	10 months
Perth	3 years 7 months	1 month	-1 month
Hobart	5 years 10 months	14 months	31 months
Darwin	4 years 3 months	9 months	10 months
Canberra	7 years 1 month	18 months	31 months

a. Entry prices are based on the 25th price percentile of the housing market.

Source: Powell (2022).

As a result, evidence suggests more first home buyers are relying on the ‘bank of mum and dad’ to get into the housing market (Hughes 2021; Pawson et al. 2022). However, estimates of the prevalence and size of the ‘bank

of mum and dad' vary — the results from surveys and studies seem to be heavily influenced by the question asked, the methodology used and definitions about what constitutes assistance (box 10.3, chapter 10).

Bigger, better quality houses?

The increase in spending on housing does not necessarily mean an affordability issue for all households. As incomes increase, households may choose to spend more of their income on housing (chapter 2). For home owners, spending more on housing may also be an investment.

Households may also change their preferences over time. For example, during the COVID-19 pandemic, there may have been increased spending on housing as people were unable to travel and were spending more time at home. The pandemic changed housing preferences significantly, with people preferring larger houses with space to work from home, and access to private outdoor space (NHFIC 2022c). It is not clear if these preferences will be permanent or temporary. NHFIC (2022c, p. 47) found early indications that some of these changes may be temporary. But a number of stakeholders were of the view that some of these changes would persist. For example, Master Builders Australia said that the pandemic may lead to a 'permanently increased appetite amongst homeowners for more floor space' (sub. 64, p. 8). Similarly, the Housing Industry Association noted that:

There were changes in the way that households used their homes during the pandemic. Homes had to function as a workplace and as a school. While it is unlikely that home-based schooling will persist outside of forced lockdowns, it is likely that working from home arrangements will be more common than it was prior to the pandemic. Builders have reported changes in the design elements requested by clients in order to create environments that are conducive to working from home. (sub. 66, p. 9)

CommSec (2021) found that the preference for extra living space may be reflected in bigger apartments being built, with the average size of a new apartment completed in 2020-21 at an 11-year high. However, a change in preferences was not reflected in the average size of new free-standing houses, which declined slightly in 2020-21. It may be too early in the construction cycle to see a change.

Longer term trends have also seen changes in floor space. The average floor space of newly constructed homes increased by about 45 per cent between the late-1980s and mid-2000s. Floor space peaked in 2009-10 before falling again for 2 consecutive years. Nonetheless, newly built homes are bigger than 30 years ago — the average free-standing home built in 2020-21 was 24 per cent bigger (CommSec 2021).

There are some indications that the quality of dwellings has improved over time. Abelson and Chung (2005, p. 274) concluded 'the quality of the established housing stock rises by at least 1 per cent per annum on average'. And the use of better-quality materials has increased construction costs (chapter 14).

While changes to size and quality have contributed to house price growth, the evidence shows they were not the primary factor. For example:

- Abelson and Chung (2005) estimated that quality improvements explained about one-third of the increase in housing prices between 1970 and 2003⁵
- Daley and Coates (2018, p. 19) found that house price increases had been driven primarily by rising land values, with the size and quality of dwellings making a smaller contribution. Their analysis showed that, between 1990 and 2016, the compound annual growth rate for residential land was 6 per cent compared to 3 per cent for residential improvements.

⁵ They estimated the national index for real house prices in Australian cities rose by about 160 per cent between 1970 and 2003, compared with an increase of about 100 per cent for their constant quality national index.

However, others noted a decline in the quality of housing in Australia in recent years due to the prevalence of defects in new builds (chapter 14).



Finding 3.2 **Australians are spending more on housing**

Australians are spending more of their household budgets on housing than they did 20 years ago. For some people, higher spending on housing reflects higher incomes, changed preferences or better quality housing. But the lowest-income earners spend more of their income on housing than others. And housing costs as a proportion of income have increased the most for households in the bottom two quintiles of the income distribution. Many low-income households have little income left after paying for housing.

3.2 Safe housing

Safe housing refers to housing that is physically safe, secure and healthy, and free from violence and abuse (Muir et al. 2018; Stats NZ 2019).⁶ This can relate to the physical condition or state of repair, and its suitability for the household concerned (including its size and design).

‘Dwelling condition’ is defined as the proportion of households living in dwellings that meet agreed minimum acceptable standards. A dwelling is assessed as meeting minimum acceptable standards if it has at least four working facilities (for washing people, for washing clothes/bedding, for storing/preparing food, and for removing sewerage) and not more than two major structural problems. (SCRGSP 2022b, p. 18.18)

Housing condition

As housing affordability worsens, there are concerns that people with low-incomes are increasingly forced into substandard housing. This includes housing that has not been adequately maintained, as well as housing with poor design features, such as inadequate heating, cooling, ventilation or access to natural light.

Action for More Independence and Dignity in Accommodation (AMIDA) raised concerns about people living in homes with mould and toxins:

AMIDA has seen a recent influx of cases requiring assistance with bio-toxins in their home in public, community and Co-Op housing. AMIDA has cases where some people have a susceptible genotype which makes them more likely to become unwell from exposure to mould. ... All housing service stock need to be kept to a healthy standard to prevent vulnerable individuals, families and communities becoming ill due to exposure to bio-toxins. We have had many clients experience this and who seem to be discriminated because of this and evicted. (sub. 67, p. 8)

Baker et al. (2016b, pp. 224–225) found that over 1 million people in Australia lived in housing in ‘poor’ condition, with 100 000 of them living in ‘very poor’ or ‘derelict’ housing.⁷ They estimated that 19 per cent of public housing tenants and nine per cent of private tenants were living in poor or derelict housing. Young

⁶ The term ‘safe housing’ is not defined in the NHHA.

⁷ Dwelling condition is from the HILDA survey and was assessed by survey collectors who recorded the external condition of the dwelling on a five point scale (from very good / excellent to very poor / derelict).

people, people with long-term health conditions and disability, people in low-income households, the unemployed and underemployed, and Aboriginal and Torres Strait Islander people were all found to be overrepresented in poor condition housing stock.

Data from the ABS further illustrate that poor quality housing disproportionately affects some households. 9 per cent of all home owners reported a major structural problem, compared with 15 per cent of private renters, and 21 per cent of public housing renters.⁸ And there are some indications that the problem is getting worse in social housing. In 2021, the majority of tenants in social housing lived in dwellings of an acceptable standard (76 per cent for public housing, 64 per cent for State-Owned and Managed Indigenous Housing and 82 per cent for community housing), but this was 4–10 percentage points fewer than 2018 (SCRGSP 2022b).

Many private renters are concerned about asking for repairs — they worry about being ignored indefinitely, being charged more rent or being evicted (CHOICE, National Shelter and National Association of Tenant Organisations 2018) (section 3.3).

Some participants also raised concerns about the ability for low-income households to heat and cool their homes.

Low income renters struggle to keep their homes warm in winter. Their housing is likely to be lower quality, in need of repair and poorly insulated. ... Renting households overall were much more likely to be struggling to heat or cool their homes than their homeowner counterparts. As a result, they are also hardest hit by energy poverty. (Tenants' Union of NSW, sub. 81, p. 15)

Poor housing conditions and unsuitable housing design also reduce residents' ability to control indoor temperatures, leading to high indoor temperatures during heat waves. For example, in the Torres Strait, despite humidity levels of greater than 90-95% during summer and extended periods of extreme heat, most homes have no air conditioning, putting people at risk of heat stress. (The Lowitja Institute, sub. 72, p. 14)

...there is an increasing realisation that living in poorly-design[ed] and poorly constructed dwellings are exposing lower-income people to unreasonable impacts. Whether that be health impacts from living in poorly insulated and hard to cool (or heat) dwellings or cost-of living impacts from rising energy costs. (Shelter NSW, sub. 76, p. 8)

Research has found that about 26 per cent of people across all housing types were unable to stay warm at least half of the time during winter (Isley et al. 2022). Cold housing problems tend to be especially prevalent for renters (both public and private) (Daniel et al. 2021). And people who have persistent cold housing problems are highly concentrated at the lower end of the income distribution (Daniel et al. 2021).

Issues around dwelling condition can be exacerbated in the 'informal' housing sector. In high-cost cities, many low-income renters may be forced to find housing in the informal housing sector. This includes, for example, unpermitted dwellings, secondary units and room rentals. This type of housing is typically associated with lower levels of regulatory compliance or protection for tenants, which reduces the cost relative to the formal market. But it also exposes the tenants to serious risks. Analysis of lower cost rental listings in Sydney found 'that the accommodation that is available fails basic standards of safety and amenity' (Gurran, Maalsen and Shrestha 2022, p. 20). And there are reports that more people are moving to informal housing as the formal private rental market has become too expensive (chapter 9).

⁸ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Overcrowding

Decreasing affordability can contribute to people choosing housing that is not suitable for their household size, leading to overcrowding.

Data from the Census show that the most common form of homelessness is people living in severely crowded dwellings (chapter 6). And this form of homelessness has been increasing. Between 2001 and 2016, the number of people living in severely crowded dwellings increased from 33 430 to 51 088 (or from 17.8 to 21.8 people per 10 000 of the population) (ABS 2018a).

Overcrowding is disproportionately experienced by low-income households, Aboriginal and Torres Strait Islander households and recent migrant households (Dockery et al. 2022). According to the 2021 Census, the proportion of overcrowded Aboriginal and Torres Strait Islander households was more than double the rate of non-Indigenous households — 10 per cent of Aboriginal and Torres Strait Islander households and 3 per cent of non-Indigenous households were overcrowded (ABS 2022j). The 2018-19 National Aboriginal and Torres Strait Islander Health Survey also found that Aboriginal and Torres Strait Islander people were far more likely to be living in overcrowded housing than non-Indigenous people — 18 per cent of Aboriginal and Torres Strait Islander people were living in housing considered overcrowded, compared with 5 per cent of non-Indigenous people (AIHW 2021a).

Violence, crime and safety

A lack of affordable housing can also result in people staying in accommodation that feels unsafe, and can expose people to violence and abuse. The Salvation Army provided a case study that highlighted the connection between safety and affordability:

I live in a caravan park in a small town in country Victoria and pay \$180 per week. I receive Youth Allowance of \$440 per fortnight and there are no houses in my affordability range. My caravan leaks and the power shorts out up to 4-times every night. There is a lot of violence in the caravan park, my mattress is damp and there is a hole in the roof that leaks when there is heavy rain. I also feel unsafe here too, but don't have any choices, no other family, no youth supported accommodation. But at least I'm away from my mum's partner who perpetrates family violence against her and I. After paying the rent I have \$80 left for the fortnight to live on. I access The Salvation Army on a Wednesday night to get a free dinner. I've lost weight and my health is poor. I go to school and I am teased because I have poor hygiene. The facilities at the local caravan park are dirty and poorly lit. There are no locks on the doors, so I don't feel safe using them as there are older males frequenting the facilities. (sub. 42, pp. 46–47)

Similar concerns about safety were raised because of a lack of crisis accommodation:

There are only 423 government-funded crisis beds across Victoria, yet 9,500 other instances of emergency accommodation are required each year. The only alternatives to these scarce government-funded beds are low-cost private hotels, rooming houses, backpackers and caravan parks. Those who had no choice but to use such accommodation reported on mould, bedbugs, lack of cooking facilities, and an environment in which most felt unsafe, while at least one rape was reported. People unfortunate enough to stay in this squalid accommodation said it was: 'horrific, degrading; felt like a cell', 'the worst nights of my entire life', and 'unsafe, uncomfortable, scared, lonely, worried'. (McAuley Community Services for Women, sub. 24, p. 4, drawing on Northern & Western Homelessness Networks 2019)

Concerns were also raised about safety in social housing:

A history of trauma can, for some people, lead to anti-social behaviour. Social housing providers receive high numbers of neighbourhood complaints but don't have sufficient capacity to address the underlying issues causes behavioural issues. We need more targeted and appropriate responses for people experiencing complex issues that have led to the development of difficult behavioural issues. (Western Homelessness Network, sub. 41, p. 36)

Others said they felt safe in social housing, particularly compared with homelessness:

When you are homeless you never feel safe, who will hit you or where you are. When you have a government house, you feel safe even if you have no food. (Western Homelessness Network, sub. 41, p. 32)

Overall, social housing tenants rated safety and security of their home and neighbourhood highly (chapter 7).

Safety in building and construction

The construction process can have long run impacts on the safety and quality of dwellings (including whether a dwelling has any 'defects' — such as cracking, fire safety and water issues). Construction processes can also ensure the dwelling is secure from intrusion, and provide protection from harsh conditions.

The quality and safety of multi-unit dwellings has received considerable media attention following a number of high profile building failures. However, there are challenges in collecting accurate data on the prevalence of building defects (chapter 14).

3.3 Sustainable housing

Many definitions of sustainability are based on the Brundtland Commission's definition of sustainable development: 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development 1987, pt. I, chap. 2). In the context of housing, different definitions of sustainable are used.⁹ Sometimes a narrow focus is applied, such as environmental sustainability. Yates et al. (2008, p. 8) focused on the capacity of successive generations to gain access to appropriate and affordable housing and fiscal sustainability as it applies to housing assistance. Others use a broad definition. For example, Wiesel et al. (2012a) used a sustainability framework that included financial, social and environmental goals and outcomes. The Geneva UN Charter on Sustainable Housing (UNECE 2015) includes the broad principles of environmental protection, economic effectiveness, social inclusion and participation, and cultural adequacy to form the basis of sustainable housing.

The Commission considers a broad definition is relevant. Sustainable housing can be broadly defined as housing that meets present needs without compromising future housing needs, and has a number of different dimensions depending on the context.

- Sustainability of tenure — an individual's ability to maintain housing over time. This can be influenced by security of tenure and affordability, as well as the extent of other supports that deal with the social and psychological aspects of homelessness and housing (Chamberlain and Johnson 2018).
- Social sustainability — socially sustainable housing should support the health, social and cultural wellbeing of the community. This includes people's access to employment and services, social inclusion, security and the degree to which housing design is flexible enough to meet people's changing needs over time.

⁹ The term 'sustainable housing' is not defined in the NHHA.

- Environmental sustainability — environmentally sustainable housing is about ‘the resource efficiency, durability and resilience of housing’ (Stats NZ 2019, p. 5). It requires that housing design, construction and materials support a safe, secure and healthy housing environment now and in the future. This needs to recognise the impact that housing and the environment have on each other (for example, through carbon emissions, land use, water use, flooding and sewerage).
- Fiscal sustainability — sustainability of government expenditure on housing assistance programs.
- Institutional sustainability — finance and governance structures of affordable housing providers such that operating, maintenance and other costs can be met over time.

This broad definition of sustainability overlaps with the concepts of safe and affordable, and is also linked with the concepts of adequate housing (box 3.3) and resilient housing.

Box 3.3 – Defining adequate housing

The UN Committee on Economic, Social and Cultural Rights defined adequate housing as having the following key elements:

- Legal security of tenure: Regardless of the type of tenure, people should possess a degree of security of tenure which guarantees legal protection against forced eviction, harassment and other threats.
- Affordability: Personal or household financial costs associated with housing should not threaten or compromise the attainment and satisfaction of other basic needs (for example, food, education and access to health care).
- Habitability: Adequate housing should provide for elements such as adequate space, protection from cold, damp, heat, rain, wind or other threats to health, structural hazards, and disease vectors.
- Availability of services, materials, facilities and infrastructure: Housing is not adequate if its occupants do not have safe drinking water, adequate sanitation, energy for cooking, heating and lighting, sanitation and washing facilities, means of food storage or refuse disposal.
- Accessibility: Housing is not adequate if the specific needs of disadvantaged and marginalized groups are not taken into account (such as the poor, people facing discrimination; people with disability and victims of natural disasters).
- Location: Adequate housing must allow access to employment options, health-care services, schools, child-care centres and other social facilities and should not be built on polluted sites nor in immediate proximity to pollution sources.
- Cultural adequacy: Adequate housing should respect and take into account the expression of cultural identity and ways of life.

Source: Office of the United Nations High Commissioner for Human Rights and UN-Habitat (2009).

Given the overlaps, some dimensions of sustainability have already been discussed in sections 3.1 (affordable) and 3.2 (safe). Issues around social participation are discussed in section 3.4. Some of the other dimensions of sustainability are explored further in this section.

Security of tenure

Security of tenure refers to the ability of a person to stay in their home for the length of time they desire. Households across the housing spectrum have different tenure security. Home ownership provides secure

tenure, and social housing tenants may have long-term leases or even lifetime tenure. In contrast, private renters only have short-term security.

Renters have varying preferences around security of tenure and mobility — some renters value flexibility, while others prefer stability. Groups that typically prefer stability are:

- families with children — who usually want to remain close to their children’s schools
- older renters — who often want to age in place
- people with disability or a health condition — who can find it difficult to move and find properties they can modify. And there are issues with getting support for modifications through the National Disability Insurance Scheme
- people on low incomes — who may not be able to afford moving costs and are at risk of homelessness if they cannot find affordable housing (PC 2019b, pp. 76–77).

The evidence shows that private renters are highly mobile. When surveyed in 2019-20, the average private renter had moved twice in the past five years. In contrast, the vast majority of owner–occupiers and social housing tenants had not moved in the past five years (figure 7.3, chapter 7). Although most renters’ moves were voluntary, a 2019-20 survey found that about 19 per cent of moves were due to a lease being terminated or not renewed (chapter 9).

Uncertain tenure can negatively affect renters’ mental health and wellbeing, and discourage investment in local communities (Hulse and Saugeres 2008) (section 3.4). In particular, the possibility of an involuntary move can be a source of stress and anxiety. This anxiety can be exacerbated for renters who have previously experienced an eviction (Tenants’ Union of New South Wales and Marrickville Legal Centre 2019, p. 5). Renters reported high emotional and financial costs when they are forced to move:

Renters quoted figures in the thousands of dollars for removalists, cleaning, and bond in advance, and worried about the increased rent they might expect to pay in a new rental property in the same general area. They described high levels of stress and anxiety around the upheaval to their lives, and talked about time stolen in order to find, apply for and successfully secure appropriate new rental housing. (Tenants’ Union of New South Wales and Marrickville Legal Centre 2019, p. 5)

Insecure tenure also has implications for renters’ other rights (chapter 9). In a 2018 survey, 44 per cent of renters were concerned that a request for repairs could result in an eviction, deterring them from asking for repairs (CHOICE, National Shelter and National Association of Tenant Organisations 2018). A survey in New South Wales found the rate was much higher — 75 per cent of renters said they have held back from asserting a right or reporting a repair because they were worried about eviction (Tenants’ Union of New South Wales and Marrickville Legal Centre 2019).

Security of tenure in the private rental market was a concern raised by a number of participants (for example, BeyondHousing, sub. 11; Bridge Housing, sub. 50; Southern Youth and Family Services, sub. 80; Tenants’ Union of Tasmania, sub. 79).

Accessibility for people with disability

Housing accessibility refers to the design of a house so that it is accessible to residents with different physical needs (Stats NZ 2019). Accessibility can be built into a property at the time of construction, or accommodated at a later time through pre-emptive design features.

The Commission heard through its consultation that there is a lack of affordable and accessible housing across all housing markets. The housing stock is not set up for people with disability or older people with mobility issues.

The Physical Disability Council of NSW surveyed and interviewed people with physical disability across New South Wales to better understand the barriers people face finding appropriate housing and the extent to which current systems support people. The responses indicated that people make numerous compromises:

... including having to pay more rent or buy a larger property than they needed, moving to regional areas away from facilities, making do with inaccessible aspects of a property and/or having to live with physical inconvenience, for instance, being unable to access some parts of the property using a wheelchair or having to be carried or crawl up and down stairs. (sub. 45, p. 10)

Action for More Independence and Dignity in Accommodation also noted there can be issues with accessibility in social and affordable housing:

Our experience with Community and Social housing has shown us that residents are not always well supported by Community and Social housing providers. ... People living in community housing have had problems such as;

- Housing not accessible for a disabled person or family member
- Resolving access issues are not seen as a priority
- Maintenance issues are extremely difficult to have resolved
- Often residents fall behind with their rental due to medical or other issues and are evicted.

(sub. 67, p. 16)

Home modifications can increase housing accessibility but, according to participants, this can also pose challenges.

... the process of obtaining modifications is highly medicalised, time consuming and costly. Many homes in the mainstream market have limitations on how much they can realistically be modified, and significant numbers of people with physical disability cannot access the modifications they need either because they cannot afford them, or they do not have control over the places they live in (for example, those who rent). Home modifications also fail to address the challenges people with physical disability regularly experience accessing other people's homes. (Physical Disability Council of NSW, sub. 45, pp. 7–8)

Even where essential modifications are made, they are often limited to the immediate vicinity of the property, for example, the doorway but not the walkway or driveway. This has resulted in situations where modifications have been made that merely serve to highlight other accessibility issues (e.g. installing a ramp which leads to a potholed driveway that is prone to flooding). (Darwin Community Legal Service and North Australian Aboriginal Family Legal Service, sub. 89 p. 9)

The NSW Ombudsman (2022) investigated complaints about disability modifications in public housing and found there were protracted delays, poor communication, inadequate record keeping, poor oversight of contractors and inadequate complaint-handling processes. As a result, some tenants were forced to live in properties that did not meet their needs and were unsafe.

The importance of accessibility has been recognised in the National Construction Code, with changes to the Code proposed to improve minimum accessibility standards in its next iteration. The changes are about ensuring that basic accessibility features are included in all newly constructed homes and apartments (chapter 14). They include removing steps to enter a house, having ground level accessible toilets, and adding structural reinforcements to support grab rail installations. However, some participants were concerned that the minimum accessibility standards are non-binding on States and Territories (Physical Disability Council of NSW, sub. 45, p. 13; Tenants' Union of NSW, sub. 81, p. 17) and there is no enforcement mechanism.

Environmental sustainability

Housing is energy intensive and has impacts on land, material use and transportation patterns. The growing importance of environmental sustainability and reducing carbon emissions — as Australia transitions toward a net zero economy by 2050 — means that houses built today need to be energy efficient. This includes using materials that are environmentally sustainable, building well insulated housing, and minimising carbon emissions in the construction process.

A number of participants commented on the importance of ensuring affordable housing is environmentally sustainable and energy efficient:

In 2017-18, a five-year analysis of more than 12,000 people who accessed The Salvation Army's Moneycare financial counselling services showed that one in six people experienced energy stress. An energy efficient home not only reduces the cost of heating and cooling but can also have significant benefits for physical and mental health. (The Salvation Army, sub. 42, p. 36)

While data about social housing building efficiency standards is not published, it is accepted that many of the older State owned homes managed by CHOs perform poorly, contribute to Australia's greenhouse gas emissions, and result in higher energy bills for residents. (CHIA, sub. 74, p. 11)

We want new builds funded by a social housing growth fund to be low-energy and water efficient homes under a strong low-carbon building code with renewable energy mandates (faster implementation of the National Construction Code so Australia moves beyond minimum standards). Improving housing energy efficiency is central to any effort to bring down power bills, address the health and wellbeing of households and contribute to emission reductions. (Equality Rights Alliance and Women's Property Initiatives, sub. 32, p. 5)

3.4 Why does affordable, safe and sustainable housing matter?

Affordable, safe and sustainable housing contributes to the health and wellbeing of individuals and the wider community. It supports economic and social participation, and gives people a sense of security and belonging.

Housing costs make up a large share of household incomes, particularly for low-income households (chapter 2). Increasing housing costs may put pressure on household budgets and reduce spending on other essential areas such as food, health, energy and education. Unaffordable housing can also delay family formation and has been linked with smaller families (Flynn 2017).

Housing is necessary for economic and social participation ...

Housing is necessary for social and economic participation. Access to safe, affordable and sustainable housing helps support employment, education and social connections. Conversely, poor housing outcomes, such as overcrowding, is correlated with lower household and personal incomes, higher unemployment, higher not-in-the labour-force levels, and lower education levels (Brackertz and Wilkinson 2017, p. 36).

The affordability of housing can affect access to employment and services. As housing prices in inner- and middle-ring suburbs increase, more people find it difficult to live near jobs. Many new jobs are located in or near central business districts, while cheaper housing tends to be built on the city fringe (Daley and Coates 2018, p. 80). This can mean increased commute times or higher housing costs in order to access employment (Gurran et al. 2021).

This may also put essential services at risk as it can be difficult to attract and retain key workers — people who are required for communities to function. The NSW Regional Housing Taskforce (DPIE (NSW) 2021c, p. 47) noted that workers such as teachers, health care workers, emergency services, social workers, childcare workers and aged care staff were struggling to find affordable housing appropriate for their needs in regional areas. Essential workers are also finding it difficult to find affordable and appropriate housing in cities (Gilbert, Nasreen and Gurran 2021). A survey of key workers in Sydney and Melbourne found that 15 per cent of experienced key workers were considering relocating out of these cities and another 8 per cent were considering changing professions due to housing affordability challenges (PwC Australia 2019, p. 20).

People may also find it too expensive to live near other services. Equality Rights Alliance and Women's Property Initiatives (sub. 32) noted that people may forgo access to services such as childcare, health care and disability service providers in order to access affordable housing.

Security of tenure is also important for social and economic participation. As the Council to Homeless Persons (2015, p. 3) said:

Housing and security of tenure form the foundation for social and economic participation, creating a base that enables people to be actively engaged in their community. Research shows that it is very difficult to maintain education, employment and social connection without stable housing. Stability within a tenancy is particularly important for people who rely on health and community services, and for people with young children. It allows people to develop connections to their community, and stabilise supports around themselves. This is particularly important for vulnerable individuals.

Participants to this study shared this view (chapter 7).

Poor housing can also have the effect of isolating people from family and friends. For example, poor quality or unsafe housing may discourage people from hosting family and friends. One social housing tenant told the Commission that she did not feel comfortable inviting people to her home because of the quality of the neighbourhood.

... and is important for inclusive growth

Housing is also an important determinant for inclusive growth. Home ownership continues to be a widely held aspiration of many Australians because it provides security of tenure and long-term social and economic benefits to home owners (chapter 10) and is an important contributor to wealth building and reducing inequality. Owning a home provides a secure asset base against which people can borrow, contributes to financial stability and can be an important way for low and middle-income households to generate wealth (SCRGSP 2020, p. 9.30). As discussed in chapter 2, housing is the biggest asset held by most households. Housing wealth tends to be more equally distributed than other types of assets, and countries with higher levels of home ownership generally have lower levels of wealth inequality (Balestra and Tonkin 2018; Causa, Woloszko and Leite 2019).

Rising housing costs have contributed to declining rates of home ownership (chapter 10). Although home ownership rates have declined across all age groups, they are falling most dramatically for younger people and middle-income households. This raises the prospect that declining rates of home ownership might contribute to greater wealth inequality in Australia. An article in the *Economist* recently commented that:

Housing is ... a big reason why many people across the rich world feel that the economy does not work for them. Whereas baby-boomers tend to own big, expensive houses, youngsters must increasingly rent somewhere camped with their friends, fomenting millennials' resentment of their elders. (Williams 2020)

Given declining ownership, more people are renting, and they are renting for longer. Renting is generally much less secure, tenants are restricted in making changes, and they miss out on tax and welfare benefits associated with home ownership¹⁰ (Daley and Coates 2018). As low-income households spend a larger share of their household income on housing, they have less money to spend on improving their life chances (for example, on education and health) and overall wellbeing (OECD 2020a).

Affordable housing is essential to prevent and address homelessness

The success of homelessness services relies on being able to help people out of homelessness support into affordable and secure long-term housing (chapter 6). But the lack of social housing and private rentals affordable to people on low incomes limits homelessness services' ability to support people out of homelessness (Launch Housing, sub. 36; Safe and Equal, sub. 19; The Salvation Army, sub. 42).

The outcome for many people is returning to homelessness, such as sleeping rough or couch surfing, or returning to unsafe situations such as living with a violent partner (Homelessness NSW, sub. 40; Western Homelessness Network, sub. 41). For example, The Salvation Army said:

The Salvation Army's family and domestic violence service in Karratha, which is intended as a short-term crisis service where women should only be staying for 6-8 weeks has women now staying for 6-12 months. ... There is a wait list for housing of approximately five years. Most critically, due to the lack of affordable exit options, many women are left to return to the residence with the perpetrator as their only option. (sub. 42, p. 31)

Access to affordable and safe housing is vital for people escaping family and domestic violence. People who experience family and domestic violence are more likely to experience homelessness and experiencing family and domestic violence is the most common reason people seek support from specialist homelessness services (chapter 6). In 2020-21, 42 per cent of specialist homelessness service clients had experienced family and domestic violence (AIHW 2021d).

Action for More Independence and Dignity in Accommodation also noted the difficulty finding appropriate housing for people with disability:

Many of our clients have been in temporary/emergency housing for a very long time and this housing is often in urgent need of repair, which is not affordable to the community housing service and so many are left with the only option which is leave and become homeless due to health and safety issues which are not being met by the Community housing provider. Homelessness has become a best option to many people with a disability and their families due to many things which need to be considered when finding someone housing which will suit people's needs. (sub. 67, p. 4)

Housing outcomes are linked with health and wellbeing

There is strong evidence that poor housing and poor housing circumstances can harm physical health, mental health, wellbeing and the ability to participate fully in society (Brackertz and Wilkinson 2017, p. 16). Housing factors that affect health outcomes include housing quality and design, security of tenure, affordability, the amount of living space and location (such as socioeconomic characteristics of the area and whether it is remote and has reduced access to services). However, causal relationships between poor housing and poor health are complex and not always clear-cut. Poor housing circumstances can contribute

¹⁰ For example, a family home is exempt from capital gains tax and land taxes, and is not counted as an asset when calculating a pension (although there is a different asset test for home owners and non-home owners).

to poor health and conversely, poor health (linked with lower levels of employment, income and housing affordability) can contribute to households living in poor housing circumstances (Brackertz and Wilkinson 2017, p. 16). Baker et al. (2016b, p. 229) found people with the poorest health or with disability were more likely to also live in housing of poor quality that may further contribute to their poor health.

There are a number of different health risks associated with inadequate housing. For example, housing conditions have been linked to asthma, allergies and other chronic health conditions (box 3.4). Poor construction or maintenance may increase the risk of falls and injury. Poor accessibility may expose people with disability and the elderly to an increased risk of injury, stress and isolation (WHO 2018, p. 3). In addition to harm to physical health, research has also found a link between housing quality and psychological wellbeing. For example, major structural problems, mould and damp in housing can be associated with poor mental health in residents. Conversely, a number of studies have shown that moving from low-quality housing to higher-quality housing can be associated with improved mental health (Evans, Wells and Moch 2003, pp. 482–489; Krieger and Higgins 2002, p. 759).

Box 3.4 – Housing and health

Various studies have linked inadequate housing with adverse health outcomes. For example:

- **Overcrowding** — Living in overcrowded housing with poor sanitary conditions increases the likelihood of acquiring chronic health conditions, including eye, ear and skin infections, rheumatic fever and rheumatic heart disease and mental illness (NACCHO, sub. 56, pp. 4–5). Overcrowding has also been associated with behavioural issues and mental health concerns including depression and psychological distress (Evans, Wells and Moch 2003; Krieger and Higgins 2002). Stakeholders also highlighted the increased risks to people living in overcrowded housing during the COVID-19 pandemic (Australian Medical Association, sub. 78, p. 4; Michael Dillon, sub. 4, p. 1; NACCHO, sub. 56, p. 5; Queensland Government, sub. 27, p. 8) (chapter 11). The health and social issues caused by overcrowding can also increase the risk of domestic and family violence. Dockery et al. (2022) found that overcrowding could put families under such strain that in some instances it may lead to conflict, relationship breakdown and family violence.
- **Poor indoor air quality** — Studies in Australia have found a link between indoor mould, mildew or fungal indicators and a number of symptoms, including asthma, wheeze, cough, respiratory illness, allergies, gastrointestinal illness and depression (Coulburn and Miller 2022). An overseas study spanning several countries found that indoor dampness and mould were linked to an approximately 30-50 per cent increase in some respiratory and asthma-related health issues (Fisk, Lei-Gomez and Mendell 2007, p. 284).
- **Air temperature and poor insulation** — High indoor air temperatures are linked to greater risk of hospitalisation, death and low mood (Krieger and Higgins 2002, p. 759; OECD 2020a, p. 28). At the other extreme, low indoor temperatures can increase the risk of respiratory health conditions, poor mental health and absences from school or work due to illness (Krieger and Higgins 2002, p. 759; Thomson et al. 2013). In Australia, it has been noted that cold conditions (rather than heat) are associated with high seasonal mortality (for example, Daniel et al. 2021). Extremes in indoor temperature can be exacerbated by poor insulation. Poor insulation can also exacerbate noise, which is linked to sleep disturbance and stress (Krieger and Higgins 2002, p. 759).
- **Neighbourhood** — Neighbourhood characteristics such as close proximity to parks, public services and amenities can be associated with better health and social outcomes for residents. However, factors such as proximity to pollution, noise and crime can be linked to worse health outcomes for residents, such as asthma,

Box 3.4 – Housing and health

sleep disruption and social isolation (Krieger and Higgins 2002, pp. 759–760; OECD 2020a, p. 28). Parkinson et al. (2014, p. 3) found that remaining in a disadvantaged area lowered mental wellbeing.

Housing that is expensive relative to income or is insecure can also affect health, particularly for people on low incomes. High housing cost and difficulty paying rent and mortgages can lead to reduced expenditure on essentials including food, energy and health care (WHO 2018, p. 11). And unaffordable and insecure housing can be stressful, particularly for households in danger of losing their housing. Chronic stress related to housing can negatively affect health and wellbeing (Robinson and Adams 2008, p. 5). Older people who have difficulty meeting mortgage repayments have been found to experience worse mental health outcomes (Ong et al. 2019). People who leave or churn in and out of home ownership experience lower wellbeing than people who remain home owners (Wood et al. 2013, p. 42). And forced moves and unaffordability can negatively affect people's mental health and wellbeing, particularly for those renting in the private market (Ong et al. 2022, p. 35).

Housing conditions are linked to child development outcomes

Poor housing can pose risks to childhood development, and the effects can last into adulthood.¹¹

- Low quality and run-down housing can result in reduced cognitive development, falls or injuries and mental health issues.
- Housing affordability issues may contribute to poor health outcomes (due to lower quality housing or reduced consumption of basic necessities) and increases stress among children.
- Frequent residential moves (associated with insecure tenure) can affect education attendance and performance, behaviour and social connectedness.
- Overcrowding can contribute to health and developmental problems, a reduced sense of autonomy, social withdrawal, poorer school performance, and psychological distress.
- Homelessness can contribute to health and nutrition problems psychological distress (including depression and anxiety), language and developmental difficulties, poor academic attendance and performance and social disconnections.
- Poorer neighbourhoods generally have greater exposure to health risks, higher rates of crime, poverty and drug use, reduced access to quality education and health services, reduced opportunities for outdoor play and poorer education outcomes.
- Toxins — which can be present in poor quality housing — can contribute to lower birth weights, social problems, impaired neurological development and growth, poorer academic outcomes and juvenile delinquency.
- Environmental allergens can trigger asthma and other respiratory illnesses. (Brackertz and Wilkinson 2017, pp. 27–28; Dockery et al. 2010, pp. 34–36; OECD 2011, p. 94)

Unaffordable housing is a fiscal liability for governments

A shortage of affordable and safe housing can create significant costs for governments. It creates higher demand on the welfare system to meet housing needs, including increasing demand for social housing and CRA.

¹¹ The factors are complex and interconnected, and the associations between housing and child outcomes do not necessarily imply causal effects.

As the Victorian Government observed, '[t]he scale, complexity and cost of service delivery is higher when clients are experiencing, or at risk of, homelessness' (sub. 97, p. 3). In the long run, a lack of access to safe and secure housing can also lead to pressure on other mainstream systems like health, mental health and criminal justice. The Queensland Government commented that:

Safe, affordable and sustainable housing provides cost offsets to governments through reduced spending in other domains, from criminal justice and child safety to health, education and employment, and underpins social and economic participation. (sub. 27, p. 10)

Analysis by SGS Economics and Planning (2022) for the Housing All Australians organisation estimated the costs and benefits to governments from increasing subsidies to social and affordable housing to meet projected need. The savings were related to reduced spending on health care, the criminal justice system and domestic violence services, and increased tax revenue arising from enhanced human capital and increased labour market productivity. SGS estimated that the savings to the Australian Government would exceed spending on social and affordable housing over 30 years, delivering a net budget saving of \$3.5 billion in present value. Net budget savings would also be delivered in all state and territories, except for the ACT (SGS 2022, p. 42).

Nevertheless, governments should also consider alternative approaches to meet the needs of low-income renters and those experiencing vulnerability when considering building more social housing (chapter 7).

There may also be costs to government associated with unsafe housing. For example, the Victorian Government has a \$600 million program to remove and replace combustible cladding with non-combustible alternatives.

3.5 But there are trade-offs and barriers to improving housing affordability, safety and sustainability

As the above discussion has shown, the objectives of affordable, safe and sustainable housing are broad and interconnected. And these objectives can be both complementary and competing. For example, in the short term, regulations to improve environmental sustainability are likely to push up construction costs and dwelling prices (ACIL Allen 2021). But, over the longer term, improving the environmental sustainability of housing can potentially reduce costs (and improve safety).

Changes to tenancy laws to improve safety or certainty of tenure may also affect affordability. For example, improving certainty of tenure could reduce investment in rental properties and make landlords less willing to let to renters who pose a perceived risk to property returns. This would result in fewer rental properties and higher rental prices, which would have a disproportionate impact on low-income renters and renters experiencing vulnerability. In developing policy, there is a trade off between improving safety and certainty of tenure and the supply of affordable and widely accessible rental properties (PC 2019b, p. 76).

There can also be different incentives for the various parties involved. For example, split incentives — where one party accrues the costs and another receives the benefits — create a barrier to improving environmental sustainability. Landlords may choose options with lower energy efficiency to reduce upfront costs, particularly where they feel they cannot recover their costs through increased rent or other returns on the investment (Commonwealth of Australia 2019, p. 11). But this could impose higher costs on tenants for heating and cooling. And renters are unlikely to invest in upgrading the energy efficiency of a property when they do not have secure tenure and risk eviction before costs can be recovered. As a result, rental properties tend to have a low energy efficiency, with heating and hot water systems that are expensive to run (DELWP (VIC) 2017, p. 30). And they have a much lower prevalence of solar panels compared with owner-occupied properties (ABS 2017a). As discussed in section 3.2, this can make it difficult for some renters to heat and cool their home.

And addressing affordability issues remains challenging, as there are many people who benefit from rising house prices. As the Grattan Institute said, '[t]he politics of reform are fraught because most voters own a home (and many own investment properties)' (sub. 70, p. 22).

4. Performance of the NHHA

Key points

- * The National Housing and Homelessness Agreement (NHHA) is a missed opportunity to foster intergovernmental co-operation on housing policy. While NHHA funding helps State and Territory Governments deliver housing and homelessness services, the Agreement has failed to engender policy co-operation between governments.
- * The Agreement's objective would benefit from definitions of affordability, safety and sustainability, and an acknowledgement that there can be trade-offs between these goals.
- * Despite its broad objective, the NHHA has a narrow scope. The Agreement excludes key housing policy levers that could be used to improve outcomes, and is mainly a funding contract for State and Territory housing and homelessness programs.
- * The performance framework is poorly designed. The performance indicators do not capture the information needed to determine if the outcomes are being achieved. Performance monitoring and reporting is also patchy.
- * The Agreement lacks effective governance. There is no formal intergovernmental forum for ministers or housing officials to meet and discuss housing policy. Oversight of performance is also poor.
- * Increasing demands are being placed on NHHA funding. The method for distributing funding is also outdated and is not based on need.
- * The practical value of having homelessness priority cohorts, housing priority policy areas and homelessness priority reform areas in the NHHA is doubtful.

This chapter provides a backwards-looking assessment of the performance of the National Housing and Homelessness Agreement (NHHA). Chapter 5 sets out the Commission's vision for the next Agreement.

4.1 The purpose of the NHHA

What is the NHHA's purpose?

The NHHA does not set out an explicit purpose, although it states that governments 'recognise that they ... need to work together to achieve [housing] outcomes' (NHHA, para. 3).¹

Historically, the purpose of Commonwealth–State housing agreements was to facilitate intergovernmental co-operation on housing. While State and Territory Governments are responsible for delivering housing services, they lack the fiscal capacity of the Australian Government — a feature of Australia's federal system known as vertical fiscal imbalance.

Under the first Commonwealth–State Housing Agreement (CSHA) in 1945, the Australian Government provided funding for rental housing for ex-defence force personnel and families. A series of CSHAs with different aims and forms of Australian Government assistance followed. The 1956 CSHA, for example, encouraged home ownership via low-interest loans to home builders and the sale of houses on highly concessional terms. The 1989 CSHA changed the form of Australian Government assistance from loans to grants (McIntosh and Phillips 2001).

In 2008, a new framework for Commonwealth–State relations was introduced — the Intergovernmental Agreement on Federal Financial Relations (IGA FFR). Compared to previous intergovernmental arrangements, the IGA FFR was intended to provide States and Territories with greater flexibility in service delivery while improving accountability for outcomes (COAG 2011a). The IGA FFR was underpinned by six principles:

- primary responsibility for service delivery by States and Territories
- a focus on improving the wellbeing of Australians
- coordinated action
- accountability
- financial support
- greater incentives for social and economic reform (box 1.1).

The intent of the IGA FFR was to provide a foundation for governments to collaborate on policy development and service delivery, and facilitate economic and social reforms in areas of national importance. Through the IGA FFR, governments acknowledged that 'coordinated action is necessary to address many of the economic and social challenges which confront the Australian community' (COAG 2011a, p. 5). The National Affordable Housing Agreement (NAHA) was established in 2008 as one of the national agreements under the IGA FFR.

In 2018, the NHHA replaced the NAHA. The NHHA continues to operate under the IGA FFR. As such, its purpose is to facilitate intergovernmental coordination and collaboration — including through the transfer of funds — on the delivery of housing and homelessness services and programs, and on social and economic reforms to address Australia's housing challenges. This purpose remains relevant.

¹ The purpose of the NHHA refers to its *function*, which is distinct from its *policy objective*. The objective of the NHHA is discussed in section 4.2.

Does the NHHA fulfil its purpose?

The NHHA supports essential housing services

Funding under the NHHA enables States and Territories to provide essential services to people in need. In this way, it improves the housing outcomes of people receiving support. The value of NHHA funding was acknowledged by many participants — for example, the Victorian Government said:

In 2021-22, the NHHA will provide \$411.8 million of funding for the Victorian housing and homelessness system. This funding is critical to ensure that Victoria can provide services to people in greatest need. (sub. 97, p. 2)

The Western Australian Government also commented that ‘funding under the NHHA contributes to [outcomes across the housing continuum] and other important outcomes for Western Australian communities and individuals’ (sub. 99, p. 2).

However, the lack of data on the Agreement’s performance indicators (section 4.4) means it is impossible to assess the extent to which NHHA-funded services contribute to achieving the Agreement’s objective and outcomes. Many participants also considered that NHHA funding was insufficient to provide the services needed to meet demand — an issue discussed in section 4.5.

There is only rhetoric on governments working together

Facilitating the transfer of funds from the Australian Government to States and Territories is only one part of the Agreement’s purpose. Arguably more important is the NHHA’s role in fostering co-operation between governments. On this front, the NHHA fails.

Governments acknowledge in the NHHA that they ‘need to work together to achieve [housing] outcomes’ (NHHA, para. 3). However, in practice, the Agreement is highly transactional — a fact noted by many participants.² The Victorian Government, for example, said that the NHHA has operated ‘like a funding contract’, which is ‘not integrated with other Commonwealth policy settings that impact on housing outcomes’ (sub. 97, p. 14). And Mission Australia said:

At its core, the NHHA is an agreement that sets out the minimum amount the Federal Government is willing to fund State and Territory Governments to support delivery of housing and homelessness services. It is not a comprehensive policy document designed to end homelessness or to address housing affordability. (sub. 88, p. 6)

The transactional nature of the Agreement permeates its design. States and Territories must deliver administrative outputs to be eligible for funding (section 4.2). Many of the roles and responsibilities ascribed to governments are also administrative, not actions to achieve policy goals (section 4.3). And the Agreement does not establish governance structures for collaboration between governments (section 4.6) — instead, it institutes arrangements to enhance States’ and Territories’ accountability to the Australian Government.

The Agreement also excludes many housing policy levers from its scope (section 4.2). In doing so, it curtails governments’ ability to work together to achieve the Agreement’s objective. The exclusion of important policy levers aimed at addressing housing need, combined with its transactional nature, represents a missed opportunity for governments to make a meaningful difference to housing outcomes.

² For example, ERA and WPI (sub. 32, p. 11), Regional Local Government Homelessness and Social Housing Charter Group (sub. 92, p. 4) and Tasmanian Government (sub. 100, p. 8).

The Agreement is not a national reform agenda

A consequence of the lack of collaboration between governments on policy issues is that the NHHA lacks a national reform agenda. Reform is a necessary part of improving policy outcomes, and reform agendas are a feature of other intergovernmental agreements — including the previous housing agreement (the NAHA). The National Agreement on Skills and Workforce Development, the National Disability Agreement, the National Healthcare Agreement and the National Schools Reform Agreement all set out reform directions.

Instead of setting out a reform agenda, the NHHA requires States and Territories to have housing strategies that outline the reforms and initiatives that will contribute to meeting projected housing demand in their jurisdiction. It also requires homelessness strategies that set out reforms and initiatives that will contribute to a reduction in the incidence of homelessness.

Reform by States and Territories is necessary to achieve the Agreement's objective. But given the links between all segments of the housing market (chapter 2), and the fact that the Australian Government also holds many important housing policy levers, a national reform agenda is needed. As Anglicare Australia said:

Housing and homelessness are national problems. Local solutions are important, but need to be delivered in the context of an agreed national policy and funding framework. (sub. 61, p. 7)

The Australian Government has announced its intention to develop a National Housing and Homelessness Plan, which should generate a national reform agenda. Chapter 5 discusses the Plan in more detail.

4.2 The objective, outcomes and outputs

Is the objective appropriate?

The NHHA's objective is to contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation.

One of the strengths of the NHHA's objective is that it recognises the need to improve outcomes *across the housing spectrum*. The housing spectrum is an addition to the NAHA's (the previous agreement's) objective, which was simply that 'all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation' (COAG 2012, p. 3). By including the housing spectrum in its objective, the NHHA recognises that the housing system is interconnected (chapter 2) and that outcomes in the government-subsidised parts of the spectrum can be influenced by conditions in the broader market. This is key to acknowledging the need for governments to work together to develop housing policy and should be retained in the objective of the next Agreement (chapter 5).

Greater clarity is needed on the meaning of key terms

The NHHA's objective refers to 'affordable', 'safe' and 'sustainable' housing. 'Affordability' is generally well understood, although it can be measured in different ways. However, 'safety' and 'sustainability' can have a number of different meanings, and the Agreement does not explain what governments intended when they chose these terms. 'Safety', for example, could be about the structural integrity of a dwelling, or the physical safety of occupants from crime or abuse. Similarly, 'sustainability' could relate to the environmental sustainability of a dwelling's design, or the ability of occupants to maintain their tenure over time. Chapter 3 discusses the range of meanings that the terms 'safety' and 'sustainability' can take.

To the extent that safety and sustainability carry the meanings set out in chapter 3, the NHHA's objective remains relevant. However, because the NHHA does not define key terms in its objective, the Commission is unable to assess if the definitions that governments had in mind cover all aspects of adequate housing.

An indirect way of defining these terms would have been to link each term to well-defined outcomes, performance indicators and targets, which would explain how they would be measured and what would qualify as success. However, the NHHA's performance framework (section 4.4) is of limited use in giving meaning to the objective's key terms.

The objective is also silent on how its different parts should be balanced. As noted in chapter 3, affordability, safety and sustainability can sometimes be in conflict, which requires governments to make trade-offs. The Agreement does not acknowledge the need for this balancing act.



Finding 4.1

The NHHA's objective may not cover all aspects of adequate housing

The National Housing and Homelessness Agreement's objective refers to improving access to affordable, safe and sustainable housing, but these terms are not defined, meaning that it is not clear if the objective covers all aspects of adequate housing. The objective also does not acknowledge the trade-offs between affordability, safety and sustainability.

'Contribute to' affordable, safe and sustainable housing?

The objective has the modest goal of 'contributing to' improving access to affordable, safe and sustainable housing. One pragmatic interpretation of this qualified statement is that the Agreement can only 'contribute to' its objective because key housing and non-housing policies are outside its scope. Another interpretation is that, as housing outcomes are subject to both policy and non-policy influences, governments may not be able to improve housing outcomes if there are counteracting forces beyond their control. The Agreement does not explain why it uses 'contribute to' in its objective, although it states that governments 'acknowledge that there is a range of factors outside of the scope of this Agreement that impact the housing market' (NHHA, para. 5).

Some participants felt that 'contribute to' was being used to lower the bar on what the Agreement should achieve. For example, Shelter NSW (sub. 76, p. 1) considered that it resulted in a 'confined and undemanding' objective. AHURI also noted that:

'to contribute to improving access' is vague, and does not indicate a quantifiable or measurable level of success. (sub. 52, p. 6)

The Queensland Government implied that the phrase was used to acknowledge that there were factors outside the Agreement that influenced housing outcomes. In commenting on the NHHA's performance framework, it said that:

Whilst the NHHA acknowledges it contributes to, rather than is responsible for, improved outcomes, the performance framework seeks to measure progress at the population level, without reference to other factors which influence outcomes. (sub. 27, p. 17)

However, using 'contribute' to exclude other influences is only defensible for factors that are rightly beyond the scope of the NHHA. For example, national and international macroeconomic factors are largely outside the control of governments, and governments should not be held accountable for their effects on housing

outcomes. And, as discussed below, the Commission considers that it is not appropriate for non-housing policies, such as taxation, to be developed through the NHHA.

For housing policies that *should* fall within the scope of the NHHA, however, governments should not use ‘contribute to’ as a way of evading responsibility. The Commission has argued for all housing assistance policies to be included in the next Agreement, because these policies are all developed with housing objectives in mind, and have close interactions that mean they need to ‘pull in the same direction’ to achieve meaningful change. Attempting to ‘contribute to’ outcomes by exercising only some of these policy levers is futile and is an admission that governments lack the resolve to meaningfully improve housing outcomes.

However, even if ‘contribute to’ is used to exclude legitimate outside influences, governments should define what contribution they intend the Agreement to make. The Commission has recommended that the next Agreement set targets for its performance indicators (chapter 5).

Has the NHHA achieved its objective?

Australians are paying more for their housing (chapter 3), more people are seeking homelessness services (chapter 6) and social housing waiting lists are long (chapter 7). In short, the Agreement’s objective has not been achieved. Many participants shared this view (box 4.1). The fact that the Agreement’s objective has not been met is unsurprising given several features of its design.

First, the Agreement excludes many housing policy levers that are important for improving outcomes. While State and Territory Governments employ a range of housing assistance measures through their housing and homelessness strategies, the Australian Government’s contribution through the NHHA is largely limited to providing funding. Other Australian Government assistance measures, such as Commonwealth Rent Assistance, the financing activities of the National Housing Finance and Investment Corporation, affordable housing subsidies (such as the National Rental Affordability Scheme) and Australian Government homelessness services, are outside the Agreement. Yet the interconnectedness of the housing spectrum, and the fact that different forms of housing assistance can be complements or substitutes, highlights the need for governments to coordinate their housing policies (chapter 2). By excluding many Australian Government housing assistance measures from the NHHA — and therefore limiting the extent to which policies can be coordinated — governments severely diminish their prospects of achieving the NHHA’s objective.

Second, funding in the NHHA is disconnected from the objective. Funding under the Agreement is an historical amount associated with the provision of social housing and homelessness services, and does not include funds for other assistance programs (such as the Australian Government policies mentioned above, home buyer assistance, and State and Territory private rental assistance). Yet, as discussed above, social housing and homelessness services are only one part of governments’ arsenals to address housing need, and other forms of housing assistance are required to achieve the NHHA’s objective. Further, the cost of housing programs outside the NHHA dwarf the sums provided through it (figure 2.3). An Agreement with an objective of improving outcomes across the housing spectrum should include spending across that spectrum, particularly when relatively large sums are at play. Chapter 5 argues for including all forms of direct housing assistance under the next Agreement.

Box 4.1 – Has the NHHA’s objective been achieved? What participants had to say**Mission Australia:**

Since the introduction of the current Agreement in 2018, there has been little to no progress on the key parts of its objective to improve access to affordable, safe and sustainable housing across the housing spectrum and prevent and address homelessness. The main reasons for this failure are that the NHHA lacks the required funding and strong mechanisms to enact policy and reform, and the accountable targets and outcomes to measure and steer progress. (sub. 88, p. 4)

Uniting Vic.Tas:

Uniting shares the view of many in the community sector that there is little to show for the current NHHA. As a country, our housing system is becoming increasingly unaffordable and inequitable for owners and renters. In different states and territories there are different pressures and investment levels, but the picture across the nation is largely grim, with hundreds of thousands of people waiting for social housing, and purchase and rental prices increasing enormously. (sub. 25, p. 2)

Jesuit Social Services:

... evidence shows that more work is needed to ensure the NHHA meets this objective. This is clear when considering:

- Persistent housing stress, and
- Ongoing experiences of homelessness among national priority cohorts. (sub. 49, p. 4)

NSW Government:

The NHHA is only meeting the objective of improving access to affordable, safe and sustainable housing across the housing spectrum to a small degree. (sub. 69, p. 15)

Grattan Institute:

The current Agreement has failed against its commitments for affordable housing and an efficient and responsive housing market. (sub. 70, p. 15)

The disconnect between the Agreement’s broad objective and its funding and policy levers was noted by many participants (box 4.2). Anglicare Australia said:

There is a mismatch between the stated goals of the Agreement, which are broad, and what the funding provided through the Agreement is actually used for by state and territory governments, which is to prop up their social housing systems and fund specialist homelessness services. (sub. 61, p. 7)

Many participants also argued for non-housing policies, particularly taxation, to be included in the NHHA, as these policies affect the housing market. However, the Commission considers that the housing market is subject to a very broad range of policy influences, which would be difficult to accommodate in an effective way in one intergovernmental agreement. Policies in areas such as taxation, immigration and environmental protection are developed to meet multiple goals and require a balancing of priorities. Housing outcomes will often be just one of the many objectives considered. For these reasons, it is not appropriate for policies with

non-housing objectives to be developed through the NHHA. That said, the rationales for these policies should be assessed on their own merits, and governments should weigh the benefits of policy decisions against the costs to the housing market. Governments should also use housing assistance and supply-side measures to mitigate any adverse effects. And the National Housing and Homelessness Plan should consider all policy areas that affect housing and homelessness outcomes (chapter 5).

Box 4.2 – Participants pointed to excluded policy levers that are important for achieving the objective

AHCWA:

... an agreement that is placing the onus on State governments to achieve outcomes, without acknowledging the contribution of Commonwealth policy setting jeopardises an effective and coherent approach to improving housing outcomes. (sub. 7, p. 2)

Infrastructure Victoria:

... the national and state and territory governments have different housing policy instruments and share others. In this situation, governments must co-ordinate their policy responses so different policy instruments act together to generate the desired outcome. (sub. 14, p. 1)

Mental Health Australia:

... the Australian Government has responsibility for many policies and programs which significantly influence Australians' access to affordable housing, which currently sit outside the NHHA. (sub. 17, p. 4)

Supply-side levers are included, but are not effective

The Agreement intends for State and Territory Governments to exercise supply-side policy levers, such as planning and zoning, to achieve the NHHA's objective. This is evident through the Agreement identifying 'planning and zoning reform initiatives' as a national housing priority policy area, and including performance indicators for the planning system.

Supply-side policy levers are an important part of the solution to improving housing outcomes, and are rightly included in the suite of policies within the NHHA's scope. However, evidence from State and Territory Governments points to these levers not being exercised effectively to achieve housing policy objectives (chapter 13).

The Agreement's outcomes cover (mostly) the right areas

The Agreement's outcomes span six topic areas:

- social housing
- affordable rental housing
- homelessness
- housing outcomes for Aboriginal and Torres Strait Islander people
- the functioning of the housing market
- transparency and accountability.

With the exception of transparency and accountability (discussed below), these are key areas in achieving the Agreement's objective. The breadth of outcomes recognises that success in achieving the Agreement's objective depends on meeting outcomes in multiple parts of the housing system.

The outcome 'a well-functioning housing market that responds to local conditions' (outcome (e)) acknowledges the significant influence of the market on housing outcomes. As noted by the Grattan Institute, improvements in how the market works can have significant impacts on affordability for private renters and on government spending.

Decreasing rents by 20 per cent would boost the post-housing incomes of low-income private renters by more than \$3 billion a year, equivalent to more than an increase of more than 80 per cent in the maximum rate of Commonwealth Rent Assistance. (2021, p. 16)

Having an outcome in the NHHA on the functioning of the housing market is therefore prudent and should continue in the next Agreement (chapter 5).

Outcome (f) requires transparency and accountability in respect of housing and homelessness strategies, spending and outcomes. While transparency and accountability are essential to an effective Agreement, they are not outcomes in the sense of being intermediate goals that contribute to the Agreement's overall policy objective. The value of transparency and accountability lies in its ability to hold governments to account, which can motivate governments to take effective action — they are a means to an end rather than an end in themselves. They are best achieved through effective performance monitoring and reporting arrangements (section 4.4) not by being an outcome of the Agreement.

The outcomes could be improved

While the Agreement's outcomes broadly cover the right areas, they could be better focused and articulated.

- Outcomes (a) and (c), relating to social housing and homelessness respectively, focus on the *systems* established by governments, rather than the people using those systems.
- Outcome (b) refers to 'affordable housing options'. This outcome could be better worded to clarify that the focus is on increasing affordability for people on low-to-moderate incomes, rather than on affordable housing units that result from government subsidies or programs.
- Outcome (d) is not aligned with the housing-related outcome under the National Agreement on Closing the Gap (NACTG): 'Aboriginal and Torres Strait Islander people secure appropriate, affordable housing that is aligned with their priorities and need' (Coalition of Peaks and all Australian Governments 2020, p. 30). The NACTG was signed in 2020, after the NHHA was agreed. Renegotiation of the NHHA provides an opportunity to align the outcome for Aboriginal and Torres Strait Islander people to the NACTG.

Chapter 5 sets out the Commission's recommendations for outcomes in a revised Agreement.

Housing and homelessness strategies are valuable outputs

The NHHA sets out a suite of outputs, which States and Territories must deliver to receive funding under the Agreement. These are:

- having publicly available housing and homelessness strategies that meet certain conditions (box 4.3)
- providing reporting through statements of assurance and in bilateral agreements
- contributing to the collection and reporting of data, including the development of data improvements
- matching Australian Government homelessness funding (including homelessness SACS funding)
- agreeing bilateral schedules with the Australian Government.

Box 4.3 – Requirements for State and Territory housing and homelessness strategies

Under the National Housing and Homelessness Agreement and the *Federal Financial Relations Act 2009* (Cth), State and Territory housing strategies must:

- indicate the level of housing supply needed to respond to projected housing demand, and outline the reforms and initiatives that will contribute to meeting this need
- include planned or expected levels of social housing
- detail how the State or Territory will contribute to the housing priority policy areas set out in Schedule A of the Agreement, where appropriate to jurisdictions' needs.

Homelessness strategies must:

- address the priority homelessness cohorts specified in Schedule B of the Agreement
- set out reforms and initiatives that will contribute to a reduction in the incidence of homelessness
- incorporate the homelessness priority policy reform areas specified in Schedule B where appropriate to jurisdictions' needs.

Source: NHHA, para. 17.

The requirement to have publicly available housing and homelessness strategies increases transparency and accountability. However, it does not appear to have driven reforms — for example, the Queensland Government (sub. 27, p. 16) said that its housing and homelessness strategies were composed entirely of existing strategy, policy and legislation. Nonetheless, being required to publish strategies imposes a discipline on governments to articulate their plans to the community, and should be retained as part of the next Agreement (chapter 5).

Some stakeholders noted that, although State and Territory Governments were required to have housing and homelessness strategies, the Australian Government was not required to do the same. The Australian Government has recently announced it will develop a National Housing and Homelessness Plan (chapter 5).

The Data Improvement Plan has made limited data improvements

As part of 'contributing to the ongoing collection and transparent reporting of agreed data' (output (d)), State and Territory Governments are required to agree a schedule of data improvements — the Housing and Homelessness Data Improvement Plan (DIP). The DIP was intended to provide for new data resources, improvements to existing data sets, linkages between Commonwealth and State datasets, and additional or improved performance indicators. Jurisdictions were required to agree to the DIP for the period 2019–2023 by 30 June 2019.

Agreement of the DIP was delayed until April 2021. The 2019–2023 DIP sets out:

- agreed outcomes against eight of the NHHA's performance indicators
- improvements to the collection of community housing data
- activities to prepare for the 2023–2028 DIP.

The NHHA intended for the DIP to be a broad program of improvements across different housing data sets. However, the 2019–23 DIP focuses heavily on improvements to data for performance indicators. And even so, its work program does not cover all indicators for which there are no data — indicators (b), (c), (f) and (l) have neither data against them to measure performance nor DIP actions to develop the data needed.

The reason given for both the DIP's limited work program and its delayed agreement was that there was insufficient funding (ACT Government, sub. 95, pp. 8–9; NSW Government, sub. 69, p. 18; SA Housing Authority, sub. 58, p. 39). The NHHA provides \$9.6 million in total for data development activities, with the Australian Government contributing \$4.8 million and the remainder split between State and Territory Governments on a population basis. This funding was to be spent on activities primarily completed by the Australian Institute of Health and Welfare, rather than improvements to the data infrastructure of States and Territories to enable them to collect the required data. As such, States and Territories were unwilling to commit to data improvements that would involve significant data infrastructure outlays. The Commission also heard through consultations that one of the reasons that State and Territory Governments were unwilling to invest more in changes to their data systems was that they did not see the value in many of the Agreement's performance indicators. These dynamics led to a drawn-out negotiation process for the DIP and the delay in its agreement.

The delay of the 2019–23 DIP has also meant that many of the promised data improvements have not yet materialised. This was acknowledged by a number of State and Territory Governments (for example, Queensland Government, sub. 27, p. 18; SA Housing Authority, sub. 58, p. 39).

Some of the Agreement's outputs are not outputs

A number of 'outputs' in the Agreement are in fact actions, rather than outputs. For example, the 'output' requiring State and Territory Governments to 'contribute to the ongoing collection and transparent reporting of agreed data, including the development of data improvements and a nationally consistent data set' is an activity, not an output. The outputs associated with this activity could be specified as, for example, 'the Specialist Homelessness Service Collection', 'a schedule setting out data improvements' (the DIP), and — if governments wished to commit to it — 'a nationally consistent housing and homelessness data set'.

Similarly, the requirement to match homelessness funding is not an output. This requirement is already stipulated in the 'homelessness funding' section of the Agreement and could be removed under 'outputs'.

Specifying activities as outputs of the Agreement appears to reflect the intention of the Australian Government to require 'something in return' for the funding provided under the NHHA (discussed next).

Requiring outputs in return for funding

The NHHA requires States and Territories to deliver certain outputs to be eligible for funding.³ The rationale for this arrangement was illuminated in public hearings for the inquiry into the Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2018.

The bill ... requires that the states and territories meet a limited number of conditions in order to receive 100 per cent of their funding, but these conditions will contribute to better outcomes by improving the transparency and accountability around the funding of housing and homelessness assistance and driving improvements to the reporting and consistency of housing and homelessness data. (Brennan, p. 53)⁴

³ The requirement for State and Territory Governments to have housing and homelessness strategies in return for funding is also codified in section 15C of the *Federal Financial Relations Act 2009* (Cth).

⁴ Official Committee Hansard, Senate, Economics Legislation Committee, Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2018, Monday 29 January 2018.

The Treasury acknowledged that attempts to increase accountability and transparency had to be balanced with States' requirements for funding certainty, but considered that the (then) proposed arrangements were reasonable.

... it is worth making the observation that there will always be a significant balance between achieving a degree of accountability and transparency and something in return for the money that is being provided to the states in terms of tangible outcomes on the one hand and a degree of funding certainty on the other. It is difficult to draw that middle ground. (p. 54)

... the proposition being put ... is reasonable and achievable and provides a high degree of funding certainty while also striking a balance in creating some accountability for funding. (p. 63)

Transparency and accountability are important for monitoring and assessing governments' performance. However, establishing arrangements that trade off funding certainty for greater accountability creates a transactional relationship between governments, in place of a relationship characterised by genuine collaboration and partnership to achieve shared goals. Rather than being accountable to the Australian Government, State and Territory Governments (*and* the Australian Government) should be accountable to the Australian public.

It is also not clear that the arrangements in the NHHA have been successful in balancing funding certainty with accountability. The threat of the Australian Government withholding funding is not credible, given that NHHA funding is used to support the most vulnerable people in the community.

And while the NHHA requires States and Territories to perform certain activities to receive funding, it does not stipulate the quality or standard to which they are to be performed. The Western Homelessness Network, which considered that improvements could be made to housing and homelessness strategies, said that:

To date there do not appear to have been consequences resulting from the development of vague housing and homelessness strategies. Will the Federal Government retract funding on the basis of insufficient outcomes arising from State/Territory housing and homelessness strategies? If they do, it is consumers supported by the housing and homelessness services who will suffer.
(sub. 41, p. 17)

4.3 Roles and responsibilities

The NHHA allocates roles and responsibilities to the Australian and State and Territory Governments, and sets out shared responsibilities. Responsibilities are split into those 'under the NHHA' and 'additional responsibilities' (figure 4.1).

Figure 4.1 – Roles and responsibilities set out in the NHHA

Australian Government	State and Territory Governments	Shared
Responsibilities under the NHHA		<ul style="list-style-type: none"> • Housing, homelessness and housing affordability policy • Support for renters • Consulting on the implementation of the Agreement • Identifying and sharing best practice and policy • Participating and contributing to reviews of the Agreement • Collecting and sharing data, committing to providing data for a nationally consistent data set and the continuous improvement of data and data collections and compilations • Setting joint priorities for evaluation and research
<ul style="list-style-type: none"> • Providing a financial contribution to the States and Territories • Monitoring and assessing performance under the Agreement • Leading the development of data improvements and a nationally consistent data set • Ensuring financial contributions to building projects are only made to accredited builders • Ensuring compliance with the Building Code 2016 is a condition of Australian Government funding 	<ul style="list-style-type: none"> • Developing bilateral schedules • Delivering on outputs under the Agreement • Matching the Australian Government's homelessness funding • Social housing and homelessness services, administration and delivery • Ensuring only accredited builders are contracted • Ensuring compliance with the Building Code 2016 is a condition of all tendering and work 	
Additional responsibilities		
<ul style="list-style-type: none"> • Income support and Commonwealth Rent Assistance • Australian Government housing and homelessness programs • Immigration and settlement policy and programs • Financial sector regulations and Commonwealth taxation settings • Competition policy • National Housing Finance and Investment Corporation • Collecting and publishing data 	<ul style="list-style-type: none"> • Collecting data from housing providers and agencies that provide services to people who are homeless • Land use, supply and urban planning and development policy • Tenancy legislation and regulation • Legislation to support the operation of the national regulatory system for community housing • Housing-related State taxes and charges that influence housing affordability • State-based infrastructure policy and services associated with residential development 	

Responsibilities under the Agreement are largely administrative

The Agreement defines a set of ‘responsibilities under the Agreement’, which are largely administrative in nature. For example, the Australian Government is responsible for providing funding to States and Territories, while State and Territories must agree bilateral schedules, deliver on agreed outputs and match Australian Government homelessness funding. These administrative responsibilities reinforce the idea of the Agreement as a transaction between the Australian and State and Territory Governments, rather than a collaborative effort to address housing affordability, safety and sustainability.

Importantly, the NHHA does not acknowledge that *both* the Australian Government and States and Territories are responsible for the outcomes of housing and homelessness services. The NHHA tasks State and Territory Governments with ‘social housing and homelessness services, administration and delivery’, but, in reality, social housing and homelessness services are partly funded by the Australian Government, so full responsibility for social housing and homelessness services cannot be assigned to either level of government. AHURI said:

... responsibilities for housing and homelessness service provision under the NHHA are effectively contracted to the states and territories, with the Commonwealth playing a role as funder and evaluator with the power to impose conditions. This is inconsistent with the reality of actual roles and responsibilities associated with NHHA objectives. (sub. 52, p. 10)

Further, by virtue of the absence of a national reform agenda, the roles and responsibilities do not contain specific policy actions that relate to reforms. Roles and responsibilities under the next Agreement should set out who is responsible for particular policy actions that aim to achieve the Agreement’s objective (chapter 5).



Finding 4.2

Roles and responsibilities in the NHHA are administrative

Governments’ responsibilities under the National Housing and Homelessness Agreement are largely administrative, and not focused on policy actions to achieve the Agreement’s objective.

What are ‘additional responsibilities’?

In addition to ‘responsibilities under the Agreement’, the NHHA sets out a list of ‘additional responsibilities’ for the Australian, State and Territory Governments. Some of these responsibilities are policy levers that are excluded from the Agreement, while others are policy areas that States and Territories are expected to address in their housing strategies. Several responsibilities also relate to data, which appear to be distinct from governments’ data-related responsibilities under the Agreement (such as the requirement for States and Territories to contribute to the ongoing collection and transparent reporting of agreed data under para. 17(d)).

It is unclear why ‘additional responsibilities’ are listed, especially given that some are arguably responsibilities under the Agreement — such as State and Territory planning and zoning policy, which is a national priority policy area. Although the Agreement attempts to make a distinction between these two types of responsibilities, it is not explicit about what constitutes an ‘additional responsibility’, nor does it set out how additional responsibilities are to be fulfilled.

The attempt to separate ‘responsibilities under the Agreement’ from ‘additional responsibilities’ could be a symptom of the broader disconnect in the Agreement, where Governments have (unsuccessfully) attempted

to separate the 'transaction' of the Agreement (funding in return for greater accountability) from broader policy actions and their interrelated effects on the housing system.

4.4 Performance monitoring and reporting

The performance framework

Performance frameworks provide a basis to measure governments' progress against their policy goals (box 4.4). A well-designed performance framework should hold governments to account by shedding light on whether agreed outcomes are being achieved. The process of designing a performance framework can also help clarify governments' objectives and prompt action (PC 2019a, p. 122). That said, performance indicators can only ever be proxies for determining whether a high-level, aspirational objective has been achieved.

The NHHA's performance framework consists of the objective, the six outcomes and 14 national performance indicators. The Commission has mapped each performance indicator to an outcome (figure 4.2). Performance indicators outline measures that are important to a particular outcome, and outcomes in turn define aspects of the overall objective. Data against performance indicators are used to assess the extent to which outcomes and objectives are achieved, with performance analysis attributing observed outcomes to government actions (as opposed to broader, non-policy influences). Performance monitoring, reporting and analysis should form the basis of a continuous process of evaluating government performance, assessing the ongoing suitability of performance indicators and targets (and the data used to measure them), and revising these where necessary.

Box 4.4 – Why measure performance?

As discussed in the Commission's *National Disability Agreement Review*, there are three broad uses for performance information:

- to learn — performance information can help us understand what policies work and which do not, as well as why policies do or do not work
- to drive performance and prompt change — performance reporting can play a role in indicating whether government policies and programs are on target, raising community awareness on the status of performance and providing a prompt to policy change where required
- to give account — performance reporting prompts governments and associated organisations to explain their performance and be held accountable for the success or failure of policy actions.

Performance reporting is not an end in itself. Rather, it is a means of providing information on whether policies have been effective in achieving their stated aims. It also serves as a vehicle for the community to determine whether governments have delivered services that are of value to them.

But performance reporting is not without limitations. For example, it can be difficult to isolate the effects of policy on performance indicators, and, if an objective is affected by a host of other factors (such as general economic conditions and demographics) using performance reporting to judge if changes in policy are required may not be straightforward.

Source: PC (2019a, p. 123).

Figure 4.2 – The NHHA performance framework

Objective						
Contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation						
Outcomes	A well-functioning social housing system that operates efficiently, sustainably and is effective in assisting low-income households and priority homelessness cohorts to manage their needs	Affordable housing options for people on low-to-moderate incomes	An effective homelessness service system, which responds to and supports people who are homeless or at risk of homelessness to achieve and maintain housing, and addresses the incidence and prevalence of homelessness	Improved housing outcomes for Indigenous Australians	A well-functioning housing market that responds to local conditions	Improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes
Performance indicators	The stock of social housing dwellings relative to the target population for social housing	The stock of affordable rental housing relative to the population	A decrease in the number of people experiencing homelessness*#	An increase in the proportion of Indigenous Australians purchasing or owning their own home* Other performance indicators disaggregated for Indigenous Australians where appropriate	The total number of dwellings relative to the population #	
	An increase in the proportion of social housing occupants that are housed in homes that match their needs #		A decrease in the number of people that experience repeat homelessness #		An increase in the number of dwellings that are permitted by zoning in cities or urban areas #	
	An increase in the number of social housing occupants with greatest need as a proportion of all new allocations*	A decrease in the proportion of rental households with household income in the bottom two quintiles that spend more than 30 per cent of their income on rent*#	An increase in the proportion of people who are at risk of homelessness that receive assistance to avoid homelessness #		A reduction in the average time taken to decide the outcome of a development application or residential building permit (as applicable) in cities or urban areas	
	An increase in the proportion of social housing occupants whose needs are met and are satisfied with services provided by their housing organisation		An increase in the proportion of people who are homeless that are assisted to achieve housing#			

* Data are reported on the PC Performance Reporting Dashboard. # Included in the Data Improvement Plan.

Supply-side indicators belong in the performance framework

Some participants questioned why supply-related performance indicators are included in the NHHA's performance framework. For example, the SA Housing Authority said:

In relation to the NHHA indicators measuring 'the number of dwellings that are permitted by zoning' and 'the average time taken to decide the outcome of a development application', since planning and land use regulations are the responsibility of other government departments (not State Housing Authorities) and the NHHA does not fund the planning system, measuring planning and zoning reforms is generally problematic under the NHHA. (sub. 58, p. 40)

It is true that the NHHA does not fund the planning system, and that State and Territories' housing authorities and departments generally do not have responsibility for planning. However, planning policies aim to enable housing supply (among other things) and supply significantly affects the functioning of the housing market. Supply-related indicators are therefore relevant in an agreement aimed at improving housing outcomes and should be an integral part of it. The fact that planning departments, rather than housing authorities, are responsible for the planning system is an argument for including these agencies in the development of housing policy, rather than for excluding supply-side issues from the NHHA.

Some indicators are poorly chosen

The Commission used eight criteria to assess the NHHA's performance indicators, drawing from its *National Disability Agreement Review* (box 4.5). This analysis showed that:

- some of the NHHA's performance indicators do not validly capture the outcomes they measure. For example:
 - a number of indicators (indicators (a), (b) and (c)) relate to the stock of different types of housing. While in general terms greater levels of stock might indicate improved outcomes, these indicators do not capture the characteristics of the housing stock and whether they meet households' needs.
- some indicators are ambiguous. For example:
 - indicator (b) concerns the stock of affordable rental housing, but it is not clear if this refers to subsidised 'affordable rental' units (that is, those that result from government subsidy programs to build affordable rental housing), or simply private rental housing that is affordable (and for whom).
 - indicator (c) refers to 'the target population for social housing'. There is no agreed definition of this target population, both on a technical level (eligibility criteria differ across jurisdictions) and on a deeper philosophical level (what should the purpose of social housing systems be — a broad system aimed at alleviating affordability challenges, or a narrow system that is highly targeted to people who cannot access appropriate or adequate housing in the private market?)
 - indicator (d) relates to social housing occupants being housed in homes that match their needs, but it does not elaborate on which dimensions of need should be measured. The work of the DIP for this indicator examines measures of overcrowding, but, clearly, whether a person's needs have been met is broader than whether they live in overcrowded housing.
 - it is not clear how indicator (f) — referring to the proportion of social housing occupants whose needs are met and are satisfied with their housing services — differs from indicator (d) relating to the proportion of social housing occupants that are housed in homes that match their needs.
- the majority of indicators do not have data against them. While data for some indicators are being developed through the DIP, data for others do not appear to be part of any data development plan. The DIP and data for performance monitoring is discussed further below.

There are gaps in the coverage of performance indicators

In addition to individual indicators being poorly selected, the indicators under each outcome also lack comprehensive coverage — they do not provide adequate information to assess whether outcomes have been achieved.

Most obviously, there is only one indicator under the outcome ‘improved housing outcomes for Indigenous Australians’, relating to the proportion of Indigenous Australians purchasing their own home.⁵ As discussed in chapter 11, a home ownership indicator is important because many Aboriginal and Torres Strait Islander people aspire to home ownership, and because home ownership among Aboriginal and Torres Strait Islander people is associated with greater health and wellbeing and social and economic participation. However, this indicator alone is not sufficient to determine the extent to which housing outcomes are improving for Aboriginal and Torres Strait Islander people. Information is also needed on Aboriginal and Torres Strait Islander people experiencing rough sleeping, living in overcrowded or poorly maintained housing, transitioning from social housing into private housing, and trying to secure long-term tenure in the private rental market, among other things. The Commission has recommended that governments consider a suite of indicators and targets covering a broad range of issues as part of negotiating the next Agreement (recommendation 11.5).

Box 4.5 – Criteria for selecting performance indicators

In its review of the National Disability Agreement, the Commission set out eight criteria for selecting and evaluating performance indicators in National Agreements. These were:

- **validity** — the indicator should be clearly linked to, and validly capture, one of the agreed outcome areas
- **unambiguous** — the indicator should be clear in meaning and interpretation
- **direction** — the indicator should be specified such that an increase or decrease represents a clear improvement or deterioration in performance
- **attributable** — the activity measured should be capable of being influenced (although not necessarily fully controlled) by government policy
- **avoids unintended consequences** — the indicator should avoid creating perverse incentives that give rise to undesirable or unwanted actions
- **credible** — an indicator should be meaningful to the relevant people (such as people with lived experience of homelessness)
- **data availability** — data should currently be available for an indicator, or where there are not, the costs and benefits of collecting relevant data should guide judgment about collection. The selection of performance indicators should not be driven by considerations of what data are currently available
- **frequent and timely** — data should be available at a frequency that aligns with the required reporting frequency and be available quickly enough that the data are relevant for decision-making.

Source: PC (2019a, p. 140).

⁵ The Agreement provides for other indicators to be disaggregated for Indigenous Australians, but this is not undertaken. Even if it were, however, it would not provide the holistic picture needed to understand Aboriginal and Torres Strait Islander people’s housing outcomes.

Another example of the limited coverage of indicators is the set of performance indicators relating to ‘a well-functioning market that responds to local conditions’. The three indicators under this outcome concern the stock of dwellings and planning system performance. There are no indicators relating to the efficiency of the market, whether the dwellings are built in the places that people want to live or whether they possess the characteristics that people want.

And the indicators under the social housing outcome leave gaps with respect to the efficiency, sustainability and effectiveness of the social housing system — for example, they do not provide information about the pipeline of social housing, vacancy rates and turnover.

None of the indicators include targets

Many participants to this review noted the lack of targets within the performance framework. For example, the City Futures Research Centre said:

A clear weakness of the outcomes and performance measures included in the NHHA is that they are non-specific about the progressive quantum of improvement in the indicator that is desired. While there are numerous stated aspirations ‘more’ or ‘improved’ levels of activity, these are empty pledges without specifying (a) what would it be more than, (b) how much more, and (c) by when the increased or enhanced activity will be achieved? (sub. 87, p. 17)

Performance targets can act as an additional accountability mechanism in a performance reporting framework, by helping to focus governments’ attention on high priority areas, and by enabling the community to judge progress against a transparent numerical objective. For maximum effectiveness, performance targets need to be carefully constructed. They must not be so generous that little discipline is imposed on policymakers. At the same time, they must not be set so ambitiously that they cannot be achieved and discourage commitment by policymakers.

The Commission considers that targets should be included as part of the next Agreement (chapter 5). As targets are achieved, they should be revised.

Statements of assurance are of limited use

The NHHA requires State and Territory Governments to provide the Australian Government with annual statements of assurance outlining actual and expected expenditure on housing and homelessness services. Statements of assurance for each financial year are required by 31 October of the following financial year, unless otherwise agreed.

Statements of assurance are intended to increase transparency and accountability. However, several features render them ineffective.

- They do not provide detailed enough information about how NHHA funds are being spent. There is no requirement to provide expenditure data at the program level — rather, data are only required for housing and homelessness expenditure disaggregated by Commonwealth and State-own funding, with homelessness expenditure disaggregated for national priority homelessness cohorts.
- They do not use consistent methodology. The Queensland Government (sub. 27, p. 18) explained that, unlike the Report on Government Services (RoGS), there are no itemised data collection instructions, guidelines and definitions for expenditure data items for statements of assurance. This results in data that are not comparable across jurisdictions.

Mission Australia also said that:

... little can be gleaned from the States' and Territories' reporting, which are disclosed in their annual Statements of Assurance. These statements can be as short as a one-page letter and provide only top-level spending information to confirm whether Federal funding was matched or exceeded. (sub. 88, p. 24)

And the Department of Social Services (sub. 83, p. 4) said that it often relied on alternative data sources to statements of assurance, such as the RoGS, which are more timely, consistent and robust. The fact that the Department of Social Services — presumably the party that statements of assurance are primarily intended to assure — does not find them useful calls into question the value of requiring States and Territories to produce them.

National performance reporting is patchy

The NHHA also requires the Australian Government to produce an independent public report on performance, which at a minimum, reports on the national performance indicators annually. The Productivity Commission's Performance Reporting Dashboard is meant to fulfil this function. However, the dashboard only reports on four of the 14 indicators, and data on these indicators are sparse.

Part of the reason for patchy national performance reporting is that data do not exist for many indicators. And as discussed in section 4.2, although governments have begun to develop some performance data through the DIP, many of the improvements are yet to be realised.

However, even where there are data available — for example, RoGS data can be used to report against indicators (d), (f) and (j) — this is not reported on the dashboard. When the Department of Prime Minister and Cabinet first published the dashboard in 2017, it only reported data against selected indicators. Since then, Productivity Commission has updated data for these indicators annually, where data has been available.



Finding 4.3

The NHHA's performance framework is not sufficient to hold governments to account

The National Housing and Homelessness Agreement's performance framework is not sufficient to hold governments to account on their contribution to improving access to affordable, safe and sustainable housing across the housing spectrum. The performance indicators are not comprehensive, and some are ambiguous. Reporting is incomplete and data development has been slow.

The Data Improvement Plan is narrow in scope and the statements of assurance do not provide much useful information for understanding expenditure on housing across jurisdictions. Expenditure reporting requirements for statements of assurance do not support analysis of the full costs of providing housing assistance.

There is no one making sense of performance

Reporting on performance indicators and outcomes can give governments and the community a sense of how governments are performing. However, as noted in box 4.4, it can be difficult to isolate the effects of policy. Where outcomes are affected by many influences — including market forces — performance analysis is needed to understand how individual pressures contribute to observed outcomes. Performance analysis can also allay concerns that governments will be held responsible for factors over which they have no control — a concern expressed by the Queensland Government (sub. 27, p. 17).

There is no agency undertaking performance analysis for the NHHA. As a result, there is little discourse on how policy and non-policy influences interact to produce outcomes, and how different government actions are (or are not) working together to achieve the NHHA's objective.

Performance analysis also provides an avenue for assessing the suitability of performance indicators and the data used to measure them — that is, the extent to which performance indicators reflect the intention of the performance framework (which can change over time), and whether the data capture the issues of interest. Because there is no one undertaking performance analysis for the NHHA, there is also no one assessing the ongoing suitability of the NHHA's performance indicators and the data underlying them.



Finding 4.4

There is no strategic oversight of performance monitoring

There is no agency or body responsible for ensuring that performance reporting reflects the intent of the performance framework.

The Data Improvement Plan is focused on a small set of technical data issues, and does not inform strategic judgements about whether the measures used are the most appropriate to monitor progress against the National Housing and Homelessness Agreement's outcomes and objectives.

4.5 Funding

Funding under the NHHA has two parts — general funding and homelessness funding. States and Territories are required to allocate homelessness funding to homelessness services, and general funding can be allocated to either housing or homelessness services. In general, State and Territory Governments reported using NHHA funding to maintain public housing assets and provide homelessness services (for example, Victorian Government, sub. 97, p. 8). The Tasmanian Government (sub. 100, p. 10) said that it may spend the full amount on delivering homelessness services, and the ACT Government reported in its 2020-21 statement of assurance that it spent about 97 per cent of its NHHA funds on homelessness services.

As noted in section 4.2, the NHHA's funding envelope is narrow, hindering the achievement of the Agreement's objective. However, two other issues with respect to funding under the Agreement warrant discussion. These are that:

- greater demands are being placed on NHHA funding
- the method of allocating funding between States and Territories is not based on need or cost.

Greater demands are being placed on NHHA funding

Since the NHHA's inception, several forces have combined to place greater pressure on NHHA funding.

- **Demand for assistance has increased**, and the needs of people requiring assistance have become more complex (ACT Government, sub. 95, p. 3; Queensland Government, sub. 27, p. 7; Victorian Government, sub. 97, p. 20; Western Australian Government, sub. 99, p. 6).
- **The costs of providing assistance has risen**. Rising rents in the private rental market have made it more expensive for governments to provide support, and the costs of capital works have escalated due to higher building costs and ageing social housing assets that need maintenance (NSW Government, sub. 69, p. 34; Queensland Government, sub. 27, p. 7; Victorian Government, sub. 97, p. 20; Western

Australian Government, sub. 99, p. 6). The Victorian Government (sub. 97, p. 20) also said that it faces rising costs for tenancy and property management, compliance of properties (for example, with respect to fire safety) and council rates.

- **Other programs have ceased or become less effective.** The National Partnership on Remote Housing was not renewed following its expiration in 2018, and the end of the National Rental Affordability Scheme has resulted in subsidised rental properties being withdrawn from the market. The NSW Government (sub. 69, p. 23) also commented that Commonwealth Rent Assistance is losing value as a form of housing assistance because it has not kept up with the cost of housing.

These factors have led to calls for greater levels of funding within the NHHA.⁶ The Commission agrees that homelessness services cannot meet demand, and funding should be increased for prevention and early intervention (chapter 6). And as discussed in chapter 5, the next Agreement should consolidate all housing assistance, and direct funding to those most in need and where it can have greatest effect (chapter 5).

Funding allocations are not based on need or cost

General funding under the NHHA is distributed between States and Territories according to the share of the total population in each jurisdiction. Homelessness funding is distributed according to the share of the homeless population in each jurisdiction based on the 2006 Census. These arrangements mean that funding is not always allocated to where it is most needed.

The data used to distribute homelessness funding is particularly old. Many participants took issue with this — for example, the City of Yarra said:

the fact that funding is allocated according to metrics based on the 2006 census, data that is now 16 years old, requires a complete rethink. (sub. 16, p. 3)

And Jesuit Social Services said:

Given this data is now 16 years out of date, this does not reflect current need and demand for services. (sub. 49, p. 8)

More generally, however, distributing NHHA funding according to population (either total or homeless) has several issues, which participants pointed out.

First, population-based funding does not account for differing population profiles. Commenting on homelessness funding, Mission Australia said:

This methodology fails to consider the relative needs of the States and Territories, such as entrenched levels of homelessness, poverty rates, and the demand and costs for services across different geographies. (sub. 88, p. 14)

And on general funding, the Community Housing Industry Association said:

A challenge with population based allocation of funding at the current levels is that it does not provide a mechanism for adequately responding to historical housing disadvantage, newly emerging housing needs, or successful achievement of specific outcomes. (sub. 74, p. 10)

⁶ ACT Government, sub. 95; CFRC, sub. 87; Homelessness Australia, sub. 62; Jesuit Social Services, sub. 49; MCM, sub. 23; NLASN, sub. 6; NSW Government, sub. 69; NT Shelter, sub. 59; Safe and Equal, sub. 19; VPTA, sub. 8.

Population-based funding also disregards differences in the geographic dispersion of populations, which can have implications for the cost of providing services. NT Shelter explained that:

Due to remoteness and large distances, a lack of sealed roads and other infrastructure, and monsoonal weather in the Top End, it is expensive and logistically challenging to provide services in the Northern Territory relative to other States. The NHHA's financial arrangements mechanisms do not take this into account. (sub. 59, p. 6)

The Aboriginal Health Council of Western Australia (sub. 7, p. 3) also said that Western Australia incurs substantially higher costs in servicing remote communities and more geographically dispersed populations.

Finally, population-based funding can affect State and Territory Governments' incentives to build and maintain social housing. National Shelter (sub. 38, p. 4) noted that South Australia, Tasmania and the ACT has historically had more generous social housing policies but lower populations, and per capita funding disadvantages these jurisdictions. Similar sentiments were expressed by the Aboriginal Health Council of Western Australia (sub. 7, p. 3), ANTaR (sub. 15, p. 6), the SA Housing Authority (sub. 58, p. 1), and St Vincent de Paul Society National Council of Australia (sub. 57, p. 3), among others.

The 2021 Parliamentary Inquiry into Homelessness in Australia recommended that governments develop a needs-based funding methodology for future housing and homelessness agreements. Many participants supported this recommendation, as does the Commission (recommendation 5.5).



Finding 4.5

Greater demands are being placed on NHHA funding, and funding is not distributed according to need

Greater demands are being placed on the National Housing and Homelessness Agreement's funding and some other sources of funding for housing programs have ceased or reduced in value, placing additional pressure on the NHHA to deliver housing outcomes.

NHHA funds are not allocated between States and Territories according to need — homelessness funding allocations are based on outdated data on each jurisdiction's share of the homeless population, and general funding is based on total population.

4.6 Governance

Governance refers to the way that governments communicate and collaborate to progress the commitments in the Agreement, revise goals and policy directions as new information comes to light, and are held to account for their performance.

Apart from performance reporting requirements (section 4.4), the NHHA does not establish any governance arrangements. The Agreement has a section titled 'Governance', but its content relates to the NHHA as an intergovernmental document, rather than an active area of policy development. The section covers, among other things, the enforceability of the Agreement, the requirement for review by the Productivity Commission and processes for dispute resolution. The lack of governance structures in the NHHA is consistent with its broader transactional approach and confirms the Commission's view of the NHHA as a 'set and forget' agreement.

Importantly, the NHHA does not establish forums for intergovernmental collaboration. In the recent past, intergovernmental collaboration on housing policy has been poor: the Housing Ministers' Council was

abolished in 2013, housing and homelessness ministers met only four times (and on an ad-hoc basis) between 2013 and 2017, and ministers did not meet at all between September 2017 and July 2022 (AHURI 2022e; Collins 2022c; Queensland Government 2020a). The Housing and Homelessness Ministerial Advisory Committee, which had been meeting informally as the Housing and Homelessness Senior Officials Network (HHSON), also ceased to exist when the Council of Australian Governments was replaced by National Cabinet in 2020 (AHURI, sub. 52, p. 14). Multiple participants pointed to the consequences of poor governance structures for housing policy (box 4.6).

Box 4.6 – Participants noted the consequences of not having intergovernmental forums for collaboration

ACT Government:

In the absence of a formal governance mechanism, ACT's experience is limited engagement from the Commonwealth on NHHA-related matters; a bilateral rather than collective approach is taken to raising issues, and on occasion the Commonwealth takes unilateral action which impacts all parties. (sub. 95, p. 7)

Tasmanian Government:

The absence of a formal NHHA governance structure means coordinating with other jurisdictions is time consuming. (sub. 100, p. 10)

Queensland Government:

HHSON had a formal role within the NHHA relating to oversight of the Data Improvement Plan (DIP) that forms Schedule E to the NHHA, and there is no formal group currently performing this role. (sub. 27, pp. 16–17)

AHURI:

In 2021, following the National Federation Reform Council replacement of COAG with National Cabinet, the Commonwealth advised that HHSON was no longer able to be recognised, and therefore the NHHA Data Improvement Plan, through the HHDWG requires individual sign-off from each jurisdiction. The reduction in formal intergovernmental structures has adversely impacted open dialogue between the states and the Commonwealth government. (sub. 52, p. 14)

The Agreement also does not establish arrangements to ensure that housing policies and goals are grounded in evidence. The NHHA requires the Australian Government to report on the national performance indicators, provides for a schedule setting out data development activities, and names 'setting joint priorities for research and evaluation' as a shared responsibility between the Australian Government and State and Territory Governments. However, it does not establish processes that draw together these different forms of evidence and use them to inform policies and revise policy directions.



Finding 4.6

Governance arrangements are missing from the NHHA

Governance arrangements are missing from the National Housing and Homelessness Agreement. There are no intergovernmental forums, and there is no oversight of performance or regular communication between the Australian Government and State and Territory Governments on housing policy.

4.7 Priority homelessness cohorts and priority policy and reform areas

Priority homelessness cohorts

The NHHA sets out six national priority homelessness cohorts, which must be addressed in State and Territory homelessness strategies. These are:

- women and children affected by family and domestic violence
- children and young people
- Indigenous Australians
- people experiencing repeat homelessness
- people exiting institutions and care into homelessness
- older people.

State and Territory Governments can also identify state-specific priority homelessness cohorts in their bilateral agreements, and Western Australia's bilateral agreement mentions older women (NHHA, Schedule E4, para. 31).

The NHHA does not give the basis for selecting the national homelessness priority cohorts, although the Department of Social Services (sub. 83, p. 14) pointed out that, for some priority cohorts, the number of people seeking assistance from specialist homelessness services has been increasing more rapidly than the average for the broader population. Participants advocated for many additional priority cohorts, such as people with disability, people experiencing persistent and severe mental ill-health, people from culturally and linguistically diverse backgrounds, Australian defence veterans, single people with no children, mature working-age people on low incomes, low-income households and people seeking asylum.⁷ Without clear criteria for choosing priority cohorts, it is difficult to argue against these. However, a long list of priority groups renders the list meaningless — if everyone is a priority, no one is a priority. As Safe and Equal said:

Listing priority cohorts becomes difficult because it easily becomes a laundry list of groups that tries to tick every box ... (sub. 19, pp. 8–9)

⁷ AMIDA, sub. 67, p. 5; Jesuit Social Services, sub. 49, p. 8; Neami National, sub. 34; p. 6; RANZCP, sub. 12, p. 3; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, p. 5; Safe and Equal, sub. 19, p. 9; Tenants Victoria, sub. 47, p. 1; Uniting Vic.Tas, sub. 25, p. 3.

A list of priority groups also does not take into account the needs of individual people, particularly the intersectionality of many people experiencing, or at risk of, homelessness. McAuley Community Services for Women said:

We are concerned about the way in which priority homelessness cohorts are set out. Segmenting them in this way could imply that their needs must fit into one neat category and reinforces the sector's tendency to silo 'problems' and push them into one access point or another, rather than respond to their individual needs. (sub. 24, p. 8)

And the Northern Territory Government said:

... many Aboriginal people are also represented across multiple homelessness priority cohorts and are considered at particular risk of homelessness on a number of dimensions. The next NHHA could usefully support a more flexible approach to addressing homelessness across cohorts. (sub. 104, p. 9)

In addition, the national priority cohorts appear to have had limited influence on how assistance is provided in practice. The Commission heard that, on the ground, it is the person most in need on the day who receives support.

And finally, there is no reason for the Agreement to provide for *national* priority cohorts, as well as *state-specific* priority cohorts. For a given jurisdiction, national and State or Territory cohorts should align, and be based on who is most in need.

Priority homelessness cohorts should be removed from the next Agreement and replaced with an outcome covering improved outcomes for groups at higher risk of homelessness (recommendation 5.4). The next Agreement should also include principles for how assistance should be provided (recommendation 5.1).

Priority policy and reform areas

The NHHA sets out six 'national housing priority policy areas':

- social housing
- community housing support
- affordable housing
- tenancy reform
- home ownership
- planning and zoning reform.

Each State and Territory is required to detail how it will contribute to these priority policy areas in its housing strategy 'where appropriate to its needs' (NHHA, para. 17).

There is no reason to believe that including priority policy areas in the NHHA has driven reforms. Most planning departments said that they were already pursuing reforms to their land use and planning policies, and the NHHA has provided little, if any, additional impetus for reform (chapter 13). Indeed, most planning departments had a rudimentary understanding of the NHHA and what it is trying to achieve.

The NHHA also sets out three homelessness priority policy reform areas — achieving better outcomes for people, early intervention and prevention, and commitment to service program and design. Early intervention and prevention is an appropriate policy reform area (chapter 6), but achieving better outcomes and commitment to service program and design are not 'reform areas'. Similar to the housing priority policy areas, there is no strong evidence that including these reform areas has driven reforms or improved outcomes.

**Finding 4.7****The practical value of homelessness priority cohorts, housing priority policy areas and homelessness priority reform areas in the NHHA is questionable**

The requirement under the National Housing and Homelessness Agreement for State and Territory Governments to address national homelessness priority cohorts, national housing priority policy areas and homelessness priority reform areas in their housing and homelessness strategies does not appear to have driven reforms. The value of national homelessness priority cohorts, housing priority policy areas and homelessness priority reform areas is questionable.

4.8 Alignment with other policy areas

Housing policy intersects with many other policy areas, including health, aged care, justice and disability. However, these policy overlaps are not recognised in the NHHA. In some instances, such as the National Agreement on Closing the Gap and Australia's Disability Strategy, major policies were agreed *after* the NHHA, and governments will need to update the next Agreement to ensure that it aligns with these developments. The misalignment between recent policy developments and the NHHA is in part due to the absence of proper governance arrangements that ensure the Agreement remains relevant.

The NHHA and governments' requirements under Australia's Disability Strategy

The Commission was asked to consider the extent to which the NHHA is meeting the obligations of governments under Australia's Disability Strategy. One of the Strategy's outcomes is that 'people with disability live in inclusive, accessible and well-design homes and communities' (DSS 2021a, p. 9). This is supported by two priority policies directly related to housing:

- increase the availability of affordable housing
- housing is accessible and people with disability have choice and control about where they live, who they live with, and who comes into their home.

There is little evidence that the NHHA has led to improved affordability and accessibility of housing for people with disability, and it has not contributed to governments meeting their commitments under the strategy. However, this is not surprising given that the NHHA preceded Australia's Disability Strategy.

The next Agreement should articulate how it will interact with Australia's Disability Strategy. The Australian, State and Territory Governments should also commission a housing Targeted Action Plan under Australia's Disability Strategy, to improve the availability of affordable and accessible housing for people with disability (chapter 5).

**Finding 4.8****The NHHA is not meeting governments' requirements under Australia's Disability Strategy**

The National Housing and Homelessness Agreement preceded Australia's Disability Strategy, and has not contributed to meeting governments' requirements under Australia's Disability Strategy to increase the availability and accessibility of affordable housing for people with disability, and for people with disability to have choice and control over their housing.

5. The next Agreement

Key points

- * To improve housing and homelessness outcomes, a revised National Housing and Homelessness Agreement (NHHA) and improved governance arrangements are needed. The next NHHA should be a principles-based living document. It should have a better-defined objective, improved outcomes and outputs, and be supported by a new performance monitoring and reporting framework. It should have a broader scope covering all types of government-provided housing assistance and a greater focus on improving the way the housing market works.
- * A new methodology should be established to distribute NHHA funding between jurisdictions according to need and the costs of providing services.
- * The recently announced National Housing and Homelessness Plan is an opportunity for all parties to come together to consider how to improve housing and homelessness outcomes in Australia. The Plan should cover all housing and housing-related policies, including the tax and transfer system. While it is important that the next Agreement aligns with the National Plan, this should not delay overdue reforms.
- * Regular meetings between the Australian, State and Territory housing and homelessness ministers should resume. An independent body should monitor and report on governments' performance improving housing and homelessness outcomes.
- * The housing and homelessness evidence base needs to be strengthened. Governments should expand the scope of the Data Improvement Plan, widen eligibility for funding under the National Housing Research Program, and establish a 'what works' centre. The centre should bring together the housing evidence base, draw together insights from the evidence and make evaluations publicly available.
- * The Australian, State and Territory Governments should commission a housing targeted action plan under Australia's Disability Strategy to improve the availability of affordable and accessible housing for people with disability.

The National Housing and Homelessness Agreement (NHHA) has failed in its purpose to facilitate cooperation between governments on housing policy and on its objective to 'contribute to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation'.

This is a forward-looking chapter that sets out the Commission's recommendations for the next housing and homelessness agreement. Chapter 4, which assesses the performance of the NHHA, provides the context for the Commission's recommendations.

5.1 A new National Housing and Homelessness Agreement

While the NHHA has not met its objective (chapter 4), participants highlighted a number of reasons why it is important to have an intergovernmental housing and homelessness agreement. They included ensuring funding for housing and homelessness services, to provide a framework for collaborative effort and accountability, and to improve housing affordability.

The role of the NHHA or future funding arrangements for housing and homelessness services will be critical in addressing unprecedented pressures on our housing markets. Housing and homelessness are matters of national significance and safe, secure and affordable housing underpins social, economic and public health outcomes across Queensland. (Queensland Government, sub. 27, p. 2)

... the next National Housing & Homelessness Agreement has a huge role to play in improving housing supply and affordability outcomes and bettering the lives of all Australians in the years ahead. (Master Builders Australia, sub. 64, p. 4)

Secure affordable housing is a national issue with severe social and economic impacts. It needs a multilateral agreement like the NHHA to provide a framework for joint effort as well as visible accountability back to the electorate. If not the NHHA, then what? (Brief comment 8)

We should not forget that the NHHA provides hope for many community members that are struggling and that data statistics are real lives and people. (Darren McGhee, sub. 68, p. 1)

As discussed in chapter 4, cooperation between governments is critical to achieving better housing and homelessness outcomes. An intergovernmental agreement remains a good framework for governments to work together to achieve better housing and homelessness outcomes.

However, the next Agreement should be quite different to the NHHA. It needs to be more than a funding contract. It should better reflect the principles of the Intergovernmental Agreement on Federal Financial Arrangements (IGA FFR) with a greater focus on governments working together (box 5.1), more effective governance and a better performance monitoring and reporting framework.

Box 5.1 – Participants highlighted the importance of governments working together

Infrastructure Victoria:

State and territory governments do not achieve housing outcomes alone. As the NHHA acknowledges, the national and state and territory governments have different housing policy instruments and share others. In this situation, governments must co-ordinate their policy responses so different policy instruments act together to generate the desired outcome. (sub. 14, p. 1)

Urban Development Institute of Australia National:

... solving affordability, housing and homelessness, requires co-ordinated policies across affordable, social and at-market housing with consistent funding from Federal, state and territory Governments. (sub. 35, p. 5)

Box 5.1 – Participants highlighted the importance of governments working together**Jesuit Social Services:**

... a whole-of-government approach, where policies, programs and support services are designed and implemented holistically, is the most effective way of ensuring every person living in Australia has access [to] safe and affordable housing. (sub. 49, p. 6)

NSW Government:

A collaborative approach by all levels of government is needed to support the number of people who can access safe, secure, and affordable housing for themselves and for their families. (sub. 69, p. 18)

Community Housing Industry Association:

Addressing Australia's current housing challenges demands coordinated action from the Commonwealth and State/ Territory governments. Like the post-war challenges that confronted Australian governments eighty years ago, our current situation calls for concerted and coordinated action. (sub. 74, p. 3)

The Commission recommends that the next Agreement be a 'living document' and include:

- a better-defined objective, with key terms defined and trade-offs articulated
- an agreed reform agenda
- principles for how housing assistance should be provided
- a broader scope, covering all government-provided housing assistance
- clearer roles and responsibilities
- revised outcomes
- a new performance monitoring and reporting framework with annual reporting against targets, outcomes and performance indicators
- a single funding pool for housing and homelessness services that is allocated to jurisdictions based on need and the costs of providing services
- effective governance, including oversight by a ministerial council
- how the Agreement aligns with other agreements and policies, including the National Agreement on Closing the Gap
- more use of schedules, including a new Aboriginal and Torres Strait Islander schedule
- a requirement that it is reviewed periodically by an independent body.



Recommendation 5.1

The next Agreement on housing and homelessness

The Australian, State and Territory Governments should develop and agree to a new intergovernmental, person-centred agreement for housing and homelessness. The next Agreement should include:

- a better-defined objective, with key terms defined and trade-offs articulated
- principles for how housing assistance should be provided
- a broader scope, covering all forms of government-funded housing assistance
- clarified roles and responsibilities
- outcomes focused on improving outcomes for people across all tenure types
- an agreed agenda of reforms
- a new performance monitoring and reporting framework with annual reporting against outcomes, targets and performance indicators
- a single base funding pool for housing and homelessness services that is allocated to jurisdictions according to need and the costs of providing services
- oversight by a ministerial council
- provisions to align the Agreement with other agreements and policies, including the National Agreement on Closing the Gap and Australia's Disability Strategy 2021–2031.

The next Agreement should be a 'living' document and make use of schedules to set out more detailed arrangements or operational matters, with the schedules amended as circumstances warrant. It should be reviewed by an independent body periodically.

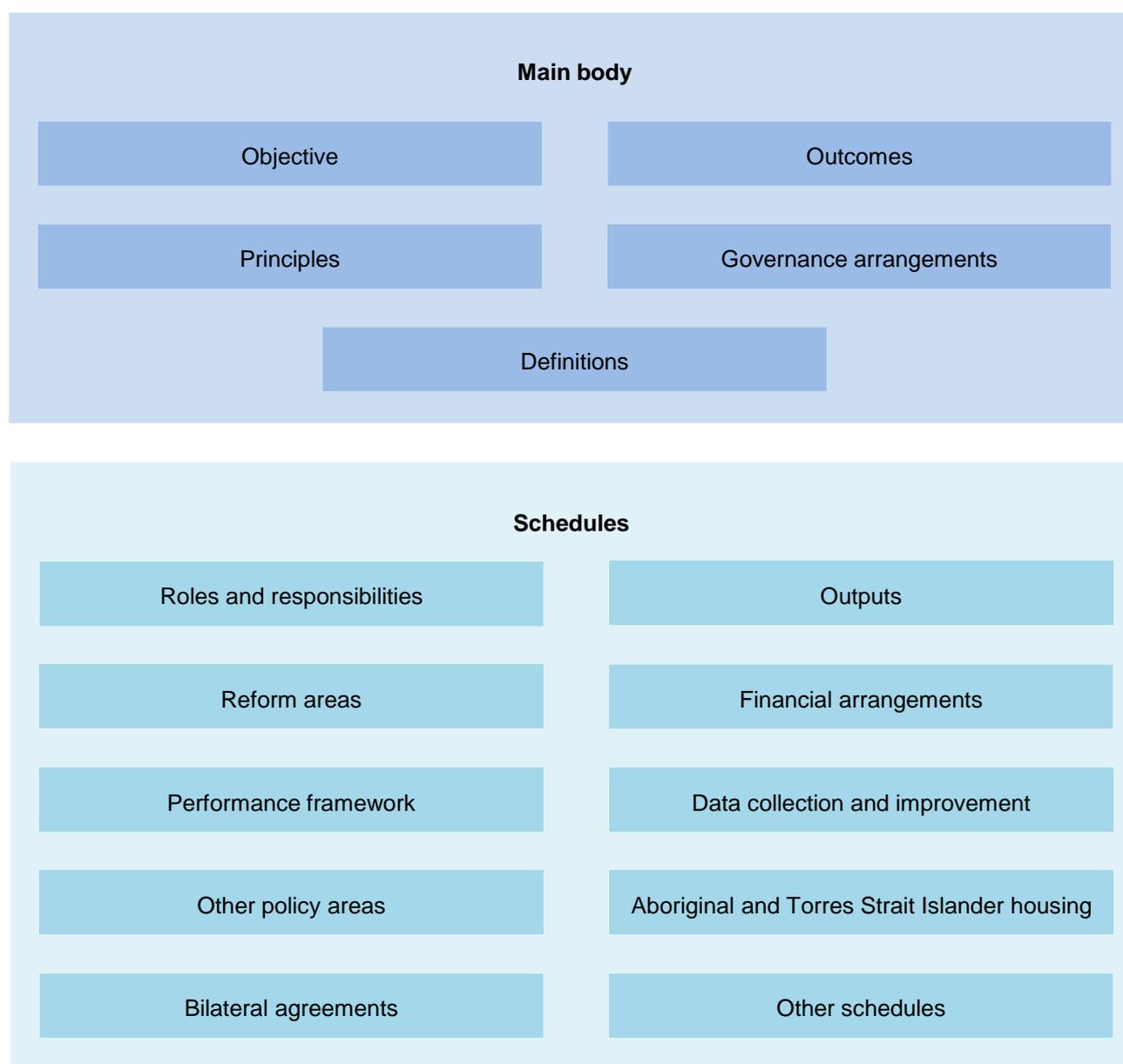
The Agreement should be a living document

Housing policy and the broader environment that affects housing evolve over time. For example, the COVID-19 pandemic demonstrated how quickly circumstances can change, and how quickly governments need to respond and adapt. The Australian Government has also recently signalled several significant policy changes, including an announced National Plan, Housing Australia and the National Housing Supply and Affordability Council.

To ensure the next Agreement is responsive to changing circumstances, it should be structured in two parts. The main body of the Agreement should include the fundamental parts of the Agreement that are not expected to change, while more detailed content that may need to change found in schedules, which are more easily amended.

This modular structure is found in the IGA FFR. The IGA FFR is designed to be a living document, with detailed arrangements set out in schedules that can be updated as necessary (PC 2019a). The Commission recommended modular structures for the National Disability Agreement and the National Agreement for Skills and Workforce Development (PC 2019a, 2020f).

The NHHA already has schedules for housing priority policy areas, homelessness priority cohorts and reform areas, data improvement, homelessness data collections and the bilateral agreements. To make the next Agreement more modular, the schedules could also include roles and responsibilities, outputs, reform areas, financial arrangements, the performance monitoring and reporting framework and how the agreement aligns with other policy areas (figure 5.1).

Figure 5.1 – A possible structure for the next Agreement

The objective should be refined

The NHHA's objective is sound — it is aspirational and covers the full housing spectrum. However, the key terms — affordable, safe and sustainable — are not defined (chapter 4). The Australian, State and Territory Governments should define the key terms in the next Agreement, and ensure they cover all aspects of adequate housing. The United Nations Committee on Economic, Social and Cultural Rights' criteria for adequate housing — legal security of tenure, affordability, habitability, availability of services, materials, facilities and infrastructure, accessibility, location and cultural adequacy — provide a good guide for what the NHHA objective might cover (chapter 3).

The next Agreement should also acknowledge that there will be inherent trade-offs that will need to be balanced when attempting to meet different parts of the objective. Programs that aim to improve the safety or sustainability

of housing, for example, may make it less affordable. While the Agreement will not be able to articulate how these trade-offs should be balanced in each case, it should acknowledge that trade-offs will need to be made.



Recommendation 5.2 **An improved objective for the next Agreement**

The Australian, State and Territory Governments should ensure the National Housing and Homelessness Agreement's objective covers all aspects of adequate housing. All key terms used in the objective should be defined and trade-offs involved in meeting different parts of the objective articulated in the next Agreement.

A broad objective needs a broad scope

While the NHHA's objective is broad, its scope is narrow, limiting the Agreement's ability to meet the objective (chapter 4). The objective and scope of the next Agreement need to be more closely aligned.

Participants had different views about how this should be achieved. Some argued for a narrower or targeted scope (for example, ACOSS, sub. 73, p. 2; Western Australian Government, sub. 99, p. 2, Tasmanian Government, sub. 100, p. 7). The City of Yarra, for example, said:

The NHHA currently focuses on the entire spectrum of housing need, but more effective outcomes would be realised through shifting the focus to the needs of those who have no, very low, low and moderate incomes. (sub. 16, p. 6)

Other participants argued that the Agreement's scope should be broader (for example, CHIA, sub. 74; HIA, sub. 66; National Shelter, sub. 38). The Australian Housing and Urban Research Institute (sub. 52, p. 7), for example, said 'there is considerable opportunity to broaden the remit of the NHHA to demonstrate partnership on housing issues'.

The Commission considers the scope of the Agreement should be broadened to match its objective. It should cover all direct housing assistance provided by the Australian, State and Territory Governments. This would mean the Agreement would also cover:

- Commonwealth Rent Assistance (CRA)
- Australian, State and Territory Government home buyer assistance
- State and Territory Government private rental assistance
- Australian Government homelessness services (Reconnect and Assistance with Care and Housing)
- subsidies for affordable rental housing, including key worker housing
- the announced Housing Australia Future Fund.

Bringing all government-provided housing assistance into the Agreement is important for facilitating conversations across governments about the best way to spend the finite housing and homelessness funding, and directions for housing assistance reform (based on the agreed principles, discussed below). It will also:

- help ensure consistency in the policy instruments the Australian, State and Territory Governments are using, including ensuring all forms of housing assistance are working in the same direction
- establish and clarify which governments are, or should be, responsible for different types of support
- provide an opportunity for governments to work through overlaps in housing assistance programs and resolve any conflicts.



Recommendation 5.3

The next Agreement should cover all government-provided housing assistance

The scope of the next Agreement should be expanded to cover all forms of housing assistance provided by governments, including:

- Commonwealth Rent Assistance
- Australian, State and Territory Government home buyer assistance
- State and Territory Government private rental assistance
- Australian Government homelessness services
- subsidies for affordable rental housing, including key worker housing
- the announced Housing Australia Future Fund.

But the next Agreement should not just be focused on housing assistance measures. It should also be about addressing housing affordability and supply. As discussed in chapter 12, boosting housing supply and improving the way housing supply responds to changes in demand, are key ways to make housing more affordable for low-income Australians. Boosting housing supply will also make housing assistance measures more effective, because cheaper rents mean the same level of assistance can 'buy' more housing. A well-functioning housing market that responds to local need is already a NHHA outcome, but this aspect of the Agreement has received little attention.

The Grattan Institute (sub. 70, p. 12) suggested that measures to boost supply be split out into a separate agreement:

- a 'National Homelessness and Social Housing Agreement' with a focus on protecting the vulnerable
- a 'National Housing Affordability Agreement' with a focus on reforms to boost supply and address policies that distort demand for housing.

The Grattan Institute (sub. 70, p. 12) argued that the current Agreement has failed against its commitments for affordable housing and an efficient and responsive housing market and a new dedicated Agreement is needed to focus attention on making housing cheaper and more accessible for Australians.

However, it is the Commission's view that the next Agreement should cover housing assistance and have a focus on improving the functioning of the housing market as a way to make housing more affordable for all Australians. This also aligns with the broad objective of improving access to affordable housing across the housing spectrum.

As noted by many participants, the NHHA explicitly excludes several non-housing policy areas, including income support, immigration and taxation. While these policy areas significantly affect housing, they have broader objectives beyond housing. It is not practicable for non-housing policies to be included in the next Agreement. However, governments need to consider all policy levers when considering how to address housing affordability and supply. These policies should be considered as part of the National Plan (section 5.2).

Roles and responsibilities should be clearer

The roles and responsibilities articulated in the current Agreement are largely administrative (chapter 4). In the next Agreement, the roles and responsibilities of different levels of government should better reflect the complex nature of housing and the shared responsibility the Australian, State and Territory Governments have to improve housing and homelessness outcomes. It should also be clear which governments are

responsible for progressing specific Agreement reforms and actions, with details included in bilateral agreements or other schedules where necessary.

Some participants argued that local governments should be included in the next Agreement (CHIA, sub. 74, p. 16). For example, Master Builders Australia said:

Consideration should be given to the inclusion of local governments as parties to the next NHHA in order to incentivise improvements with respect to planning, development and building approvals as well as infrastructure contributions. (sub. 64, p. 3)

The Commission is recommending that State and Territory Governments set housing targets for their main urban areas and work with local governments to meet the targets (recommendation 13.3). This could involve State Governments providing financial support to local governments for meeting housing targets, or transferring responsibility for approving development assessment applications to independent panels. This approach gives State Governments the flexibility to tailor approaches to addressing particular barriers to supply in each location.

The next Agreement should be clear on the role of local government. However, it is the Commission's view that local governments should not be parties to the Agreement, because State and Territory Governments are ultimately responsible for delegated local government responsibilities, such as implementing land use planning rules.

The Agreement needs principles for delivering housing assistance

Housing assistance in Australia is not provided in a consistent way, leading to poorer outcomes. For example, while some assistance, such as CRA, aims to make housing more affordable for low-income households, other assistance, such as home ownership support, can make both owning and renting housing more expensive. This increases the risk of housing stress and homelessness (chapters 6 and 10).

Governments should provide housing assistance in a way that achieves the best outcomes from the limited housing assistance dollars. The next Agreement can help achieve this by including a set of principles on how assistance should be provided. The principles should also provide direction for future reforms.

The housing assistance principles should promote equity, choice of housing, economic and social participation and targeting of scarce funding to people in need. Housing assistance also needs to be sufficient to enable households to access adequate housing while still being able to afford essential items.

The Commission has suggested a set of principles (figure 5.2), but the Australian, State and Territory Governments should determine and agree to a set of principles for the next Agreement.

Applying principles for housing assistance should see governments reassess their priorities and the design of housing assistance programs. For example, the principles generally align better with housing assistance that is provided directly to people, rather than to providers.

To compare different types of housing assistance, governments need to know the full costs and benefits of each. However, the current approach to performance monitoring and reporting does not facilitate such comparisons. The next Agreement should:

- encourage more transparency about the full costs and benefits of different housing assistance approaches through the new performance monitoring and reporting framework (discussed below)
- focus on building the evidence base to allow a comparison of value for money and outcomes for people who receive housing assistance (section 5.3).

Figure 5.2 – Suggested principles for housing assistance

Sufficient	Fair	Effective
 <p>People receiving assistance can access housing that meets their needs</p>	 <p>Assistance is targeted to people most in need</p>	 <p>Assistance is flexible and tailored to individual circumstances</p>
 <p>Household incomes after paying for housing costs are sufficient to cover other essential items (such as food, clothing and health care)</p>	 <p>People in the same circumstances are treated in the same way</p>	 <p>Assistance is delivered in a timely way</p>
		 <p>Assistance responds to changes in need over time</p>
		 <p>Assistance supports social and economic participation</p>
		 <p>Assistance delivers the best use of taxpayers' dollars</p>

Outcomes should also be person centred

In the next Agreement, the outcomes could be improved by shifting the focus away from systems to improving outcomes for people across tenure types (including homelessness, social housing and the private rental market). For example, rather than having outcomes focused on an effective homelessness service system and a well-functioning social housing system, they could focus more directly on improving outcomes for people experiencing or at risk of homelessness and people in social housing. The outcomes should also cover improved outcomes for people in the private rental market.

In addition:

- the outcome 'improved housing outcomes for Indigenous Australians' should be revised to align with the National Agreement on Closing the Gap (chapter 11)
- an outcome on improving housing outcomes for groups who are at higher risk of homelessness should be added
- 'improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes' is not a housing outcome. And it will be achieved through other parts of the next Agreement, including the new performance monitoring and reporting framework (discussed below). It should be removed from the list of outcomes.

Including an outcome to improve housing outcomes for groups at higher risk of homelessness, supported by relevant performance indicators and reporting (section 5.3) against which governments can be held to account, will mean that priority cohorts (and associated outputs) will not be required in the next Agreement.



Recommendation 5.4

Outcomes in the next Agreement should focus on people, not systems

The outcomes in the next Agreement should focus on improved outcomes for people across all tenure types. In addition:

- the outcome 'improved housing outcomes for Indigenous Australians' should be revised to align with the National Agreement on Closing the Gap
- an outcome on improving housing outcomes for groups at a high risk of homelessness should be added
- the outcome 'improved transparency and accountability in respect of housing and homelessness strategies, spending and outcomes' should be removed.

The Agreement should have a clear reform agenda

Rather than including 'priority' areas that State and Territory Governments are required to address in their housing and homelessness strategies, the Australian, State and Territory Governments should commit to progressing specific reforms under the next Agreement.

The Commission's suggested list of reforms and activities to be progressed under the next Agreement include:

- scaling up early intervention and prevention and Housing First-type responses (chapter 6)
- accelerating the shift to longer-term contracts for homelessness service providers, and offering more flexible and, where appropriate, funding for homelessness support that is not time limited (chapter 6)
- implementing the recommendations from the CRA review (chapter 9)
- trialling portable rental assistance across social and private rental housing (chapters 7 and 9)
- winding back support for home buyers (chapter 10)
- setting targets for new housing supply in major urban areas (chapter 13)
- undertaking a study into the unmet need for homelessness support and a stocktake of current homelessness services (chapter 6)
- undertaking stocktakes of housing, stock quality and need for Aboriginal and Torres Strait Islander people (chapter 11)
- committing to commissioning a housing Targeted Action Plan under Australia's Disability Strategy (section 5.4)
- establishing a National Committee on Aboriginal and Torres Strait Islander Housing to work with governments to develop the Aboriginal and Torres Strait Islander housing schedule (chapter 11).

Outputs should be clearer

While the State and Territory Government housing and homelessness strategies and the bilateral agreements are valuable outputs, the others are not effective, or are already covered by other parts of the Agreement (chapter 4).

- The statements of assurance are of limited value and will not be required once a more comprehensive performance monitoring and reporting framework is developed (discussed below).
- The Data Improvement Plan, through which the Australian, State and Territory Governments contribute to data improvements, has a limited work program and the next Agreement will need a more comprehensive Plan (section 5.3).

- The requirement for State and Territory Governments to match the Australian Government homelessness funding is already covered under Financial Arrangements. It does not need to be included as an output, and the next Agreement may not need a matching requirement (discussed below).

In addition, in the next Agreement base funding should not be tied to outputs (discussed below).

Better funding arrangements are needed

A single funding pool for housing and homelessness services

Funding under the NHHA is split into four streams — general, homelessness, Social and Community Services (SACS) general and SACS homelessness funding. While general funding can be allocated to social housing and homelessness services, the homelessness funding must be spent on homelessness support.

Having separate funding streams does not align with the Federation Funding Agreements Principle on budget autonomy and flexibility:

New agreements will provide states with budget autonomy and flexibility, where practical, to deliver services and infrastructure in a way that they consider will most effectively and efficiently improve outcomes for Australians. (Australian Government 2022d)

In addition, the total spend on homelessness across jurisdictions significantly exceeds the homelessness funding component, meaning that the requirement for State and Territory Governments to match homelessness funding is not binding (chapter 6).

The next Agreement should have a single stream of funding that State and Territory Governments can allocate to where it is most needed.

SACS funding should be ongoing

Given that the Equal Remuneration Order has resulted in permanently higher wages, the SACS funding should be provided on an ongoing basis and rolled into the general funding under the Agreement. This is also consistent with the Federation Funding Agreements Principle that 'new agreements that fund ongoing services will provide states with funding certainty where possible' (Australian Government 2022d).

This approach was supported by participants.¹ For example, Mission Australia said:

Part of funding the delivery of housing and homelessness services is sufficiently covering the remuneration of a highly skilled frontline workforce. The ERO Federal supplement in the NHHA is critical to help progressively meet the 45% increase in wages that was decided by the Fair Work Commission in the Social, Community and Disability Services Industry Equal Remuneration Order 2012. This needs to be an ongoing payment, as it reflects the true staffing cost involved with service delivery and must be incorporated in future base grant funding. (sub. 88, p. 13)

¹ For example, cohealth, sub. 37, p. 5; Homelessness Australia, sub. 62, p. 5; Jesuit Social Services, sub. 49, pp. 7–8; NSW Government, sub. 69, p. 21; SA Housing Authority, sub. 58; Shelter WA, sub. 98, p. 3; St Bart's, sub. 84, p. 9; Tasmanian Government, sub. 100, p. 9; Victorian Government, sub. 97, p. 21.

Funding should be allocated between jurisdictions based on need

Allocating funding between jurisdictions based on population and the distribution of homelessness in 2006 results in funding not going to where it is most needed (chapter 4). Many participants called for funding to be allocated based on need (box 5.2).² For example, the Northern Territory Government said:

The current funding model based on population share is not sufficiently calibrated to appropriately direct resources to areas of greatest need. With only one per cent of Australia's population residing in the Northern Territory, it accounts for 12 per cent of Australia's homeless population. A new funding model would be more effective in assisting the Northern Territory to address overcrowding and homelessness challenges, predominantly impacting Aboriginal Territorians. (sub. 104, p. 4)

Box 5.2 – Participants supported needs-based funding

YWCA Canberra:

Future adjustments to the NHHA should deliver a model where Commonwealth funding is distributed by the relative needs of each jurisdiction rather than population size. (sub. 18, p. 4)

Southern Homelessness Services Network:

NHHA funding for homelessness services should reflect the actual demand for assistance including for complex clients with longer term support needs and expand funding to meet demand in outer metro/growth areas. (sub. 29, p. 5)

National Shelter:

The level of payment distributed to jurisdictions should include a needs-based formula component for jurisdictions where the unmet needs is impossible to meet within current resource allocations. This payment should be made without reducing payments from current levels in any jurisdiction. (sub. 38, pp. 7–8)

NT Shelter:

NT Shelter, the Northern Territory Government and the City of Darwin are in agreement that the level of funding provided under the NHHA is inadequate and that the next iteration of the NHHA needs to deliver a model where distribution of Commonwealth funding is driven by the relative needs of each State and Territory rather than their population size. (sub. 59, p. 14)

Katherine Women's Information and Legal Service:

The Northern Territory continues to experience extremely high rates of domestic, family, and sexual violence. Homelessness in the Northern Territory is also experienced at higher rates than the rest of Australia, per percentage of our population. To address the high levels of need experienced in the NT, Commonwealth funding distribution must be considered on a needs base, rather than by population. (sub. 85, p. 12)

² For example, Anglicare Australia, sub. 61, pp. 12–13; DCLS and NAAFLS, sub. 89, p. 3; Queensland Government, sub. 27; Jesuit Social Services, sub. 49, pp. 7–8; Launch Housing, sub. 36, p. 7; Mission Australia, sub. 88, p. 14; St Vincent de Paul Society National Council of Australia, sub. 57, p. 2; Tasmanian Government, sub. 100, p. 10; Western Australian Government, sub. 99, p. 5.

It was also a recommendation of the Inquiry into Homelessness in Australia (HRSCSPLA 2021b, p. xxi).

Some participants also argued the different cost of delivering services across jurisdictions should be considered (AHCWA, sub. 7, p. 3; Queensland Government, sub. 27, p. 3). Shelter WA said:

The cost of building and maintaining housing stock varies significantly between regions and states. For instance, Western Australia incurs substantially higher costs in servicing remote communities and more geographically dispersed populations. Housing and homelessness service providers have also raised with us significant concerns around increasing challenges and costs associated with finding and housing workers in regional and remote locations. As such, both NHHA general funding components should include loading based on the increased cost to deliver housing and services in regional and remote locations. (sub. 98, p. 11)

The Commission recommends that the Australian, State and Territory Governments commission the development of a new model for determining the distribution of funds across jurisdictions that takes into account the relative need for housing and homelessness services and the different costs of providing services, before the next Agreement commences. This task could be given to an independent party such as the Commonwealth Grants Commission or an expert group.

Changing the distribution of funding without changing the overall quantum would mean that some jurisdictions would lose funding. This could flow on to a reduction in funding for services and poorer outcomes for people. Transitional arrangements and possibly an increase in all governments' funding for housing and homelessness services will be needed to smooth the shift to a needs-based method.

Base funding should be untied

While some study participants (for example, Master Builders Australia, sub. 64) said funding should be conditional on outcomes, State and Territory Governments argued that funding should be untied (ACT Government, sub. 95, p. 4; NSW Government, sub. 69, p. 21; Queensland Government, sub. 27, p. 16; Victorian Government, sub. 97, p. 19; Western Australian Government, sub. 99, p. 2).

Untied funding is consistent with the Federation Funding Agreements Principle on budget autonomy and greater flexibility (discussed above). Untied funding gives State and Territory Governments the flexibility to deliver services that best meet the needs of their communities.

It is the Commission's view that base funding under the next Agreement should not be conditional. The requirements under the current Agreement for the State and Territory Governments to deliver outputs and under the *Federal Financial Relations Act 2009* (Cth) for State and Territory Governments to have housing and homelessness strategies to be eligible for funding should be removed.

That said, conditional funding may be an appropriate option in some cases, such as where funding is contestable.

The requirement for State and Territory Governments to match homelessness funding may also be unnecessary. While matched funding is an appropriate way to encourage increased spending in important areas, it is unlikely to lead to increased funding for homelessness, given State and Territory Governments already spend significantly more on homelessness services than the requirement.



Recommendation 5.5

Base funding should be untied and distributed according to need and the cost of delivering services

In the next Agreement, there should be a single pool of Australian Government housing and homelessness base funding. Homelessness funding and funding for increased wages under the Equal Remuneration Order in the Social, Community, Home Care and Disability Services Award should be considered ongoing and included in the general housing and homelessness base funding.

Australian Government funding should be allocated across jurisdictions according to need and the cost of providing services. The Australian, State and Territory Governments should commission the development of a new model for determining the distribution of funds across jurisdictions.

Base funding should be untied. The requirements under the current Agreement for the State and Territory Governments to deliver outputs and under the *Federal Financial Relations Act 2009* (Cth) for State and Territory Governments to have housing and homelessness strategies to be eligible for funding should be removed.

The Agreement should align with other policy areas

Housing intersects with many other policy areas, including family and domestic violence, health, justice, disability, superannuation, taxation and Aboriginal and Torres Strait Islander policy. Improvements in housing and homelessness outcomes will lead to improved outcomes in these areas and vice versa. However, the NHHA does not outline how it aligns with other agreements and policy documents (chapter 4).

Several participants argued that the next Agreement should articulate its relationship to other policy areas (for example, AAEH, sub. 51, p. 5; AMA, sub. 78, p. 2; HAAG, sub. 90, p. 3; Shelter WA, sub. 98, p. 17; SA Housing Authority, sub. 58, p. 9).

Policy overlaps should be recognised. The next Agreement should articulate how it aligns and interacts with other relevant agreements and policy documents. This should include (but not be limited to):

- The National Agreement on Closing the Gap
- Australia's Disability Strategy 2021–2031 (and the recommended housing targeted action plan)
- the National Mental Health and Suicide Prevention Agreement
- the National Plan to End Violence Against Women and Children 2022–2032.

Comprehensive performance monitoring and reporting

The NHHA's performance framework is not holding governments to account. As discussed in chapter 4, there are gaps in the performance indicators, some indicators are poor, there are no targets, and reporting is limited and patchy.

The Australian, State and Territory Governments should develop a new performance monitoring and reporting framework. The framework should include:

- well-designed targets
- a comprehensive set of output and outcome performance indicators
- regular public reporting by an independent body.

The framework could cover not just the next Agreement, but also the National Plan. Having a comprehensive framework that includes targets, indicators and reporting on both the Agreement and the Plan will:

- allow for a holistic assessment of governments' performance in improving housing and homelessness outcomes, especially where the Agreement and Plan cover the same areas
- minimise duplication and reporting burden for governments.

Implementing this framework will require improved housing and homelessness data and evidence. This is discussed in section 5.3.

Targets would incentivise reform and improve accountability

Targets can incentivise reform as well as provide transparency and accountability to the community (PC 2020f). Many participants argued that the next Agreement should include targets to measure performance against and to improve transparency and accountability (Mission Australia, sub. 88, p. 8; Infrastructure Victoria, sub. 14; Uniting Vic.Tas, sub. 25, WHN, sub. 41, AHURI, sub. 52).

A range of possible areas for targets were suggested (box 5.3).

Box 5.3 – Targets suggested by study participants

Participants suggested numerous possible targets.

- Reducing homelessness (BeyondHousing, sub. 11, p. 2; Mission Australia, sub. 88, p. 8; Uniting Vic.Tas, sub. 25).
- Reducing the duration of homelessness (WHN, sub. 41, p. 24).
- Increasing housing in Aboriginal and Torres Strait Islander communities (Uniting Vic.Tas, sub. 25).
- Increasing the proportion of the housing stock that is affordable (Believe Housing Australia, sub. 31, p. 3; Bridge Housing, sub. 50, p. 3; Mission Australia, sub. 88, p. 8; Shelter NSW, sub. 76; Uniting Vic.Tas, sub. 25; WHN, sub. 41, p. 24).
- Increasing the social housing stock (ACOSS, sub. 73, p. 3; Believe Housing Australia, sub. 31, p. 3; Bridge Housing, sub. 50, p. 3; CCCLM, sub. 53, p. 3; cohealth, sub. 37, p. 5; Mission Australia, sub. 88, p. 8; Shelter NSW, sub. 76; Uniting Vic.Tas, sub. 25; WHN, sub. 41, p. 24).
- Fewer people on low-incomes in rental stress (Mission Australia, sub. 88, p. 8).
- Support for home buyers on low incomes (WHN, sub. 41, p. 24).
- Transfer of public housing to the community housing sector (Bridge Housing, sub. 50, p. 4; Mission Australia, sub. 88, p. 8).

Targets need to be well designed, achievable and measurable. A theory of change should explain how government policies will contribute to the achievement of targets (PC 2020f).

The new performance monitoring and reporting framework should include a set of targets, which can be achieved through government policies and actions. The Commission has not proposed a set of targets (or performance indicators). These should be agreed to by the Australian, State and Territory Governments, in consultation with experts and people with lived experience of homelessness or housing stress.

Performance indicators should be comprehensive

There are a range of issues with the indicators in the current Agreement, including:

- some do not align well with the objective and outcomes
- some are unable to be reported against due to data limitations
- there are gaps in the coverage of indicators (chapter 4).

The new performance monitoring and reporting framework should include a comprehensive set of performance indicators to measure the performance of the Agreement, the Plan and other policy areas. These indicators should provide as complete a picture as possible of people's housing and homelessness experiences.

Concurrently the NHHA must be overhauled to include performance indicators that will measure our nation's progress towards providing safe, accessible and sustainable housing for all people in need of a home ... (NCOSS, sub. 54, p. 2)

The LGAQ recommends the scope of the national performance indicators of the NHHA be reviewed and updated to ensure these are fit-for-purpose, measurable and more directly aligned with the objective and outcomes of the NHHA. (LGAQ, sub. 63, p. 4)

The Commission has not recommended the indicators for the new performance monitoring and reporting framework. As with the targets, they should be agreed to by governments and with input from stakeholders.

The selection of indicators should be guided by the criteria for selecting and evaluating performance indicators in chapter 4 (box 4.4) and the IGA FFR principles for the data underlying the indicators (box 5.4). Similar to targets, indicators need to be clearly attributable to government actions. Some called for the development of logic models to determine outcomes and indicators.

The basis of a robust and effective performance monitoring and reporting framework is the development of a Theory of Change with clear short-, medium- and long-term outcomes of the Agreement. ... Currently there is a focus on long-term structural factors influencing housing and homelessness. The framework could be strengthened by the development of additional non-housing short and medium-term indicators to measure the outcomes of the Agreement. (Mission Australia, sub. 88, p. 25)

Measures should appropriately reflect the factors that states and territories have control over at the jurisdictional level. The development of logic models could help determine short-term, medium-term and longer-term outcomes, which would better show the flow from outputs to state-level outcomes to national outcomes. Indicators should be aligned to the logic model rather than a long list of performance indicators in the NHHA. (Northern Territory Government, sub. 104, p. 10)

Where possible, each area should have outcomes-based indicators measuring the effect different policies have on people. Participants advocated for greater use of outcomes indicators. For example, the SA Housing Authority said:

The performance reporting for future agreements should consider the inclusion of outcome focused indicators rather than indicators that primarily measure outputs. This approach has value in effectively demonstrating the return on investment arising from NHHA funding and in ensuring that customer and vulnerable cohort needs are being appropriately met, and in turn further the desired agreement outcome for improved transparency and accountability. Investment will be required by the Commonwealth to support jurisdictions to transition to outcome-based reporting for the establishment of systems and other resources. (sub. 58, p. 40)

Box 5.4 – IGA FFR principles for performance indicators

Schedule C of the Intergovernmental Agreement on Federal Financial Relations sets out an agreed set of principles for the data underlying performance indicators.

- **Meaningful** — to improve public accountability, data must be reported in a way that is meaningful to a broad audience, many of whom will not have technical or statistical expertise, and validly measures what it claims to measure;
- **Understandable** — the data will be accessible, clear and unambiguous so that the community can come to its own judgements on the performance of governments in delivering services;
- **Timely** — to be relevant and enhance accountability, the data published will be the most recent possible — incremental reporting when data becomes available, and then updating all relevant data over recent years, is preferable to waiting until all data are available;
- **Comparable** — data must be comparable across jurisdictions and over time — where there are no comparable data for a particular performance indicator, the Parties will work together with assistance from technical experts to develop common definitions, counting rules and measurement standards so that data can be provided on a comparable basis;
- **Administratively simple and cost effective** — the costs involved in collecting data will be proportionate to the benefits to be gained from the resulting information;
- **Accurate** — data published will be of sufficient accuracy so that the community has confidence in the information on which to draw their analysis; and
- **Hierarchical** — high-level performance indicators should be underpinned by lower level (more detailed but consistent) performance data where a greater level of sector specific detail is required for other purposes.

Output-based indicators should also be included. Output-based indicators show what supports were delivered, as opposed to the effects that supports had on people. Output-based indicators are particularly useful where the link between policies and outcomes is less direct. For example, homelessness support may affect labour market outcomes, but labour market outcomes are influenced by a range of factors, such as individuals' skill levels. The Western Homelessness Network argued that output indicators are important in homelessness as homelessness services cannot influence many of the factors that affect homelessness:

Homelessness services are 'process' services. The focus of homelessness services is on appropriate case management practice, which enables individuals to move towards their goals ... homelessness services do not control the key factors that will impact outcomes for consumers, such as access to affordable housing or an adequate income. (sub. 41, p. 24)

Comprehensive public reporting

Good reporting on performance improves transparency and helps to ensure governments are held to account. There should be regular public reporting on governments' performance in improving housing and homelessness outcomes. At a minimum, this should include:

- regular public reporting of data against all indicators, such as through a dashboard
- an annual report.

The annual report should provide a comprehensive picture of housing and homelessness in Australia. It should not only report on governments' progress against the performance indicators and targets, but also provide:

- analysis and commentary on governments' performance
- what governments are doing to improve outcomes, including information on programs and reforms
- expenditure on programs
- qualitative evidence from key stakeholders, including people with lived experience of homelessness or housing stress.

An independent body at arm's length from the implementation of housing policy and programs should be responsible for undertaking the performance monitoring and reporting functions. It is important that the body is independent because:

- real or perceived conflicts of interest could damage its credibility
- separating monitoring and reporting from policy and program implementation facilitates clear mandates for each function and clear obligations to deliver
- monitoring and reporting functions require a different organisational culture and skill set to policy and program implementation.

One option is to establish a body to undertake performance monitoring and reporting on all national agreements and other significant policy areas. The COAG Reform Council was established to undertake a similar function, however it was disbanded in 2014. The Commission also raised this option in its review of the National Agreement on Skills and Workforce Development, which encountered similar issues identifying an independent body that could monitor and report on progress:

Where similar accountability issues exist across other sectors, particularly those with National Agreements expected to be reviewed by the Productivity Commission, the opportunity for an independent body to undertake reporting across all National Agreements could be considered. (PC 2020f, p. 178)

Another option is to give the task to a housing-specific body. The National Housing Finance and Investment Corporation (soon to be Housing Australia) undertakes housing research, which could be a complementary function to the performance monitoring and reporting, and it has an independent board. However, its role in administering the Australian Government's first home buyer support means it is unlikely to be sufficiently independent.

The role could be given to the proposed National Housing Supply and Affordability Council (box 5.5). It is expected to be made up of independent experts, and given its proposed research, analysis and reporting functions, tasking it with performance monitoring and reporting could be a good fit. However, it may also not be fully independent, given its 'home' will be Housing Australia. Whether it is sufficiently independent will depend on the relationship between the Council and Housing Australia. For example, it could be appropriate for Housing Australia to play a secretariat role for the Council. However, there is limited public information about the proposed governance arrangements for the Council and Housing Australia.

Other independent bodies, such as the Australian Institute of Health and Welfare, the National Competition Council and the Productivity Commission, could also support the Council to undertake performance monitoring and reporting, by providing data and other information, undertaking analysis and/or reporting.

Box 5.5 – National Housing Supply and Affordability Council

In July 2022, the Australian Government announced it would establish a National Housing Supply and Affordability Council. The Council will include experts from fields such as finance, economics, urban development, residential construction, urban planning and social housing. The Council is expected to:

- set land supply targets in consultation with State and Territory Governments
- collect and publish on a regular basis nationally consistent data on housing supply, demand and affordability. This includes the volume and price of land, material costs, availability of labour, training schemes, enabling infrastructure and time taken to navigate planning and development processes
- advise on ways to improve land use planning and land supply, which will boost national productivity and improve housing affordability
- report on the release of government-owned land
- report on rental affordability and homelessness
- report on the number of new social and affordable homes being built annually and advise on ways to boost the construction of social and affordable housing
- advise on appropriate housing measures to be included in all current and future City and Regional Deals
- undertake any other research into areas it considers affect housing supply and affordability
- help develop the National Housing and Homelessness Plan.

Source: AHURI (2022d); Collins (2022b).

The Australian, State and Territory Governments will need to provide information to the body on their performance at least annually, including data for the performance indicators, information on expenditure and information on government programs and reforms. However, comprehensive reporting and the requirements on governments need to be balanced with the administrative burden of this work, and the independent body should use publicly available information where possible.

Consideration should be given to the administrative impost of duplicative NHHA reporting requirements and note that limitations in the data available to evaluate the NHHA to date have been outside the control of states and territories ... Queensland seeks that reporting requirements minimise duplication, better harness existing reporting and minimise the administrative impost of the NHHA. (Queensland Government, sub. 27, p. 4)



Recommendation 5.6 Performance monitoring and reporting framework

The Australian, State and Territory Governments should develop a new performance monitoring and reporting framework to cover the performance of governments under the next Agreement and the National Plan.

An independent body should be responsible for monitoring and reporting progress against the next Agreement. This could be a body set up to undertake monitoring and reporting across all national agreements or an independent council supported by a secretariat for monitoring and reporting progress for the next Agreement.

The performance monitoring and reporting framework should be a schedule to the next Agreement.

A ministerial council is essential

There has been no joint ministerial oversight of housing and homelessness policy for some time. Until recently, the housing and homelessness ministers had not met since 2017 (Kurmelovs 2022). And the Housing and Homelessness Ministers' Meeting was formally disbanded after the Conran Review of COAG Councils and Ministerial Forums (Australian Government 2022c; Conran 2020).

Many participants argued that a ministerial council is important for improving collaboration, innovation and outcomes across all housing and homelessness policy and for improving the effectiveness of the next Agreement (ACOSS, sub. 73, p. 3; Anglicare Australia, sub. 61, p. 8; CHIA, sub. 74; CFRC, sub. 87; Homelessness Australia, sub. 62, p. 3; SA Housing Authority, sub. 58, p. 39). The Australian Housing and Urban Research Institute, for example, said:

The reduction in formal intergovernmental structures has adversely impacted open dialogue between the states and the Commonwealth government. Reintroduction of the ministerial council and the supporting intergovernmental committees is likely to benefit not only NHHA governance arrangements, but policy coordination and innovation in the challenging areas of housing and homelessness. (sub. 52, p. 14)

State and Territory Governments also supported the re-establishment of a ministerial council (NSW Government, sub. 69, p. 6; Queensland Government, sub. 27, p. 17; Tasmanian Government, sub. 100, p. 10; Victorian Government, sub. 97, p. 17; Western Australian Government, sub. 99, p. 5).

The ministerial council of housing and homelessness ministers from each jurisdiction should be re-established to oversee the development and implementation and ongoing operation of the Agreement and Plan. Ministers responsible for planning and construction should also be included in meetings when discussion crosses into these areas. The Australian Local Government Association could also be invited to observe meetings where discussions are relevant to local governments.



Recommendation 5.7 A ministerial council

A council — made up of housing and homelessness ministers from each jurisdiction — should be established to oversee the next Agreement and the National Plan.

5.2 The National Housing and Homelessness Plan

The Australian Government has announced it will develop a National Housing and Homelessness Plan (Collins 2022a). The Plan is expected to:

... set out the key short, medium and longer term reforms needed to make it easier for Australians to buy a home, easier to rent, and put a roof over the heads of more homeless Australians. (ALP 2022c)

Participants to this study overwhelmingly advocated for a national strategy.³ A strategy was considered necessary to:

- provide a clear strategic direction for tackling homelessness and housing — housing and homelessness are considered national problems, and many called for the Australian Government to provide leadership on these issues
- to provide an overarching framework for the NHHA
- bring all stakeholders together
- clearly define roles and responsibilities
- encourage collaboration between all levels of government and between housing and other relevant policy areas
- improve transparency and accountability.

Across the OECD, national housing strategies are an important pillar of housing systems governance (box 5.6). Twenty-seven OECD countries had a national housing strategy in place in 2021 (OECD 2021d). The United Nations Economic Commission for Europe identified several reasons for having a national housing strategy, including:

- creating a framework for promoting common good and resolving conflicts
- clarifying the role of various stakeholders
- bringing together information and expertise from various areas
- informing and stimulating public discussion and debate
- providing momentum for reform
- providing direction and defining the scale of the direction required
- defining tangible and feasible actions (UNECE 2021).

Box 5.6 – Examples of international housing and homelessness strategies

A Place to Call Home: Canada's National Housing Strategy

A Place to Call Home, Canada's first ever National Housing Strategy, was introduced in 2018 and commits \$40 billion (CAD) over 10 years to housing programs and initiatives (Fotheringham et al. 2019, p. 6; Government of Canada nd, p. 4). The strategy takes a rights-based approach to housing, and among other things, introduces new initiatives and establishes a National Housing Council with diverse

³ AAEH, sub. 51, p. 6; ACOSS, sub. 73; ACT Government, sub. 95, p. 10; ACT Shelter and ACTCOSS, sub. 65, pp. 3–4; AHURI, sub. 52; ALGA, sub. 30, p. 2; AMIDA, sub. 67; Anglicare Australia, sub. 61; Anglicare Southern Queensland, sub. 28; Believe Housing Australia, sub. 31, p. 3; BeyondHousing, sub. 11, p. 1; Bridge Housing, sub. 50; CCCLM, sub. 53; CHIA, sub. 74; CFRC, sub. 87; cohealth, sub. 37, p. 5; CHL, sub. 5; Darren McGhee, sub. 68; DCLS and NAAFLS, sub. 89, p. 10; EHSSA, sub. 22; ERA and WPI, sub. 32; GCYS, sub. 71; HAAG, sub. 90, p. 4; Homelessness Australia, sub. 62; HNSW, sub. 40; HIA, sub. 66; Housing Older Women Movement, sub. 101; Jesuit Social Services, sub. 49, p. 6; JSS, sub. 39, p. 1; Launch Housing, sub. 36; LGAQ, sub. 63; McAuley Community Services for Women, sub. 24; MCM, sub. 23, p. 6; Mental Health Australia, sub. 17; Mission Australia, sub. 88, p. 7; National Shelter, sub. 38; NCOSS, sub. 54; Neami National, sub. 34, pp. 1–2; NLASN, sub. 6; NSW Government, sub. 69; Physical Disability Council of NSW, sub. 45; PowerHousing Australia, sub. 82; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, p. 5; Safe and Equal, sub. 19; Sarah Nelson, sub. 96, p. 10; Shelter NSW, sub. 76; Shelter Tas, sub. 91, p. 2; Shelter WA, sub. 98, p. 4; SHSN, sub. 29; SYFS, sub. 80; St Bart's, sub. 84; St Vincent de Paul Society National Council of Australia, sub. 57; Tasmanian Government, sub. 100, p. 7; The Salvation Army, sub. 42; Torres Shire Council, sub. 20; Uniting Vic.Tas, sub. 25; VPTA, sub. 8; WHN, sub. 41; YWCA Canberra, sub. 18.

Box 5.6 – Examples of international housing and homelessness strategies

representation to provide ongoing input into policy, programming and research related to the Strategy. The strategy also sets out six targets:

- 530 000 households removed from housing need
- 100 000 new housing units created
- 300 000 existing housing units repaired and renewed
- 385 000 community housing units protected and another 50 000 units created
- 300 000 households provided with affordability support through the Canada Housing Benefit
- a 50 per cent reduction in the estimated number of shelter users who are chronically homeless.

Alongside the strategy, the *National Housing Strategy Act* (2019) was introduced, which requires the Canadian federal government to maintain a National Housing Strategy and report to Parliament on housing targets and outcomes (Government of Canada 2022c).

Reaching Home: Canada's Homelessness Strategy

Reaching Home was launched in 2019 and supports the National Housing Strategy. It is a community-based program providing funding to urban, Indigenous, rural and remote communities to address local homelessness needs (Government of Canada 2022a). In addition, Reaching Home:

- takes an outcomes-based approach
- expands the program's reach by identifying new communities
- addresses Indigenous homelessness
- addresses homelessness in the territories
- introduces a more coordinated and systems-based approach to addressing homelessness (Government of Canada 2022b).

Housing to 2040: Scotland's National Housing Strategy

Housing to 2040 is Scotland's first national housing strategy. It was launched in March 2021, following more than two years of community consultation (Scotting Housing News 2021; Scottish Government nd). Its overarching aim is that 'by 2040, everyone will have a safe, high-quality home that is affordable and meets their needs in the place they want to be' (Scottish Government nd, p. 15). Actions to achieve this are set out under four broad themes:

- more homes at the heart of great places
- affordability and choice
- affordable warmth and zero emissions homes
- improving the quality of all homes.

The strategy also sets out how it aims to contribute to Scotland's National Performance Framework.

What should the Plan do?

The Plan should provide a long-term roadmap for housing and homelessness reform. It will require all governments working together. Many participants commented on the role a national plan could play coordinating efforts across governments. For example, Mental Health Australia said:

An agreed national strategy would better coordinate efforts between state and territory governments and the Australian Government in improving access to affordable housing. Further, the Australian Government has responsibility for many policies and programs which significantly influence Australians' access to affordable housing, which currently sit outside the NHHA. A national housing and homelessness strategy could provide a framework for coordination across government portfolios, as well as between jurisdictions, towards ensuring access to affordable housing for all Australians. (sub. 17, p. 4)

The Plan should take into account all policies affecting housing and homelessness. This includes both policies covered in the next Agreement and those that sit outside — taxation, income support, population and immigration policies, infrastructure policy, tenancy legislation, construction regulation and financial sector regulation.

The Plan is an opportunity to get a complete picture of the policies governments have in place. A mapping exercise could provide useful insights on the costs, benefits and consistency (or otherwise) of policies. Like the next Agreement, the Plan will also need to align, and discuss how it will interact, with related policy areas, including family and domestic violence, health, substance use, justice and child protection.

Stakeholders should be involved in developing the Plan. Many participants to this study highlighted the importance of bringing together stakeholders, including all levels of government, people with lived experience of homelessness and housing stress, service providers, the private sector, peak bodies and advocacy groups when developing and implementing the Plan.⁴ Mission Australia, for example, said:

A national housing and homelessness strategy should be developed through consultation with all levels of government, people who have lived experience and expertise, the not-for-profit sector which is responsible for most service delivery, relevant industry sectors, researchers and other experts. (sub. 88, p. 4)

The Plan should focus on addressing the systemic factors that lead to housing stress and homelessness, including factors that are outside the scope of the NHHA. The Plan should also cover how the outcomes for key groups can be improved, including women, children and young people, older people, Aboriginal and Torres Strait Islander people, people experiencing family and domestic violence, people with mental and physical ill-health, people with disability, people exiting institutional settings and care and people from culturally and linguistically diverse backgrounds.

The Plan should be long term, as reform will take time. A number of participants suggested a 10-year strategy (BeyondHousing, sub. 11, p. 1; MCM, sub. 23, p. 6; NLASN, sub. 6, p. 3; Uniting Vic.Tas, sub. 25, p. 1; SHSN, sub. 29, p. 4). The Commission considers this timeframe to be appropriate.

⁴ For example, LGAQ, sub. 63; Neami National, sub. 34; SA Housing Authority, sub. 58; SHSN, sub. 29; SYFS, sub. 80.

How could the Plan and Agreement fit together?

The National Plan should be the overarching document, and the narrower Agreement the key avenue for implementing parts of the Plan. Participants supported this approach.

If the NHHA were to keep its distinctiveness as a discrete agreement with a long history, it could be considered a tool by which funding is distributed under a National Housing Strategy, which would provide the policy umbrella, driver and coordination role. (Anglicare Southern Queensland, sub. 28, p. 3)

The next National Housing and Homelessness Agreement would ... sit under the National strategy and be focussed on funding aspects of its implementation. The NHHA would continue to provide funding for affordable housing and homelessness services, with a range of improvements ... (Launch Housing, sub. 36, p. 3)

We propose that the Agreement operate within the framework of a 10 year national housing strategy concerned with the full spectrum of housing including homeownership and private rental, and also issues that touch on all housing supply, such as sustainability, resilience to natural disasters and climate change, connections with urban infrastructure programs and so on. (CHIA, sub. 74, p. 6)

The Australian Government has indicated that the Plan is likely to be developed first, and it has offered the State and Territory Governments an additional year of funding under the NHHA (Collins 2022d). During the transition to the National Plan and the next Agreement, governments will need to ensure that services have funding certainty. Developing the National Plan should not prevent governments from progressing reforms, including:

- trialling portable rental assistance (recommendation 7.1)
- reviewing CRA (recommendation 9.2)
- phasing out grants and stamp duty concessions provided to first home buyers (recommendation 10.1)
- State and Territory Governments putting in place housing and homelessness strategies for improving outcomes for Aboriginal and Torres Strait Islander people (recommendation 11.2)
- State and Territory Governments setting land supply and housing targets and revising their planning and zoning regulations (recommendations 13.1–3)
- commissioning an independent review of the construction industry (recommendation 14.1).

5.3 Building the evidence base

Housing policy should be informed by evidence. Evidence can provide insights on both the scale of housing and homelessness problems in Australia and the effectiveness of policies and interventions. A sound evidence base provides the foundation for an effective housing and homelessness agreement.

However, the quality of the Australian housing evidence base is mixed.

- Data on governments' performance against the current Agreement are patchy (chapter 4). There is also no performance analysis to understand the various forces at play and how they interact to result in the observed outcomes.
- The coverage and quality of housing and homelessness data are mixed. For example, the Specialist Homelessness Service Collection is an invaluable source of information on Australia's specialist homelessness services. The Report on Government Services also provides some information on housing affordability, social housing and homelessness services, but some data are not comparable across jurisdictions. And there are some indicators that do not have measures developed or complete reporting.

Expenditure data provided through statements of assurance are of limited use and do not allow comparisons of the full costs of providing different forms of housing assistance.

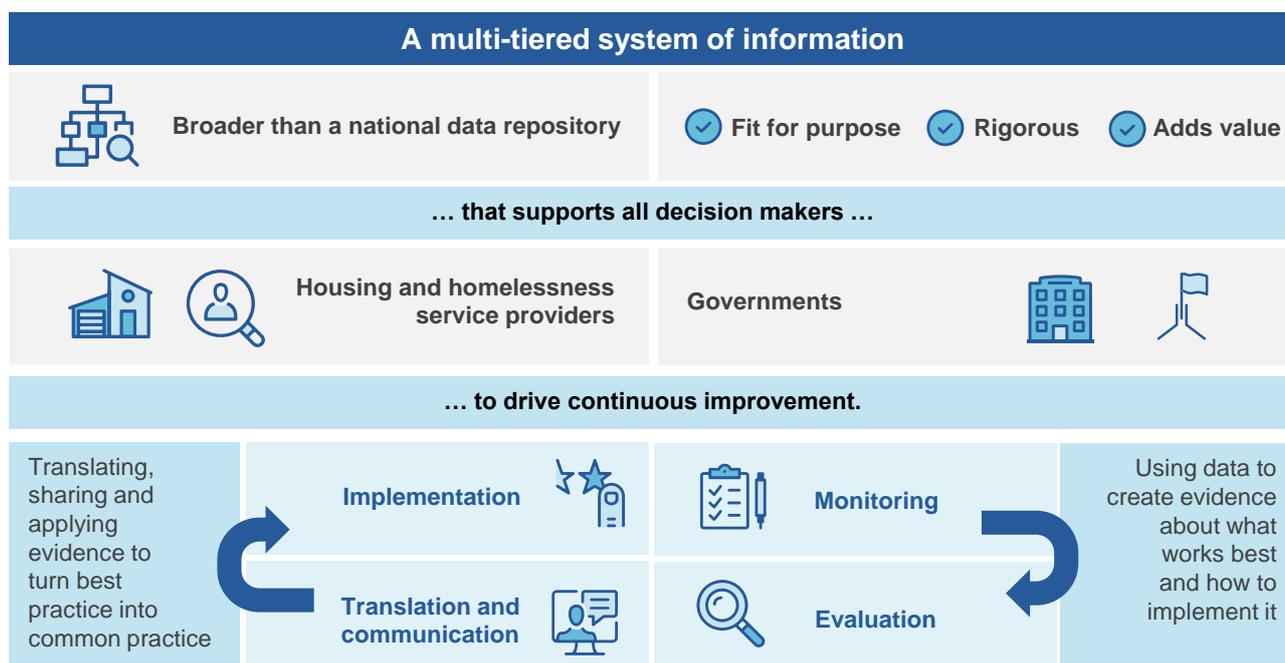
- Some Australian housing research is useful and of high quality — for example, linked data have been used to investigate homelessness outcomes and the effect of homelessness support (chapter 6). And research by the Australian Housing and Urban Research Institute into the housing experiences of Aboriginal and Torres Strait Islander people fills an important gap in the evidence base, including the lived experience of Aboriginal and Torres Strait Islander people.
- Some housing programs have publicly available evaluations, mostly completed by university research centres or consultants. But the evaluations are of mixed quality — while some evaluations use controlled studies, others do not have a control group or are mostly qualitative. And many programs are not evaluated. For example:
 - the Queensland Audit Office (2022, p. 12) found that the Queensland Department of Communities, Housing and Digital Economy has not evaluated the success of initiatives allowing applicants on the social housing register to apply for private rental support. As a result, the Department has been unable to assess the effectiveness of these initiatives, or have confidence that applicants receiving assistance still require social housing
 - many departments said in consultations that they had not evaluated the success of their home ownership support programs.

The data to be collected and research to be undertaken by the proposed National Housing Supply and Affordability Council (box 5.5) should help to address some of the gaps in the evidence base.

What makes a good evidence base?

An effective evidence base is a multi-tiered system of information that supports all decision makers to drive continuous improvement (figure 5.3). It should have relevant, accessible and high-quality information, and allow decision makers to take effective action to support their objectives (PC 2016b, p. 52). The Commission previously articulated a set of principles to guide the development of an effective evidence base (box 5.7).

Figure 5.3 – What is an effective evidence base?



Box 5.7 – Principles to guide development of a housing evidence base

- A housing evidence base should be a broad system of information that meets the varied needs of decision makers within the housing system.
- It should provide decision makers with data and evidence of a suitable quality to be useful and reliable in informing judgments.
- It should support a cycle of improvement in housing outcomes (with respect to stated objectives), through four interconnected processes:
 - monitoring (tracking progress against objectives)
 - evaluation (assessing efficacy and value for money of policies, programs and practices)
 - translation and communication (communicating evidence in a form that is usable for decision making)
 - implementation (practitioners applying evidence to inform their decisions about policies, programs and practices, and making a difference to outcomes).
- It should generate net value (in excess of the costs incurred in collecting and processing data, and creating, sharing and using evidence).

Source: Based on PC (2016b, p. 57).

Improving performance data

The NHHA provides for a Data Improvement Plan (DIP) which was intended to improve the quality of housing data in Australia. However, as discussed in chapter 4, the 2019-23 DIP is focused on a narrow set of performance indicators, and progress has been slower than expected. State and Territory Governments did not see the value of some performance indicators and were unwilling to invest extensively in changes to their data infrastructure to collect new performance data.

The Commission is recommending that the next Agreement include a new, comprehensive performance reporting and monitoring framework (recommendation 5.6). The next DIP should support the development of data against the performance indicators in this framework and ensure that data is available for all performance indicators. Ideally, the performance indicators in the new framework would be of value to both the Australian, and State and Territory Governments (and of sufficient value that State and Territory Governments are prepared to invest in changes to their data systems). However, recognising that the new performance framework will be the result of a negotiation process, the Australian Government should contribute to the costs of changes to State and Territory Governments' data infrastructure if it insists on performance indicators that States and Territories do not consider useful for tracking outcomes. Given the interconnectedness of the housing market and the importance of housing supply, however, States and Territories should not consider performance indicators to be irrelevant simply because they do not relate directly to social housing or homelessness services.

In addition to improving performance data, the next DIP should also (as originally intended):

- provide for new data resources
- improve existing housing and homelessness datasets
- identify opportunities to link Australian and State and Territory Government datasets.

This could include work that would allow data to be collected on the full costs of different forms of housing assistance.

An improved DIP may require more funding than the \$9.6 million provided under the current NHHA. However, the emphasis for a new DIP should be on informing progress against a meaningful performance framework — which would provide the Australian, State and Territory Governments with an incentive to invest in data development — rather than on the total amount spent on data improvement activities and how this is split between the different levels of government.



Recommendation 5.8 **A more comprehensive Data Improvement Plan**

The Australian, State and Territory Governments should ensure that the 2023–28 Data Improvement Plan (DIP) develops data for all performance indicators in the new performance monitoring and reporting framework (recommendation 5.6). The DIP should also identify improvements to existing housing and homelessness datasets, develop new datasets to address gaps in the housing evidence base and identify opportunities to link data sets. The Australian and State and Territory Governments should ensure that the DIP is sufficiently funded to carry out this work.

Rethinking the National Housing Research Program

The National Housing Research Program (NHRP) is a research grant program delivered by the Australian Housing and Urban Research Institute (AHURI) — a not-for-profit organisation that funds, conducts and disseminates research on housing, homelessness, cities and related urban research. Governments contributed \$3.7 million to the NHRP in 2020-21, with half this amount covered by the Australian Government and the remainder split between States and Territories (AHURI 2014a, 2021a, p. 22).

The NHRP supports research that fulfils the AHURI Research Agenda, developed by AHURI in consultation with government, academic and industry representatives (AHURI 2022a). Only researchers from AHURI partner universities⁵, which pay an annual participant fee to AHURI, can submit research proposals and lead research projects (AHURI 2021c, 2021a, p. 22, 2022b, p. 1). Grant allocations are made by the AHURI Limited Board after proposals are ranked by the NHRP Research Panel, which includes representatives from academia, industry and government (AHURI 2022b, p. 15–26).

After the research has been conducted, it is submitted to the AHURI Editorial Board, which conducts peer reviews on a double-blind basis. Approved research is published in the AHURI Final Report journal series (AHURI 2022c).

With eligibility for NHRP grants restricted to researchers from AHURI partner universities, there is a risk that higher-value proposals from researchers at non-partner universities and other institutions are excluded. NHRP funding should be made more contestable, with researchers from any institution able to submit applications for grants.

The grant allocation process should also be modified to ensure that the research conducted better reflects governments' priorities. Final decisions about which applications are awarded grants should sit with an intergovernmental working group rather than the AHURI Limited Board, although the working group should continue to be advised by the NHRP Research Panel to ensure academic validity.

⁵ There are currently nine AHURI partner universities: Curtin University, Monash University, RMIT University, Swinburne University of Technology, University of Adelaide, University of South Australia, University of New South Wales, University of Sydney, and University of Tasmania (AHURI 2021b). Each partner university houses an AHURI Research Centre.

AHURI could still have partner universities for the purpose of building capacity in housing research. However, its ability to charge partner universities annual participant fees will depend on whether universities see the value in these activities.



Recommendation 5.9

More contestable National Housing Research Program funding

The Australian, State and Territory Governments should widen eligibility for funding under the National Housing Research Program to researchers beyond those from the Australian Housing and Urban Research Institute's (AHURI) partner universities. Governments should also have greater control over the grant allocation process, which is currently with AHURI.

Establishing a 'what works' centre

Ultimately, the goal of building an effective evidence base is to understand what works, and to disseminate this information so it can be applied to policy and practice.

There is currently no mechanism to bring together the various parts of the housing evidence base and draw together insights. And, to the extent that government departments are conducting evaluations but not making them public, the lessons from evaluations are not being widely shared.

A what works centre could improve the use of evidence by governments and housing providers by periodically taking stock of the evidence base. It could also act as a publicly accessible repository of evaluations.

A what works centre could also assess the quality of evaluations as part of the stocktake. The quality of evaluation matters — poor-quality evaluations can produce misleading results and lead to wasteful programs being continued (PC 2020b). Having a body with the explicit role of assessing evaluations could lift the bar on the quality of evaluations.

A number of other policy areas have 'what works' centres. For example, in 2014, Australia's National Research Organisation for Women's Safety was established under the *National Plan to Reduce Violence Against Women and their Children 2010–2022* (ANROWS 2022). The 'what works' role in housing policy could be performed by AHURI, or another evidence body.



Recommendation 5.10

A 'what works' centre to draw together insights and disseminate evidence

The Australian, State and Territory Governments should establish a 'what works' centre for housing policy to gather, and make accessible, evaluations on housing policies and programs, and pull together insights from the housing evidence base. The centre could be established within an existing institution such as the Australian Housing and Urban Research Institute, or the proposed Housing Australia.

5.4 A targeted action plan under Australia's Disability Strategy

People with disability have worse housing and homelessness outcomes than the general population. And there is little evidence that the NHHA has led to improved outcomes for people with disability (chapter 4).

Australia's Disability Strategy 2021–2031 (DSS 2021a) aims to improve the lives of people with disability and includes 'inclusive homes and communities' as one of its seven outcomes (box 5.8).

Box 5.8 – Australia's Disability Strategy — Inclusive Homes and Communities

Australia's Disability Strategy 2021–2031 includes an outcome that states 'people with disability live in inclusive, accessible and well-designed homes and communities. This outcome has six priority areas, two of which are directly relevant to this study. These each have outcomes and measures underneath them.

Policy priority 1 — Increase the availability of affordable housing

Access to affordable, safe and long-term housing underpins a person's sense of home and their ability to participate in their communities. For people with disability to have choice about where to live and with whom, a range of housing options are required, including public and community housing, private rental and home ownership.

Key outcomes:

- Social housing supports people with disability to live in secure housing.
- A reduction in people with disability in housing stress.

Key measures:

- Average wait time for social housing for people with disability.
- Percentage of households with at least one person with disability in lowest 40% income whose housing costs exceed 30% of household income.

Policy priority 2 — Housing is accessible and people with disability have choice and control about where they live, who they live with, and who comes into their home

Accessible and well-designed housing supports independence and social and economic participation. Increasing the availability of accessible housing provides choices on where to live, who to live with, and enables people with disability to visit, socialise and connect with neighbours, family, and friends. Improved take up of universal design principles will support people regardless of age or disability to live in their home through all stages of their lives.

Key outcomes:

- Social housing is accessible.
- Newly constructed housing is accessible.
- Increase in people with disability who live in suitable and accessible housing.

Key measures:

- Percentage of social housing dwellings that meet Livable Housing Design silver accessible standards.

Box 5.8 – Australia’s Disability Strategy — Inclusive Homes and Communities

- Number and percentage of homes that are built to standards according to the National Construction Code and the Livable Housing Design, Australian Building Codes Board Standard.
- Percentage of National Disability Insurance Scheme participants who are happy with current home.
- Percentage of people with disability whose home is suitable and accessible.

Source: DSS (2021a).

The Strategy has five targeted action plans covering employment, community attitudes, early childhood, safety and emergency management. Targeted action plans are commissioned and endorsed by disability ministers when additional targeted and coordinated actions by governments are required to improve outcomes. Targeted action plans are commissioned for one to three years and include specific actions the Australian, State and Territory Governments each agree to undertake. Progress under targeted action plans is reported annually (DSS 2022f).

In the next Agreement, the Australian, State and Territory Governments should commit to a housing targeted action plan under the Strategy.



Recommendation 5.11

Targeted action plan under Australia’s Disability Strategy

In the next Agreement, the Australian, State and Territory Governments should commit to commissioning a housing targeted action plan under Australia’s Disability Strategy 2021–2031, to improve the availability of affordable and accessible housing for people with disability.

Part B: Issues across the housing spectrum

6. Homelessness

Key points

- * On any night, over 100 000 people are homeless in Australia. Homelessness has devastating effects on people and imposes significant costs on the community.
- * In 2020-21, homelessness services supported almost 280 000 people who were homeless or at risk of homelessness. However, the system is crisis-oriented, demand for services is increasing, and every day about 300 people seeking help from homelessness services are turned away.
- * The funding provided through the National Housing and Homelessness Agreement (NHHA) is essential for homelessness services. Without it, more people would be homeless. However, the NHHA has not provided the policy framework to improve outcomes for people experiencing homelessness.
- * Homelessness is caused by many factors, including a lack of affordable housing, barriers to accessing services, family and domestic violence, people exiting institutions and care without adequate support, trauma, and mental and physical ill-health.
- * The next Agreement should drive reforms and improvements to the homelessness service system, and strengthen the governance, funding and data arrangements. The next Agreement should focus on:
 - prevention and early intervention, including more effective support for people leaving health and correctional facilities and care, young people at risk of homelessness, and people at risk of losing their housing
 - scaling up use of Housing First
 - moving to long-term funding for service providers and trialling flexible funding that allows services to provide a range of services to meet people's needs, for however long they are needed.
- * Governments should commit to a study into the unmet need for homelessness support and a stocktake of current services, to determine the appropriate level of funding for homelessness services.
- * Homelessness data should be improved under the next Agreement. The next Data Improvement Plan should focus on:
 - improving the way people who are homeless are identified in the Census and how overcrowding is measured
 - improving the consistency of the Specialist Homelessness Services Collection, improving service providers' access to data, streamlining the data collection process, and better capturing data on unmet need
 - making better use of existing homelessness data to understand outcomes, including by linking datasets and improving access to administrative data.

On any given night, more than 100 000 people in Australia are homeless. Homelessness can have devastating effects on people's mental and physical health, their safety and security, and their participation in society. As one participant told the Commission:

The issues of housing stress and homelessness have impacted every facet of my life in ways that have, at times, been beyond my understanding, let alone control. When you are in housing stress or you are at risk of or experiencing homelessness, you are in fight or flight/survival mode and you simply cannot be productive or participate within society to your full capability. Every ounce of your energy is spent just trying to get through the day. (Sarah Nelson, sub. 96, p. 1)

Homelessness also affects family and friends and imposes large costs on the wider community and governments.

The Australian, State and Territory Governments jointly fund and commission homelessness services. While these services help many people, many people who are homeless or at risk of homelessness do not receive support, or if they do, it is short term and/or does not meet their needs.

This chapter looks at the state of homelessness in Australia (sections 6.1 and 6.2), the effectiveness of the National Housing and Homelessness Agreement (NHHA) in preventing and addressing homelessness (section 6.3), how the NHHA could better contribute to preventing and addressing homelessness (section 6.4), and how to improve homelessness data (section 6.5).

6.1 Homelessness in Australia

Defining and measuring homelessness

Homelessness is difficult to define and measure, and views on what homelessness is vary (ABS 2012b). It is generally agreed in Australia and overseas that homelessness is more than just 'rooflessness' or rough sleeping (for example, Busch-Geertsema, Culhane and Fitzpatrick 2016; Homelessness Australia 2021). Homelessness can cover many situations where people are not in safe, secure and ongoing housing (for example, people in temporary accommodation or unsafe boarding houses, or sleeping rough).

In Australia, the two main homelessness definitions have been developed by the Australian Bureau of Statistics (ABS) and the Australian Institute of Health and Welfare (AIHW). The ABS defines homelessness as when a person does not have suitable accommodation alternatives and their living arrangement:

- is in a dwelling that is inadequate
- has no tenure, or has tenure that is short and not extendable
- does not allow them to have control of, and access to, space for social relations (ABS 2012b, p. 7).

This definition is used to estimate the prevalence of homelessness in Australia on Census night, which is the main source of homelessness estimates in Australia. In practice, the ABS has applied this definition by identifying six categories of homelessness. It includes people:

- living in improvised dwellings, tents, or sleeping out
- in supported accommodation for the homeless
- staying temporarily with other households
- living in boarding houses
- in other temporary lodgings
- living in 'severely crowded dwellings' (which is measured using the Canadian National Occupancy Standard (box 6.1)) (ABS 2012c, p. 9).

Box 6.1 – Canadian National Occupancy Standard

The Canadian National Occupancy Standard is a measure of overcrowding. A household is considered overcrowded if it does not meet the following requirements:

- There should be no more than two people per bedroom.
- Children under five years of different sexes may reasonably share a bedroom.
- Children who are five years or older of different sexes should have separate bedrooms.
- Children under 18 years and of the same sex may reasonably share a bedroom.
- Single household members 18 years or older should have a separate bedroom, as should parents or couples.

The ABS considers people to be living in severely crowded dwellings if the dwelling would require four or more bedrooms to meet the Canadian National Occupancy Standard.

Source: ABS (2012b, 2012c).

The AIHW defines homelessness for the purposes of the Specialist Homelessness Services Collection (SHSC), which includes information on people who seek support from specialist homelessness services (SHS). Under the AIHW definition, a person is homeless if they are living in either:

- non-conventional accommodation or sleeping rough (such as living on the street, sleeping in parks, squatting, staying in cars or railway carriages, living in improvised dwellings and ‘living in the long grass’)
- short-term or emergency accommodation due to a lack of other options (such as refuges, crisis shelters, couch surfing, living temporarily with friends and relatives, insecure accommodation on a short-term basis and emergency accommodation arranged by a specialist homelessness agency) (AIHW 2021b).

While the ABS and AIHW definitions are different, there are significant overlaps, and they capture many of the same people. The key difference is the AIHW definition does not include people experiencing severe overcrowding (section 6.5).

In addition to the Census and SHSC, other homelessness data sources include:

- Registry Week and Advance to Zero data — registry weeks involve counts of people experiencing homelessness in a particular geographic area. The Advance to Zero database includes data from some registry weeks conducted between 2010 and 2020 (AAEH, sub. 51, att. 1; Flatau et al. 2021, pp. 51–62)
- Journeys Home — a longitudinal study of almost 1700 people who were homeless or at risk of homelessness (Bevitt et al. 2015)
- data collected by service providers
- smaller-scale studies of homelessness and outcomes in particular cohorts (for example, Martin et al. 2021; Schetzer and StreetCare 2013).

Because of the nature of homelessness, it is difficult to measure. Homelessness is often hidden and transitory with many people cycling in and out of homelessness. Context also matters for determining whether someone is homeless. For example, a person living in a caravan because they cannot afford secure housing may be considered homeless, whereas a person living in a caravan in the backyard while their home is renovated may not be. As a result, the homelessness data sources in Australia have significant limitations, and probably underestimate homelessness. Section 6.5 discusses in more detail homelessness data limitations and how the data and reporting can be improved.

Who is homeless?

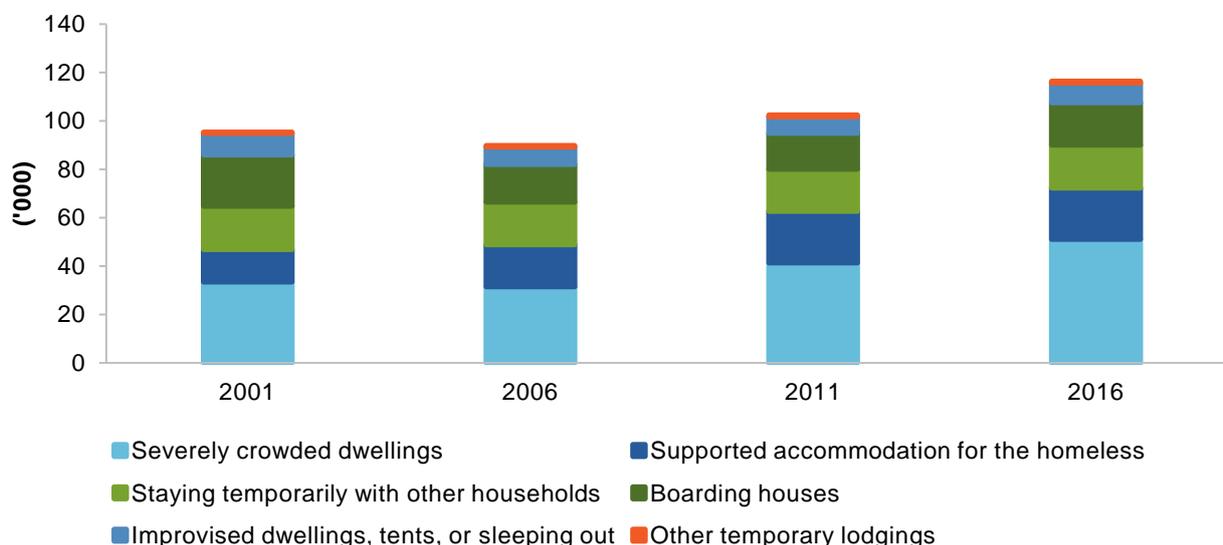
Many Australians have experienced homelessness. According to the 2019 *General Social Survey*, 2.2 million people had been without a permanent place to live at some point in their lives (ABS 2020a).

The number of people who are homeless on any given night is lower. On Census night 2016, more than 116 000 people (0.5 per cent of the population), or about 50 in every 10 000 people, were estimated to be homeless. This was up from 48 in every 10 000 people in 2011, but down from 51 in every 10 000 people in 2001 (ABS 2018a). Australia’s rate of homelessness is sometimes reported as high by international standards, but methodologies vary widely across countries, making comparisons difficult (OECD 2021b). The latest homelessness Census estimates will be released in early to mid-2023 (ABS 2022a).

In 2020-21, about 278 300 people were assisted by almost 1700 SHSs across Australia. About 111 100 people were homeless when they first presented to services and 144 500 were at risk of homelessness. And the status of about 23 000 was unknown. The number of people seeking support from SHSs each year has increased since 2011-12 when 236 000 people were supported (AIHW 2021d). However, this increase does not necessarily mean an increase in homelessness. People may be more willing to seek support and/or services may be more accessible.

While rough sleeping is the most visible and extreme form of homelessness, it is only a small proportion of total homelessness (figure 6.1). The most common form of homelessness is people living in severely crowded dwellings, followed by people in supported accommodation for the homeless and people staying temporarily with other households.

Figure 6.1 – Number of people who were homeless on Census night, 2001–2016



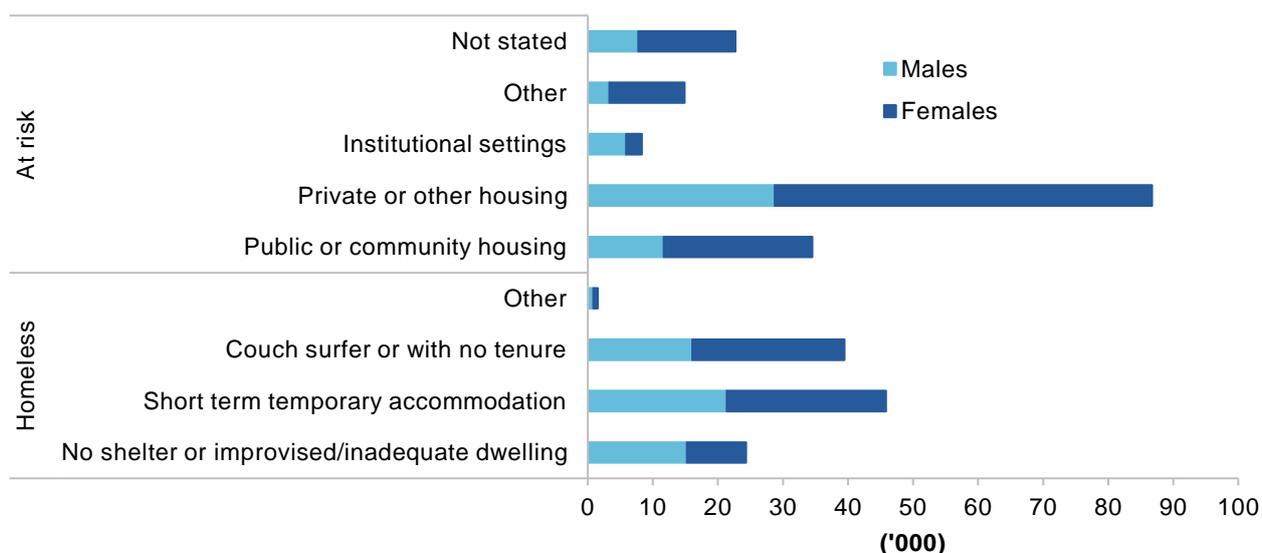
Source: ABS (*Census of Population and Housing: Estimating Homelessness, 2016*, Cat. No. 2049.0).

People in supported accommodation for the homeless increased over the period 2001 to 2016, while the number of people in improvised dwellings, tents or sleeping out and people in boarding houses declined. The increase in homelessness over time has been predominantly driven by the increase in people living in severely crowded dwellings (figure 6.1). People living in severely crowded dwellings now make up 44 per cent of the homeless population compared with 35 per cent in 2001. Aboriginal and Torres Strait Islander people are significantly overrepresented among people living in severely crowded dwellings at 253

in every 10 000 people, compared with 16 in every 10 000 people in the non-Indigenous population (ABS 2018a; AIHW 2019a).

Most people who were homeless and accessed SHSs in 2020-21 were in short-term temporary accommodation, or couch surfing or living in a dwelling with no tenure. Most people at risk of homelessness were living in private or other housing as a renter, owner or rent free (figure 6.2).

Figure 6.2 – Specialist homelessness services clients by tenure type, 2020-21



Source: AIHW (*Specialist Homeless Services 2020-21*, Data Tables, Cat. No. HOU 327).

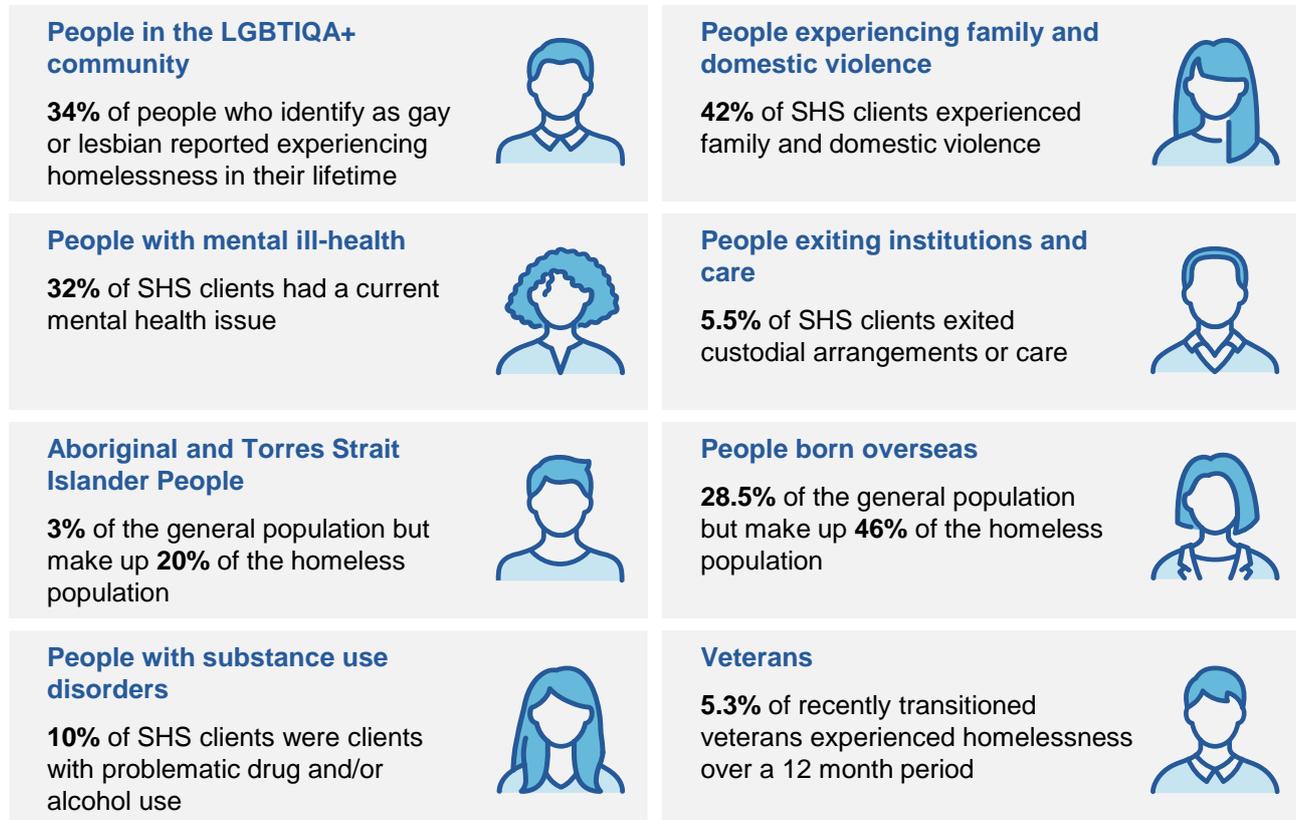
Some people, due to a range of individual and structural causes of homelessness (causes that often interact with each other) are more likely to experience homelessness than the general population (figure 6.3).

While estimates vary due to differences in methodology and the population being studied, many people experiencing homelessness experience it for long periods of time. According to the 2014 General Social Survey, 28 per cent of people's most recent experience of homelessness lasted six months or more (ABS 2015). And the median length of homelessness reported by Advance to Zero respondents was 1.5 years. Rough sleepers were homeless for significantly longer, with a median of 3 years (Flatau et al. 2021).

The evidence also shows that the length of time people experience homelessness depends on the factors that contributed to them becoming homeless. For example, people who experienced youth homelessness or had substance use issues are significantly more likely to experience long-term homelessness (Chamberlain and Johnson 2011).

However, just looking at the length of any spell of homelessness does not capture the full picture. People who are homeless commonly experience multiple spells of homelessness. Data from the Journeys Home study found that about 40 per cent of respondents who experienced homelessness had experienced more than one spell. Some people churn in and out of homelessness where they experience shorter periods of homelessness but experience it more often. This is particularly true for younger people and people who have been in institutions such as prison and juvenile detention (Bevitt et al. 2015).

Figure 6.3 – Some people are more vulnerable to homelessness



Source: ABS (2015, 2018a); AIHW (2021d); Kaleveld, Atkins and Flatau (2019); Van Hooff et al. (2019).

Homelessness is caused by a range of factors

Homelessness is caused by a range of complex individual and structural factors that often interact with each other. They can have a cumulative effect — experiencing more and more severe risk factors can lead to a greater chance of falling into homelessness (Beer, Baker and Lester 2014).

Individual causes

Many people who experience homelessness face, or have faced, difficult circumstances or have complex needs. Domestic and family violence, including as both a victim–survivor or a perpetrator, is one of the main causes of homelessness (ERA and WPI, sub. 32, p. 9; WHN, sub. 41). It is the most common reason for seeking support from SHSs (AIHW 2021d).

Domestic and family violence can lead to homelessness as the victim–survivors leave an abusive home out of concern for their safety or their children’s safety (Mission Australia 2019).

It is an extraordinary indictment on our society that, for many women and children, escaping the family home may free them from the violence and control that they have been experiencing, but frequently leads to extended periods of homelessness and serious intergenerational impacts for children and young people. (WHN, sub. 41, p. 23)

A compounding factor is a lack of financial resources because of the victim–survivor’s experience of financial abuse. Victim–survivors reported that their abusive partners would deny them access to financial resources

and prevent them from working, limiting their ability to secure housing (Kaspiew et al. 2017; Tually et al. 2008).

Similarly, family breakdown and conflicts can result in homelessness and is the leading cause of homelessness for young people and a major cause of homelessness for the LGBTIQ+ community. People in the LGBTIQ+ community experience high rates of homelessness because of family conflict and rejection of their sexual orientation or gender identity (McNair et al. 2017). Young people may run away from home, or be forced to leave, and resort to couch surfing as a consequence of poor family relations (Hail-Jares, Vichta-Ohlsen and Nash 2020).

People who are homeless commonly have poor mental health, trauma or substance use disorders. About 32 per cent of SHS clients in 2020-21 had a mental health issue, and 10 per cent of SHS clients had problematic drug or alcohol issues (AIHW 2021d). Mental ill-health, trauma, and substance use disorders can affect a person's ability to sustain their housing. It can also affect their ability to obtain or sustain employment and earn sufficient income to afford housing (Chamberlain and Johnson 2011; Johnson and Chamberlain 2008, 2011; PC 2020d).

In other cases, people may exit institutions and care into homelessness. For example, more than half of the people leaving prison (54 per cent) expect to become homeless when released (AIHW 2019c, p. 24). A common cause across institutions — including hospitals, prisons and juvenile detention, and out-of-home care — is inadequate pre-release and post-release planning. The Commission heard there is a lack of coordination, integration, and communication between services, which prevent people from receiving the support they need when they leave (RANZCP, sub. 12, p. 4; The Salvation Army, sub. 42, pp. 57–59). In particular, many young people who leave out-of-home care struggle and need support to live independently. However, leaving-care plans are often inadequate and not everyone has one (McDowall 2020, p. 31).

It is common for people who experience homelessness to experience multiple risk factors. Aboriginal and Torres Strait Islander people, for example, are overrepresented in the homeless population and most likely to experience severe social and economic disadvantage, with higher rates of family breakdown, family violence, substance use and mental ill-health than the general population (chapter 11).

Structural causes

While individual factors alone can cause a person to become homeless, often it is caused by the interaction between both individual and structural factors. For example, a person experiencing domestic and family violence could avoid homelessness if they could access crisis accommodation when leaving their home and transition into the private rental market if they had the financial resources.

Housing affordability is an important factor in the entry into and exit from homelessness. When housing is unaffordable, people can lose their homes due to non-payment and become homeless. Housing affordability stress is one of the most common reasons for seeking specialist homelessness services (AIHW 2021d). Bevitt et al. (2015) and Johnson et al. (2018) found that higher rents increase the probability and duration of homelessness. Housing stress also encourages people to live in overcrowded dwellings (CCCLM, sub. 53, p. 14; QFCC, sub. 75, p. 7; WHN, sub. 41, p. 5). A lack of affordable housing restricts people's housing options, prevents people from exiting homelessness, and raises a person's risk of becoming homeless from other causes of homelessness (HNSW, sub. 40; McAuley Community Services for Women, sub. 24, p. 14; Safe and Equal, sub. 19, p. 10; WHN, sub. 41).

People may also face barriers when accessing support. Two-thirds of people who have experienced homelessness reported not seeking support in their most recent period of homelessness (ABS 2015). They may be unaware that support is available or there may be a lack of housing and other resources to meet

their needs (Black and Gronda 2011). Migrants, people seeking asylum, Aboriginal and Torres Strait Islander people and people from culturally and linguistically diverse (CALD) backgrounds may also face language barriers or a lack of culturally appropriate services (Black and Gronda 2011; CMY 2010; Kaleveld, Atkins and Flatau 2019). LGBTIQ+ young people reported being discriminated against, harassed, insulted, physically threatened, and experiencing violence from accommodation service workers (Glance et al. 2021).

People who can afford to rent in the private rental market can still find it difficult to access safe and secure housing. Landlords select the tenants they perceive will protect their stream of rental payments and minimise any tenancy issues (Maalsen et al. 2021, p. 28). Some groups face discrimination in the private rental market as they are perceived to be high-risk tenants, including younger people, people with disability, victim-survivors of family and domestic violence, people with a criminal record, older people, Aboriginal and Torres Strait Islander people, people from CALD backgrounds, recent migrants and people with mental illness (Maalsen et al. 2021; Schetzer and StreetCare 2013). Additionally, housing options may be limited due to a lack of housing that is appropriate for people with disability. For example, a person who uses a wheelchair may be unable to find accessible housing (AMIDA, sub. 67).

Having sufficient income enables a person to afford safe and secure housing. However, some groups of people may find it more difficult to obtain employment than others. For example, migrants, asylum seekers and refugees may experience challenges with learning English, adjusting to the Australian culture and separating from their friends and families overseas. They may be starting anew with limited resources, education and experience, have unrecognised qualifications, lack local experience, or experience discrimination in the labour market (CMY 2010; Kaleveld, Atkins and Flatau 2019).

People on income support are at greater risk of becoming homeless. The main source of income for most SHS clients are either the JobSeeker payment, parenting payment or disability support pension (AIHW 2021d). People who receive these payments in New South Wales are 5–7 times more likely to seek homelessness services than the general NSW population (DCJ (NSW) 2021b, p. 58). There is also a lack of rental properties that are affordable for people on different forms of income support payments. Anglicare Australia (2022) found that out of 45 992 rental listings:

- 51 were affordable to a single person on the disability support pension
- 61 were affordable to a single person on the parenting payment with one child under five years, which decreased to 20 if the child was aged 5–9 years
- just one was affordable to a single person on youth allowance, which was a share house
- only seven were affordable to a single person on JobSeeker.

Natural disasters can also displace people from their homes and lead to homelessness. Natural disasters place additional pressure on homelessness services, which are already constrained by limited resources and can prevent the existing homeless population from receiving support (LCLSIC 2021, p. 7). For example, the Victorian bushfires in 2020 and recent floods in New South Wales and Queensland displaced thousands of Australians from their homes (Neami National, sub. 34, p. 5; NSW Government, sub. 69, p. 8). These natural disasters are increasingly likely to occur due to climate change and will continue to strain Australia's homelessness system (GHAG, sub. 77, p. 4; SYFS, sub. 80, p. 1).

The combination of these structural causes can lead to a person becoming homeless from a single event:

'You need to give more help. I lost my job because of my health and now I am losing my home because I don't have enough money. Rent is too high and my Centrelink doesn't cover all my costs.' (WHN, sub. 41, p. 1)

Outcomes of homelessness

Homelessness can be devastating for people who experience it, and it can have a significant effect on family, friends and the wider community (box 6.2).

Box 6.2 – Participants’ insights on the impacts of homelessness

cohealth:

We now also know how important safe and stable housing is for children’s development and wellbeing. There is substantial and growing evidence of the impact of homelessness on children. The instability and chaotic nature of homelessness can have profound effects on a child’s physical health, psychological development and academic achievement. A critical impact on children is disrupted schooling, which in turn can increase the risk of homelessness in adulthood. (sub. 37, p. 4)

Equality Rights Alliance and Women’s Property Initiatives:

‘I made 18 moves ... informal ‘rentals’, living with friends, staying with my son, and a spell in a caravan park ... and the toll on both my physical and mental health was huge.’ — Marie from Brisbane, aged 63. (sub. 32, p. 7)

NT Shelter:

... it is well established that severely overcrowded housing is one of the most important factors in the transmission of preventable infectious diseases, and increased prevalence of chronic illness within households. This is especially the case for Aboriginal communities in the Northern Territory, where there is a high burden of disease generally. In particular, there is a high incidence of disease associated with poverty and generally not found elsewhere across Australia including, but not limited to, acute rheumatic fever (ARF) and rheumatic heart disease (RHD), trachoma, scabies and otitis media. There is also a higher incidence of other illness which results in disproportionately higher rates of hospital admissions for gastroenteritis and other conditions. (sub. 59, p. 5)

Western Homelessness Network:

‘It was the hardest time I have been through in my life and there should be more support and help for people that find themselves in this situation; it could happen to anyone.’

‘How can I get a job if I cannot go to school and cannot have a safe home?’

‘When you are homeless you never feel safe, who will hit you or where you are. When you have a government house, you feel safe even if you have no food.’ (sub. 41, p. 1)

Outcomes for individuals

Homelessness is associated with many poor health, social, justice and economic outcomes. For example, people who experience homelessness, particularly those who sleep rough, experience various diseases, chronic conditions and other physical health conditions at much higher rates than the general population (figure 6.4).

Figure 6.4 – Physical illness among Advance to Zero respondents compared with the general population^a

Asthma		2.7x
Cancer		4.4x
Diabetes		2.1x
Heart disease, arrhythmia or irregular heartbeat		3.3x
Hepatitis C		26x
HIV/AIDS		13x

a. These numbers are the prevalence among Advance to Zero respondents relative to the prevalence among the general population.

Source: Flatau et al. (2021, pp. 90–91); The World Bank (2022).

People who experience homelessness also have higher mortality rates and significantly lower life expectancy. Studies of the mortality of rough sleepers in England and the United States found that they died about 30 years earlier on average than the general population (O’Connell 2005; Thomas 2012). Evidence from Canada indicated that people living in marginal housing — including shelters, rooming houses and hotels — experienced a life expectancy up to 13 years lower than the general population (Hwang et al. 2009). Australian evidence is limited, but according to Wood and Vallesi (2021), at least 50 rough sleepers in Perth died in 2020. They were 48 years old on average. Studies identify factors including suicide, homicide, disease and chronic medical conditions, mental ill-health and substance use as causes of the early deaths.

People who are homeless have high unemployment rates and relatively low labour force participation rates (ABS 2018a; AIHW 2021d). Unsurprisingly, this flows through to lower incomes with income support payments being the main source of income for 81 per cent of SHS clients aged over 15 years (AIHW 2021d). There are various barriers to securing employment, including a lack of social support, difficulty in maintaining hygiene, discrimination in the labour market, and an inability to afford transport (Swami 2018, p. 3). While many can eventually find employment, the jobs are often low paying and they face difficulties maintaining their employment, particularly if their performance is affected by issues such as substance use and mental ill-health (Mavromaras et al. 2011, pp. 11–12; Swami 2018, p. 7).

Homelessness is also associated with poorer justice outcomes. The visibility of rough sleeping results in rough sleepers being approached by street police at higher rates than the non-homeless population (Baldry et al. 2003). And people who are homeless may turn to crime. ‘Survival offending’ by shoplifting food may be necessary to physically survive and squatting may be necessary to obtain reasonable shelter from nature. Crimes may also be committed to fund their substance use. Rough sleepers often live in a public space, which makes them susceptible to public order offences such as trespassing and public urination (Payne, Macgregor and McDonald 2015, p. 2).

‘It’s a very lonely place to be. The feeling of helplessness can be very depressing. Crime was my only financial option.’ (WHN, sub. 41, p. 33)

Offenders who are released from prison without secure housing have higher rates of recidivism and imprisonment (Payne, Macgregor and McDonald 2015, p. 2). In some cases, they may even reoffend to seek food and shelter in prison (Martin et al. 2021, p. 40).

There are also safety issues due to the lack of safe and secure housing. People who are homeless are more vulnerable to becoming victims of violence and other crime. Over two-fifths of Advance to Zero respondents — including 55 per cent of people sleeping rough — reported that they had been attacked or beaten up since becoming homeless (Flatau et al. 2021, p. 122). One UK study found that people who were homeless were 47 times more likely to fall victim to theft and about one-tenth of those interviewed reported they had been urinated on while sleeping (AIC 2008; Newburn and Rock 2005). Women who are homeless can also be vulnerable to sexual exploitation (McAuley Community Services for Women, sub. 24, p. 18).

People may stay in unsafe environments to avoid homelessness, such as living with a violent partner. A quarter of women reported that the main reason for not leaving their violent partner was due to a lack of money or financial support. About one in five women returned to their current violent partner because they had no money or financial support, or had nowhere else to go (ABS 2017b).

The Commission also heard that some people are provided with crisis accommodation that is unsafe (CCCLM, sub. 53, p. 12; McAuley Community Services for Women, sub. 24, p. 18; NLASN, sub. 6, p. 4; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, p. 16; WHN, sub. 41, p. 13). In a survey of users of emergency accommodation, some women reported fearing violence and rape, and 'one woman reported a rape in emergency accommodation' (Northern & Western Homelessness Networks 2019, p. 5).

Because of the traumatic nature of homelessness and the poor outcomes that people who are homeless experience, it is unsurprising that the experience of homelessness often causes people to experience mental ill-health or trauma, or develop substance use disorders to cope with their difficult circumstances. Johnson and Chamberlain (2011) found that 16 per cent of people who were homeless developed mental health issues after becoming homeless. And almost 30 per cent of people who were homeless developed substance use problems after becoming homeless (Johnson and Chamberlain 2008).

Intergenerational homelessness

Homelessness can be intergenerational. The Intergenerational Homelessness Survey found that 48.5 per cent of people who were homeless reported that at least one of their parents had been homeless at some point in their life. Importantly, many respondents reported that their parents experienced many of the key causes of homelessness, including family breakdowns and conflict, problematic substance use, mental ill-health and incarceration (Flatau et al. 2013).

This affects the environment in which their children are raised. Many of the survey respondents reported experiencing abuse, family breakdowns, or having mental ill-health and substance use disorders themselves, which substantially raised their risk of becoming homeless. 57 per cent of respondents reported that they had run away from home at least once during childhood or adolescence and about half of respondents reported that they had couch surfed before the age of 18 years (Flatau et al. 2013).

Outcomes for the community

Homelessness is not only damaging to the person experiencing homelessness; there are also significant impacts on the wider community.

There are costs incurred in both tackling homelessness and because of homelessness. These costs include providing specialist homelessness services and social housing, as well as the administrative costs

associated with delivering these services. According to the Report on Government Services, State and Territory Governments spent \$1.2 billion in 2020-21 on specialist homelessness services (discussed below).

And homelessness imposes costs on other government services, including health, justice, education and income support services (PC 2020d). A number of studies have attempted to quantify the cost of homelessness:

- A study estimated the costs of youth homelessness to be \$626 million each year (MacKenzie et al. 2016).
- Zaretsky and Flatau (2013, p. 101) estimated that the average client of homelessness services used \$29 450 more in other government services than the population, on average, each year (2010-11 dollars). This included costs to health (\$14 507), justice (\$5906), income support (\$6620), out-of-home care (\$2342) and evictions (\$75).
- Baldry et al. (2012) estimated that the lifetime cost of homelessness to government services ranged from \$900 000 to \$5.5 million per person.
- In Western Australia, the annual cost of delivering medical services to people who are homeless was estimated at \$119 million, with another \$10 million to women and children made homeless due to domestic violence. These costs exceed the total funding for homelessness services under the NHHA (Western Australian Government, sub. 99, p. 6).
- SGS Economics and Planning (2022, p. 33) estimated that the cost of unmet housing need (housing stress and homelessness) to the community will reach \$25 billion per year by 2051 in present value terms, through higher health, education and crime costs and lower productivity.

These costs can be saved through policy interventions that prevent and reduce homelessness. However, because homelessness is complex and interconnected with a wide range of issues, reforms are required not only in the homelessness sector, but also across the broader housing market, labour market, mental health sector, justice system, and other sectors (section 6.4).

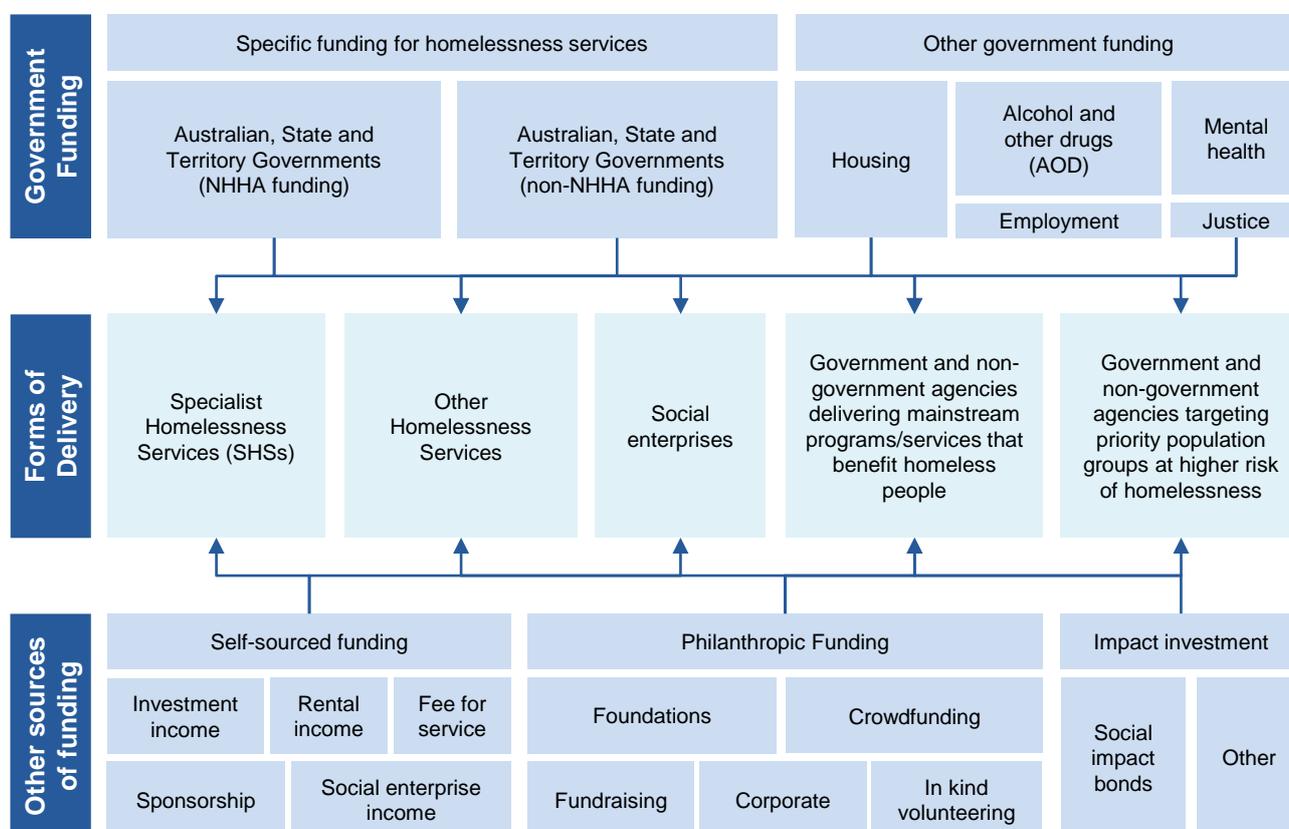
The homelessness service system

Governance and funding of the homelessness service system

The Australian, State and Territory Governments have joint responsibility for homelessness funding and policy. State and Territory Governments are primarily responsible for the administration and delivery of homelessness services, although the Australian Government directly administers some homelessness programs. Homelessness services are primarily funded by the Australian, State and Territory Governments, but there is also funding from non-government sources, including philanthropic funding (figure 6.5).

State and territory expenditure on specialist homelessness services totalled \$1.2 billion in 2020-21 (SCRGSP 2022b). Part of this expenditure is funded through the NHHA, including \$240 million, which must be spent on homelessness services.

About 15 per cent of SHS funding comes from non-government sources. The largest non-government source is funding received from the parent agency, which is estimated to contribute 8 per cent of total funding, followed by donations, sponsorships and philanthropy (3.6 per cent). There is increasing interest in new types of non-government funding such as social enterprise and social bonds but they represent a small amount of funding for SHSs (Flatau et al. 2016).

Figure 6.5 – Sources of funding for homelessness services in Australia

Source: Adapted from Flatau et al. (2017, p. 14).

Funding sources vary across jurisdictions. A recent study of funding in Western Australia found that homelessness services rely heavily on non-government funding. Government funding contributed less than half of total funding (45 per cent), while internal revenue contributed 39 per cent. Other sources of funding in Western Australia include donations and sponsorships (5.8 per cent), capital funding (3.6 per cent), funding from the parent agency (3.3 per cent), and in-kind support (1.5 per cent) (Shelter WA, sub. 98, att. 2, pp. 52–53).

Homelessness services

The States and Territories have their own homelessness service systems based on different models (box 6.3). There are almost 1700 SHSs in Australia and the number varies by jurisdiction — Victoria has the most agencies (635), 300 more than in New South Wales. The variation is partly due to the different service delivery models (AIHW 2021d; box 6.3). SHSs vary in size, with some assisting more than 1500 people each year, and others less than 100 people (AIHW 2021d).

SHSs provide a range of accommodation and other services. Accommodation services include short-term and emergency accommodation, medium-term or transitional housing, long-term housing, assistance to sustain tenancies, and assistance to prevent foreclosures or for mortgage arrears. Non-housing services include care coordination, counselling, advocacy, health, education and employment services, outreach support, brokerage and meals services (AIHW 2021d).

Box 6.3 – Homelessness service system models

State and Territory Governments use three types of homelessness service systems.

- *Central information management* — SHSs use central management information tools to manage the assessment of client needs, intake and referral. The tool supports the identification of appropriate services and indicates the availability of services across SHSs. Client information may be shared between providers upon referral.
- *Central intake and referral* — One or more central intake agencies manage the assessment of client needs, intake and referral. Central intake agencies prioritise client access to services and SHSs only refer clients as services are available. Central information management tools may be used to share information between central intake agencies and SHSs.
- *Community sector funding and support* — SHSs manage the assessment of client needs and intake in line with State or Territory policies. SHSs refer clients to other services where needed. There might also be a coordinating service that links clients to local SHSs. Coordinating services may also make an initial assessment of clients' needs but do not provide homelessness services directly.

Victoria, Tasmania and the ACT use a central intake model. Victoria's system 'Opening Doors' is a place-based system involving many different service providers across 17 local areas. In Tasmania, client intake and referral are managed through 'Housing Connect' using a 'front door' model, where two organisations offer front door services. In contrast, the 'OneLink' system is the only intake and referral provider in the ACT.

New South Wales, Queensland and South Australia use a central information management system that allows SHSs to conduct the assessment and referral of clients. New South Wales also allows assessment and referrals to be conducted by the Link2home information and referral service and the Domestic Violence Line.

Western Australia is the only state to use a community sector funding and support model.

Source: AIHW (2021d); SCRGSP (2018, 2022c).

SHSs vary in the type of support they provide and who they provide it to. Some services provide both housing and non-housing support to people who are homeless or at risk of homelessness. Others only provide specific services, or specialise in providing support to specific groups, such as young people or people experiencing family or domestic violence (AIHW 2021d).

SHS clients can experience different service pathways. People at risk of homelessness who present to SHSs may be referred to early intervention and prevention services, such as legal assistance, financial counselling, and family mediation (LCLSIC 2021). Ideally, people are provided with early intervention or prevention services before entering homelessness and subsequently secure long-term housing. However, this is not always possible (section 6.2). Where early intervention or prevention services are not provided, clients may instead be referred to crisis and/or transitional accommodation.

Crisis accommodation is short-term accommodation that is meant to house people for up to three months following an emergency. Following crisis accommodation, clients often move into transitional accommodation. In some cases, clients may be placed directly in transitional accommodation. While crisis accommodation focuses on housing clients immediately in the short term, transitional accommodation is short- to medium-term

(often up to two years). At the end of the period, clients are ideally assisted to live independently in long-term accommodation, including in social housing or the private rental market (LCLSIC 2021).

Service pathways are not one-directional, and clients do not always move neatly through crisis, transitional and long-term accommodation. Clients may leave their tenancy and exit the homelessness system, re-enter the system in a later period, or move 'backwards' in the service pathways (LCLSIC 2021). For example, a person who transitioned to living in a private rental may be evicted and require crisis or transitional accommodation again.

6.2 Issues in the homelessness service system

The important role that homelessness services play in improving homelessness outcomes was noted by many participants. For example.

... when properly resourced, the homelessness sector is able to produce good outcomes for people who present at services. (SYFS, sub. 80, p. 4)

The homelessness service system works extremely hard to maximise the housing and non-housing outcomes for people at risk of homelessness ... (The Salvation Army, sub. 42, p. 32)

However, many people do not seek support, or if they do, they often do not receive support that meets their needs. These problems are due to factors within and beyond the homelessness system, including:

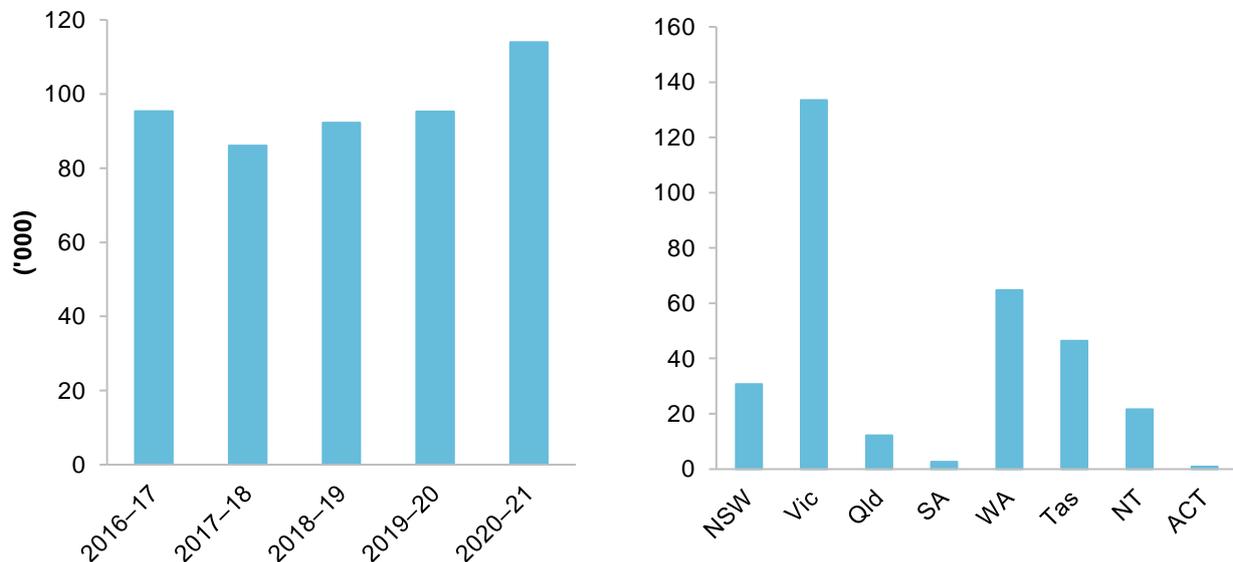
- insufficient investment in prevention and early intervention
- a crisis-focus system that cannot meet demand
- a lack of affordable long-term housing, which drives people into homelessness and makes it difficult for people to move out of homelessness
- short-term and inflexible funding for homelessness services
- a lack of coordination within the homelessness service system and between homelessness and other services, such as mental health and justice
- successful interventions not being scaled up and across jurisdictions
- homelessness funding being insufficient to meet demand.

Many people do not receive adequate support

The traditional homelessness service model is designed around people who need support seeking it out. However, two-thirds of people who have experienced homelessness reported not seeking support in their most recent period of homelessness (ABS 2015). Participants highlighted particular groups who face barriers to accessing support, including Aboriginal and Torres Strait Islander people, older people, and people from culturally and linguistically diverse backgrounds (HAAG, sub. 90; SEARMS Aboriginal Corporation, sub. 44, p. 15).

Even when people do seek support, many cannot access it. In 2020-21, about 114 000 requests (or an average of 312 requests each day) for assistance to SHSs were 'unassisted' — that is, people were turned away (figure 6.6). This is up from 95 000 unassisted requests for assistance in 2016-17.

Figure 6.6 – Unassisted requests for assistance by year and average unassisted requests by jurisdictions in 2020-21



Source: AIHW (*Specialist Homelessness Services 2020-21, Historical Tables*, Cat. No. HOU 327; *Specialist Homelessness Services 2020-21, Data Tables*, Cat. No. HOU 327).

Unassisted requests varied by jurisdiction — in 2020-21, there was an average of 134 unassisted requests each day in Victoria compared with 1 each day in the ACT (figure 6.6). However, these differences reflect in part the different service models, with jurisdictions operating central intake type models likely to record lower unassisted requests (AIHW 2021d, p. 28; SCRGSP 2022c).

Only some people who are turned away from SHSs try again. About 47 per cent of people who had unassisted requests in 2020-21 later became clients. This does not mean that half these people will not receive support — some will receive support in later years or receive support from non-SHSs. People who were unassisted approached SHSs an average of 1.7 times in 2020-21, up from 1.5 times in 2016-17 (AIHW 2021d).

Participants to this study commented on the difficulties people face getting in the door. The Salvation Army, for example, said that its homelessness and family violence services are turning people away because their services are full:

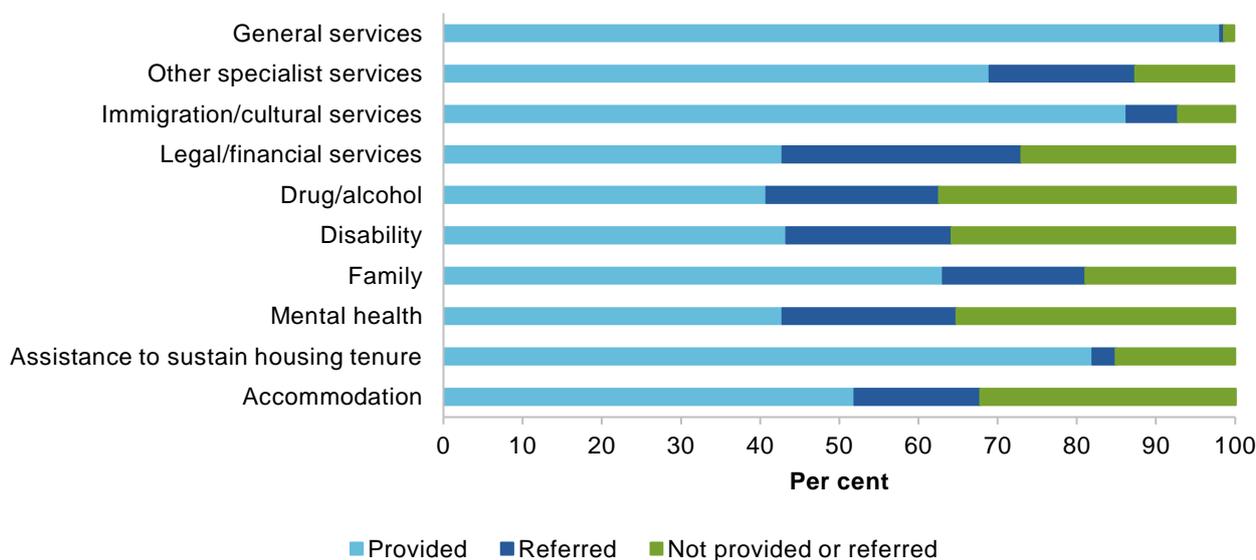
... our family and domestic violence service in Karratha has reported having to turn away individuals on 600 occasions in the last 12 months, while the family accommodation program is currently turning away five to ten families a week and has closed the waitlist as they do not want to give families a false hope. (sub. 42, p. 31)

When people can access services, many receive the support they need. In 2020-21, the proportion of clients who were sleeping rough, couch surfing and in short-term temporary accommodation decreased from the start to the end of the support period. And the proportion in social and private housing increased from 52 per cent before receiving support to 64 per cent after receiving support (AIHW 2021d, pp. 18–19).

However, these high-level figures mask the poor support and housing outcomes many SHS clients experience. While people who required general, other specialist or immigration/cultural services generally either received services or were referred to other agencies for support, more than 30 per cent of people who

required accommodation, mental health, disability or substance use support did not receive these services (figure 6.7).

Figure 6.7 – Proportion of clients' identified needs that were met, 2020-21



Source: AIHW (*Specialist Homelessness Services 2020-21, Historical Tables*, Cat. No. HOU 327).

Long-term accommodation is the least likely support to be provided — in 2020-21, 70 per cent of people did not receive the long-term accommodation they needed. Unmet need varies across jurisdictions — 24 per cent of people who needed long-term accommodation in New South Wales received it or were referred to another provider compared with about 62 per cent in Tasmania (AIHW 2021d). Several participants commented on the high level of unmet need for services (box 6.4).

Box 6.4 – Participants' examples of unmet need

Western Homelessness Network:

In 2020/21 the Western Homelessness Network assisted 15,075 households. Of these 10,364 households received case management support. ... However, recent data shows that the Western Homelessness Network was only able to assist 17% of households move out of primary homelessness at the end of their support periods. This is a reflection on the impact of the housing crisis on consumer outcomes. (sub. 41, p. 26)

Shelter WA:

The Zero Project By-Name List reports that over 1000 people were experiencing homelessness in Perth, Fremantle and the surrounds in February 2022, 499 of whom were sleeping rough. Up to 70% of the individuals on the By-Name List do not have a case worker. (sub. 98, p. 7)

Box 6.4 – Participants’ examples of unmet need

St Vincent de Paul Society National Council of Australia:

Of the clients who sought help from Vinnies NSW homelessness services in 2020-21, we are unable to provide assistance to 1,019 people. In almost half of these occasions (48%) this was because there was no available accommodation. Staff have advised that the lack of available accommodation was in part due to additional demand during the COVID-19 pandemic. So too, in some of our facilities we had to reduce capacity to accommodate the need for social distancing because the infrastructure at these facilities was not fit for purpose. (sub. 57, p. 1)

A crisis-oriented system means few resources for prevention and early intervention

Preventing homelessness is generally less costly and has better outcomes than providing support once someone is homeless. However, the homelessness service system is ‘crisis oriented’, and when faced with budget constraints, priority is given to people in crisis, which displaces funds for prevention and early intervention (Spinney et al. 2020).

Despite some innovative prevention and early innovation strategies and projects, in Australia the existing homelessness service system is still mostly orientated towards dealing with crisis through the provision of temporary accommodation. (Spinney et al. 2020, p. 38)

Participants also commented on this issue.¹ The Southern Homelessness Services Network (sub. 29, p. 6), for example, said that ‘the continuing prioritisation of support and housing to those people with the highest needs neglects to address the inflow of new clients into homelessness’.

NT Shelter argued that prioritising people most in need over prevention is the only choice with limited funding:

In a zero-sum gain environment, although there is a very high need for SHS funded prevention programs, funds cannot be diverted away from funded crisis programs without severe impacts. (sub. 59, p. 11)

An older woman highlighted the impact this approach had on her:

In Qld I have been assisted with supported accommodation, but was told it is temporary, up to 9 months only as they have other people on the list. I have also tried later other organisations but was told I must be homeless first to ask for assistance. It seems prevention is not a priority. Yet if at an older age, a woman, finds herself on the street it is already too late. Prevention of homelessness must be a priority and imperative. (Housing Older Women Movement, sub. 101, p. 8)

¹ For example, CCCLM, sub. 53; ERA and WPI, sub. 32, p. 10; JSS, sub. 39, p. 2; Mission Australia, sub. 88, p. 9; NLASN, sub. 6, p. 5.

There are gaps in homelessness services

There are homelessness service shortages

Despite Australia having over 1700 SHSs, these services are struggling to meet demand (ERA and WPI, sub. 32; HNSW, sub. 40; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92; WHN, sub. 41; Yfoundations, sub. 94).

In a 2019 survey of the community sector, only 16 per cent of housing and homelessness system respondents felt they had the capacity to completely or mostly meet demand (ACOSS 2019a). The Northern Local Area Services Network (sub. 6, p. 4) stated that 'prior to COVID-19, the capacity of the NLASN homelessness service system was only able to support approximately 11% of households seeking assistance' and 'over 300 new households present to three access points in the Northern Metropolitan Region every month, however only 25 transitional housing vacancies and 50 case managed support vacancies are available'. SEARMS Aboriginal Corporation commented on the shortage of services in regional areas:

Most State and Commonwealth Government funding for housing and homelessness support has been concentrated in remote areas or larger capital cities. This is where homelessness is most visible. Yet affordable housing and homelessness remains a scourge in the rest of the country, including country towns and regional communities. SHS services are thin on the ground in the regions, as is social housing, and the private market cannot cope. (sub. 44, p. 2)

NT Shelter noted the lack of homelessness accommodation in the Northern Territory:

Apart from an AHL hostel in Katherine with limited beds that is constantly running at capacity, there is no short-stay accommodation facility at all, let alone funding for its operations and services. In the order of 100 Aboriginal people each day who have come to Katherine from outlying communities for medical treatment are sleeping rough as a result. ... There is no dedicated SHS accommodation for children in Alice Springs, nor any men's temporary accommodation in Tennant Creek. (sub. 59, pp. 11–12)

The shortage of services, in particular crisis and short-term accommodation, has forced homelessness services to place people in substandard and often unsafe accommodation, such as motels and caravan parks (Mental Health Australia, sub. 17, p. 6; NLASN, sub. 6, p. 4; Safe and Equal, sub. 19, p. 5).

The only alternatives to ... scarce government-funded beds are low-cost private hotels, rooming houses, backpackers and caravan parks. Those who had no choice but to use such accommodation reported on mould, bedbugs, lack of cooking facilities, and an environment in which most felt unsafe, while at least one rape was reported. People unfortunate enough to stay in this squalid accommodation said it was: 'horrific, degrading; felt like a cell', 'the worst nights of my entire life', and 'unsafe, uncomfortable, scared, lonely, worried.' (McAuley Community Services for Women, sub. 24, p. 4)

It can also result in people being moved between different temporary accommodation, further undermining housing security (Davison, Brackertz and Alves 2021, p. 2).

Support tailored to people's needs is often not available

Meeting the diverse needs of people experiencing or at risk of homelessness requires a diverse range of tailored housing and non-housing support. However, people often have difficulty accessing support tailored to their needs. For example, participants argued that there are insufficient services for young people. NT Shelter (sub. 59, p. 11) stated the Northern Territory is the only jurisdiction that does not have a youth foyer

(section 5.4). And Melbourne City Mission noted that housing placements available to young people at risk of or experiencing homelessness in Victoria are not meeting the current level of demand (sub. 23, p. 4).

Women and children fleeing family and domestic violence can also struggle to obtain support (ERA and WPI, sub. 32, p. 10). McAuley Community Services for Women said the homelessness system is not meeting the needs of women let alone the needs of children who are too often accompanying them into homelessness. (sub. 24, p. 1).

And the Katherine Women's Information and Legal Service highlighted the limited services in remote areas:

By way of example, if a woman living in Amanbidji community needs to access crisis accommodation due to [domestic, family, and sexual violence], she would need to travel over 450km to access the Katherine Women's Crisis Centre (depending on their availability), or 136km to access the Timber Creek Police Station. This requires her having a driver's licence, access to a road-worthy, insured vehicle, and the ability to pay for fuel. During the wet season, this journey is not possible for months at a time due to regular flooding and road condition. (sub. 85, p. 6)

Recent migrants and asylum seekers face barriers to accessing housing and other services (HNSW, sub. 40, pp. 29–32; WHN, sub. 41, p. 22). For example, temporary visa holders' and asylum seekers' eligibility for social housing varies between jurisdictions — where they are not eligible, services may be reluctant to provide homelessness services due to limited pathways into long-term housing (St Vincent de Paul Society National Council of Australia 2019). McAuley Community Services for Women stated:

Another woman had had a plethora of agencies supporting her while she was homeless. She had no permanent visa or citizenship rights, and she was being assisted with legal problems related to family violence, with efforts to get permanent residency, with material aid and social support ... While she was highly appreciative of all this support, she still went back each night to sleep beside a cool room in a restaurant — the only place she was able to stay — because the one thing unable to be provided to her was a house. (sub. 24, pp. 19–20)

Participants noted shortages in services tailored to the needs of other groups including:

- Aboriginal and Torres Strait Islander people (chapter 11; HNSW, sub. 40; SEARMS Aboriginal Corporation, sub. 44)
- people with mental ill-health (Adelaide Day Centre for Homeless Persons, sub. 13, p. 1; Mental Health Australia, sub. 17)
- people with disability (ERA and WPI, sub. 32, p. 10; WHN, sub. 41, p. 21)
- older people (ERA and WPI, sub. 32, p. 10; HAAG, sub. 90)
- people from culturally and linguistically diverse backgrounds (ERA and WPI, sub. 32, p. 10)
- people who have experienced trauma (The Salvation Army, sub. 42, p. 26)
- people on temporary visas and asylum seekers (HNSW, sub. 40, McAuley Community Services for Women, sub. 24).

There is a shortage of affordable long-term accommodation

A key barrier to preventing homelessness and supporting people experiencing or at risk of homelessness is the shortage of affordable long-term housing. A 2016 survey of 300 SHSs found a 'lack of access to

permanent housing is a recurring issue for homelessness services' (Flatau et al. 2017, p. 56). Participants also raised this issue.²

The lack of housing options is the most common and severe block to funded homelessness agencies achieving NHHHA outcomes/outputs. There is a lack of affordability; lack of availability; and lack of access to housing for people at risk of and/or experiencing homelessness. (JSS, sub. 39, p. 1; NLASN, sub. 6, p. 3)

Whilst family violence is the most significant trigger for homelessness in Australia, it is the housing crisis that extends periods of homelessness for women and children. Once women feel able to leave a situation of family violence, they often find that they are unable to find affordable accommodation. (WHN, sub. 41, p. 23)

The shortage of affordable long-term housing limits homelessness services' ability to support people to transition out of homelessness (Safe and Equal, sub. 19, p. 10; The Salvation Army, sub. 42, pp. 30–31). Launch Housing noted:

A lack of access to affordable housing compromises the effectiveness of service interventions and support, and is costly in human and economic terms. Specialist homelessness services (SHS) need access to an adequate supply of social and affordable housing in order to exit people from homelessness. (sub. 36, p. 4)

It also impedes the ability of services to implement innovative and best practice models of care, such as Housing First. Ruah Community Services said:

At the grass roots, our capacity to implement Housing First within WA and across Ruah's portfolio of services is challenged by the availability of housing stock and diverse approaches to the commissioning of services, which are not always in alignment with commitment to the Housing First principles. (sub. 10, p. 1)

The shortage means many people stay in short-term accommodation longer than intended, preventing others from using that accommodation.

The Salvation Army's family and domestic violence service in Karratha, which is intended as a short-term crisis service where women should only be staying for 6–8 weeks has women now staying for 6–12 months. They are often living in hotel-sized rooms with 2–4 children. There is a wait list for housing of approximately five years. (The Salvation Army, sub. 42, p. 31)

Although our Future Homes contract with the WA Department of Communities stipulates consumers can stay in our men's transitional housing service for three months, the reality is they stay much longer due to there simply not being enough available social or affordable private rental housing for them to transition into. Similar challenges are present within our Women's Service (which receives no Government funding) and our Family Service (Bart's Plus), where the waitlist for suitable, family friendly accommodation within the community is longer still ... On average across our transitional accommodation services, people are staying in the services for approximately 380 days. (St Bart's, sub. 84, p. 6)

Many people end up leaving short-term accommodation and returning to homelessness, such as sleeping rough or couch surfing, or returning to unsafe living situations (box 6.5; HNSW, sub. 40; The Salvation Army, sub. 42; WHN, sub. 41). Safe and Equal (sub. 19, p. 5) argued 'the risk of becoming homeless, and the

² EHSSA (sub. 22); HNSW (sub. 40); MCM (sub. 23); Neami National (sub. 34, p. 4); SHSN (sub. 29, pp. 4–5); The Salvation Army (sub. 42); and WHN (sub. 41, p. 29).

reality for many of being homeless, is one of the most common reasons victim–survivors return to a violent relationship’. Equity Economics (2021, p. 5) estimated about 7700 women a year are returning to perpetrators due to having nowhere affordable to live and about 9100 women a year become homeless after leaving their homes due to family and domestic violence and being unable to secure long-term housing.

Box 6.5 – Case study of where appropriate housing was not available

YWCA Canberra is providing support to a First Nations 55 year old mother with two children, one of whom has a disability. The client’s income is dependent on insurance payments from a workplace accident. She endured severe domestic violence from her former partner and she and her children were rough sleeping as a result. Her insurance payments mean she is ineligible for Housing ACT support.

Her case has been accepted by the Client Support Fund but an undersupply of suitable properties for her and her two children has meant the only properties on offer are one-bedroom units. There are no transitional places available. In the absence of suitable housing, the client feels the only option is to return to her perpetrator with her children. If she had stable accommodation, she would begin a return-to-work program and her disabled son would be able to access a National Disability Insurance Scheme package. The client’s situation is so dire that she fears her youngest child will be removed due to her not being able to find accommodation and the potential for them to be exposed to violence.

Source: YWCA Canberra (sub. 18, p. 7)

The impact of the shortage of long-term affordable housing on homelessness services and outcomes has been noted by previous reviews (for example, HRSCSPLA 2021b). The Inquiry into Homelessness in Victoria found there is not enough short-, medium- or long-term accommodation to support the number of people experiencing or at risk of homelessness, and that a lack of affordable long-term housing has made it difficult for people to move out of transitional housing. This in turn makes transitional housing difficult to access (LCLSIC 2021).

Effective solutions are not delivered at scale

There are many examples of successful innovation in services. However, participants reported that it is difficult to scale up successful programs. Homelessness NSW (sub. 40, p. 7) noted that successful programs that were established through the National Partnership Agreement on Homelessness are still not being delivered at scale. And Launch Housing said:

It is very difficult to secure ongoing government funding for new programs that are shown to be effective ... Launch Housing has a number of innovative programs that are designed to respond to emerging client needs (including for children and young people) and to fill a service gap, often observed by front-line staff in their day-to-day work. Generally, Launch Housing needs to source funding for developing and implementing such programs from philanthropy. Unfortunately, philanthropic funding is usually limited and therefore, doesn’t allow for effective and innovative programs to be scaled up. An evaluation demonstrating an effective new program should be central in awarding ongoing funding. (sub. 36, p. 9)

Building the evidence base on housing in Australia and translating evidence on what works is discussed further in chapter 5.

Homelessness and other services are not well integrated

As homelessness intersects other social, economic, health and justice issues, effectively addressing homelessness requires a coordinated response from homelessness and mainstream services (Mind Australia, sub. 103, p. 7; Spinney et al. 2020). Integration ranges from informal information sharing and communication to fully-integrated services (Flatau et al. 2017; PC 2020d).

Flatau et al. (2017, pp. 25, 27) found limited evidence of formal joint funding of SHS and non-SHS programs, including mainstream services, but formal cooperation arrangements in place with other services (for example, employment, education and financial counselling) exist. The main factor found to be inhibiting integration was siloed departmental-based funding, rather than project-based funding across departments. The Western Homelessness Network noted this issue:

Welfare programs receive funding in siloes and generally receive funding for prescribed durations of support. Homelessness, AOD and Mental Health programs in Melbourne's north and west worked together for four years to improve cross sector responses to shared clients and found that one of the key challenges to collaborative cross sector work was the limitations of the participant sectors' funding models. Funding is time limited and insufficient to enable collaborative practice in responding to the needs of shared clients. (sub. 41, p. 21)

Mental Health Australia also argued that the lack of integration between the housing and homelessness and mental health sectors is a particular problem:

Housing and mental health operate as separate policy systems with little integration, and this contributes to poor housing and health outcomes for people with lived experience of mental ill-health. While it is recognised that greater integration and coordination is needed between homelessness and housing, mental health and health services, national policy settings do not provide guidance as to what the housing system, mental health system and mainstream health system are responsible for addressing in regards to this. Integration of housing/homelessness and mental health systems across Australia are inconsistent, often dependent on local resourcing and leadership. (sub. 17, p. 7)

Funding can be inflexible

Government funding for homelessness services is generally provided with guidelines and limits for what it can be used for. While this has the advantage of ensuring services are delivered in a consistent way, it can limit the ability of services to provide support tailored to need (Flatau et al. 2017, p. 52). Yfoundations gave the example of young people accessing crisis accommodation:

... they can only do so for a short time as these services are typically only funded to offer accommodation for up to 28 days. When this period ends, young people face very few exit options, meaning they become stuck in a cycle of homelessness where they are forced to 'refuge-hop' between youth SHS services, couch surf or even sleep rough. (sub. 94, p. 18)

Time-limited funding can also mean ongoing support cannot be provided once people have housing, but they often need support to maintain their tenancies (Pawson et al. 2018).

Homelessness service funding does not meet demand

A key reason many people do not receive adequate support is that funding for homelessness services does not meet demand. A 2016 survey of SHSs found that only one-third of services were able to meet at least 90 per cent of demand (Flatau et al. 2017). And a more recent survey of Western Australian homelessness

services found that only about 45 per cent of services were able to meet at least 76 per cent of demand in 2020-21 (Shelter WA, sub. 98, p. 8).

Participants argued that funding is insufficient:

- to replicate effective interventions (NT Shelter, sub. 59, p. 10)
- for early intervention services (ANTaR, sub. 15, p. 6)
- to meet the 'growing demand for assistance with homelessness' (MCM, sub. 23, p. 4)
- for services to provide support to people to help them maintain their tenancies (WHN, sub. 41, p. 22).

COVID-19 and homelessness

The COVID-19 pandemic has exacerbated many of the problems in the homelessness service system. However, it has also provided lessons and opportunities for preventing and addressing homelessness.

How has COVID-19 affected homelessness in Australia?

The COVID-19 pandemic has presented challenges for people who are homeless or at risk of homelessness and the homelessness service system.

The economic effects of the COVID-19 pandemic significantly raised the risk of homelessness for many Australians. Strict lockdowns resulted in the loss of employment and income, which disproportionately affected low income earners and threatened private renters with homelessness (Leishman et al. 2022).

The Australian Government responded with substantial financial support to mitigate the economic impacts of the COVID-19 pandemic, including JobKeeper and the Coronavirus supplement (Leishman et al. 2022). These measures helped minimise the impacts of COVID-19 on housing and homelessness. Leishman et al. (2020) estimated that, in the absence of income support measures including JobKeeper and JobSeeker, households experiencing housing affordability stress would have increased by 76 per cent while households experiencing severe housing affordability stress (50 per cent of income) would have increased by 167 per cent. Several participants commented that the Coronavirus supplement lifted people out of poverty, significantly improved people's wellbeing, and prevented people from becoming homeless (SHSN, sub. 29, p. 6; The Salvation Army, sub. 42, p. 18; Uniting Vic.Tas, sub. 25, p. 4).

State and Territory Governments also provided support. Renters were temporarily protected by eviction moratoriums and supported by rent relief and prohibitions on rent increases. Governments also implemented initiatives to provide safe and secure accommodation to people who were homeless (table 6.1). At least 33 000 people were moved off the street and from unsafe accommodation into temporary accommodation between March–September 2020. The level of response varied by jurisdiction (Pawson et al. 2020).

The COVID-19 pandemic also posed many health concerns for people who were homeless or at risk of homelessness. For example:

- it was difficult to comply with lockdown orders and stay-at-home directives without safe and secure accommodation
- people in overcrowded dwellings faced extra challenges social distancing and complying with isolation requirements. A key factor in the COVID-19 breakout in Wilcannia was the town's chronic overcrowding (chapter 11)
- rough sleepers may not be able to socially distance themselves and often have nowhere to isolate or recover if they contract COVID-19

- rough sleepers are also much more likely to have chronic health conditions, which leave them highly vulnerable to severe COVID-19 infection (Australian Medical Association, sub. 78, p. 4; CCCLM, sub. 53, p. 10; LCLSIC 2021; Michael Dillon, sub. 4, p. 7; NACCHO, sub. 56, p. 5).

Table 6.1 – Homelessness initiatives undertaken in response to the COVID-19 pandemic

Jurisdiction	Initiative	Description
New South Wales	Together Home	A \$122 million program that provides housing and other support to transition people into long-term stable housing, particularly for people who are sleeping rough. Together Home adopts many Housing First principles and was rolled out in July 2020. 90 per cent of Together Home clients at risk of homelessness have maintained their housing.
Victoria	From Homelessness to a Home (H2H)	A \$150 million program that provides tailored support packages to 1 845 households to help them transition from emergency accommodation into medium to long-term housing, which is guided by Housing First principles. The funding also extended the hotel accommodation provided to people experiencing homelessness.
Queensland	Coronavirus Housing and Homelessness Plan	A \$24.7 million housing and homelessness plan that included safe accommodation for people experiencing homelessness, brokerage funds for homelessness services to provide crisis accommodation, funding to clean shelters and purchase cleaning equipment, and the expansion of private rental market support for people facing economic hardship.
Tasmania	Safe Space	Provides support services to help people secure long-term accommodation, and temporary shelter overnight to people who are sleeping rough. It was extended from an overnight service into a 24/7 full wrap-around support service and was expanded from Hobart to Launceston and Burnie.
ACT	COVID-19 support for Canberrans facing homelessness	\$3 million in funding was provided to support people facing homelessness or domestic and family violence arising from the pandemic. This included funding for OneLink to support the expansion of specialist homelessness services and to provide emergency and long-term accommodation.

Source: Berry and Orr (2020); de Brenni (2020); FACS (NSW) (2021); LCLSIC (2021); NSW Government (sub. 69); Tasmanian Government (2020a); Victorian Government (sub. 97, p. 24).

Services had to change their models of care and how they delivered their services. St Vincent de Paul Society National Council of Australia (sub. 57, p. 1) told us they had to reduce capacity in their facilities to accommodate social distancing. And the Queensland Government (sub. 27, p. 9) temporarily relocated about 200 individuals to a site that adhered to social distancing requirements. Some facilities were closed, such as shower and laundry facilities and dining rooms, and meal services were shifted to takeaway or were delivered to clients (Sacred Heart Mission 2020, p. 7; St John's Crisis Centre 2020, p. 2).

There was a large shift to remote delivery of services. A survey of service providers found that 38 per cent of housing and homelessness service providers had delivered most of their services remotely, while another 18 per cent of service providers delivered all their services remotely (Cortis and Blaxland 2020, p. 34). For example, outreach and case management support were conducted by telephone. Some service providers also conducted daily welfare checks by telephone (Mission Australia 2021; Sacred Heart Mission 2020, p. 8).

The immediate response to COVID-19 had a positive impact on people who were experiencing, or at-risk of, homelessness (BeyondHousing, sub. 11, p. 2; Neami National, sub. 34, p. 2; NSW Government, sub. 69; SHSN, sub. 29, p. 6; Uniting Vic.Tas, sub. 25, p. 4). However, the COVID-19 pandemic has since

compounded the vulnerabilities and difficulties people at risk of, or experiencing, homelessness face (ACT Government, sub. 95, pp. 3, 6; Mission Australia, sub. 88, pp. 9–10; NSW Government, sub. 69). Some cohorts were particularly affected, including migrants and refugees who were not eligible for income support (HNSW, sub. 40, pp. 29–32; NSW Government, sub. 69, p. 28; The Salvation Army, sub. 42, p. 32).

Housing stress is expected to increase with the phasing out of the additional income support, and the private rental market experiencing record low vacancy rates. Many households have been pushed into rental stress as a result of increasing rents. The rate of rental stress among Commonwealth Rent Assistance (CRA) recipients, after accounting for CRA, has increased beyond pre-COVID levels (chapter 9).

There were also concerns that being confined at home with an abusive partner and the social isolation due to the pandemic would increase the prevalence of domestic and family violence. Two-thirds of women experiencing physical or sexual violence reported that violence had started or escalated since the start of the pandemic (Boxall, Morgan and Brown 2020, p. 1).

Many service providers reported that the pandemic caused clients to experience anxiety, fear, confusion and isolation, which meant that clients had more complex needs. Clients required greater support for mental health, substance use, gambling, family violence, and depression (Cortis and Blaxland 2020). These factors have created increased demand on the homelessness sector to provide adequate housing, health and other support services (LCLSIC 2021).

While it is evident that COVID-19 has had significant impacts, it is difficult to determine the overall impact on homelessness. In 2020-21, SHS agencies assisted 12 200 fewer clients than in 2019-20. However, many of the homelessness services offered in response to COVID-19 are outside the scope of the SHSC and are not included in the SHSC data (AIHW 2021d, p. 101). Consequently, there was not necessarily a decline in the number of people supported by homelessness services. The upcoming release of the homelessness estimates under the 2021 Census will provide some indication of how COVID-19 has impacted homelessness and how homelessness has changed since the 2016 Census.

What are the lessons from the COVID-19 response?

As the COVID-19 pandemic is ongoing, many of the longer-term effects of COVID-19 on homelessness are not yet known. However, there are some key lessons from governments' responses to COVID-19.

Some jurisdictions invested significant resources into tackling rough sleeping, including by providing accommodation for thousands of people who were sleeping rough. 90 per cent of 'Together Home' clients in New South Wales maintained their housing (NSW Government, sub. 69, p. 16). And 1017 households in Queensland were assisted into permanent housing (Flatau et al. 2021). Continuing these housing and wrap-around services will improve the lives of many people. The response indicates that addressing rough sleeping is possible if adequately funded, and that measures can be implemented quickly (HAAG, sub. 90, p. 18; NSW Government, sub. 69, p. 36).

The Queensland Government (sub. 27, p. 9) also commented that the pandemic demonstrated the importance of policy and funding flexibility and certainty for being able to respond quickly to rapidly changing community needs.

The COVID-19 response provided further evidence that there is insufficient supply of longer-term housing. Reducing homelessness will require greater supply of longer-term housing (section 6.4). Some jurisdictions, including New South Wales and Victoria, announced additional social housing investment to improve access to social housing and help stimulate development and growth (chapter 7; Leishman et al. 2022).

It is important to note that because people who are homeless often face a myriad of other problems, including trauma, physical and mental ill-health, and family and domestic violence (section 6.1), providing accommodation is often not enough (they also need integrated, wrap-around services). Some rough sleepers in Western Australia who were provided with short-term accommodation withdrew from the program ‘due to the complex nature of their needs not being met’ (HRSCSPLA 2020, p. 12). And the SA Housing Authority told us:

Following the COVID-19 pandemic response in 2020, 250 people provided emergency accommodation in motels were able to be transitioned into housing. However, there were a group of SA’s most vulnerable with complex behaviours who returned to rough sleeping after COVID-19 accommodation supports were provided. (sub. 58, p. 35)

The pandemic has highlighted issues around the lack of safe and secure housing — particularly overcrowding and rough sleeping — and its detrimental effect on an individual’s health (AHL, sub. 60, p. 9; WHN, sub. 41, p. 28). It has raised awareness of the public health concerns of homelessness and the inadequacy of current arrangements in dealing with pandemics (HRSCSPLA 2020; Queensland Government, sub. 27, p. 8; WHN, sub. 41, p. 28).

The COVID-19 pandemic has had a major impact on the homelessness sector. However, COVID-19 will not be the last pandemic. Governments need to consider the possibility of future pandemics and its impacts on homelessness when developing the next Agreement and the National Plan (chapter 5).

6.3 Has the NHHA improved homelessness outcomes?

Preventing and addressing homelessness is a key part of the NHHA. However, other than the essential role the funding plays in the homelessness service sector, the NHHA has not improved homelessness outcomes.

Has the NHHA contributed to preventing and addressing homelessness?

The NHHA (p. 3) aims to contribute to preventing and addressing homelessness and has an outcome of ‘an effective homelessness service system, which responds to and supports people who are homeless or at risk of homelessness to achieve and maintain housing, and addresses the incidence and prevalence of homelessness’.

As acknowledged by several participants, the NHHA funding is essential for homelessness services (cohealth, sub. 37, p. 1; Homelessness Australia, sub. 62, p. 1; MCM, sub. 23, p. 3; Safe and Equal, sub. 19, p. 5). The funding delivered under the NHHA is a significant portion of total funding to homelessness services and more people would experience homelessness without this support. The Queensland Government, for example, said:

The funding delivered under the NHHA is critical to improving housing outcomes in Queensland. Around \$1.6 billion is provided over the five years of Queensland’s bilateral schedule from 2018-19 to 2022-23. Funding contributes to housing and homelessness services that provide for the safety, security, dignity and economic participation of people in this State, including for many vulnerable and disadvantaged Queenslanders. (sub. 27, p. 2)

However, apart from the funding for homelessness services, there is little evidence that the NHHA has led to better homelessness outcomes. The 2021 Census homelessness estimates were not available when this report was finalised. Therefore, how the prevalence of homelessness has changed over the life of the NHHA

is unknown. The SHSC provides some insights into homelessness patterns since 2018 — the increase in people accessing services and lack of improvement in outcomes (such as the proportion of clients receiving services that meet their needs) suggest that homelessness in Australia has not improved (section 6.2).

Participants were also of the view that the NHHA has not improved access to affordable housing for people experiencing homelessness (box 6.6; HNSW, sub. 40, p. 16; KWILS, sub. 85; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92; Safe and Equal, sub. 19). The Salvation Army, for example, said:

... little evidence that the NHHA is achieving its overarching objectives. Our consultations with staff and clients consistently tell us that the depth, breadth, and ongoing escalation of unaffordable housing is impacting negatively on the lives and welfare of increasing numbers of Australians and resulting in homelessness. (sub. 42, p. 5)

Box 6.6 – What participants said about the Agreement’s effectiveness in addressing homelessness

Equality Rights Alliance and Women’s Property Initiatives:

... the NHHA is failing to make headway in reducing levels of housing stress and homelessness. (sub. 32, p. 11)

Launch Housing:

In its current configuration, the NHHA has not led to improved access to affordable, safe and sustainable housing for people experiencing homelessness. Critically, it has not resulted in increased stock of social and affordable housing; nor has it solved homelessness. In fact, under the NHHA, homelessness has worsened. (sub. 36, p. 3)

Western Homelessness Network:

Anecdotally, the numbers of people experiencing homelessness in the West has continued to rise since 2016, well beyond a level at which the 114 NHHA funded programs can respond. This would suggest that the reach of the NHHA is not far enough in ‘improving housing outcomes across the housing spectrum, including outcomes for Australians who are homeless or at risk of homelessness, and need to work together to achieve those outcomes’. (sub. 41, p. 5)

Yfoundations:

The NHHA has failed to provide an effective homelessness service system for children and young people at risk of or experiencing homelessness. Because of the NHHA inadequacies, we are seeing the numbers of children and young people experiencing homelessness consistently increase for too long. The evidence is compelling, the NHHA has failed to achieve its outcomes. (sub. 94, p. 17):

The reasons identified by participants for why the NHHA has not met its objective included:

- the lack of long-term housing options (JSS, sub. 39, p. 1; SHSN, sub. 29, pp. 4–5)
- the many drivers of homelessness that are outside the scope of the NHHA, such as income support and CRA (The Salvation Army, sub. 42, pp. 4, 7; Queensland Government, sub. 27; WHN, sub. 41, pp. 10, 19–20; Yfoundations, sub. 94)

- insufficient funding (Mission Australia, sub. 88, p. 12; Queensland Government, sub. 27).

Homelessness strategies have improved transparency

All State and Territory Governments are meeting the requirement to have a publicly available homelessness strategy that:

- i. addresses the priority homelessness cohorts specified in Schedule B;
- ii. sets out reforms and initiatives that will contribute to a reduction in the incidence of homelessness; and
- iii. incorporates the homelessness priority policy reform areas specified in Schedule B where appropriate to its needs ... (NHHA, para. 17)

The requirement for a strategy was considered a positive step by some (ERA and WPI, sub. 32). The Western Homelessness Network (sub. 41, pp. 17), for example, said it required State and Territory Governments to 'give consideration to the issues addressed by a housing and homelessness strategy'.

Requiring a publicly available strategy gives the community more information about what State and Territory Governments are doing to prevent and address homelessness. And the improved transparency can result in stronger accountability.

That said, States and Territories are not required to have effective programs and reforms that reduce homelessness or other improved outcomes. The strategies just need to have information that can be matched to the priority homelessness cohorts and homelessness priority policy reform areas. The Western Homelessness Network (sub. 41, pp. 15, 17) argued the current requirements are 'toothless', and 'in the absence of defined targets, the existence of a housing and homelessness strategy has limited benefit in increasing transparency and accountability'. The Council for Capital City Lord Mayors stated:

A common concern across the state and territory strategies is the lack of targets or measurables to address affordable housing or reducing social housing wait lists. While housing and homelessness strategies acknowledge the need to address the [increasing] demand [for] social housing, they stop short in committing to targets and funding. (sub. 53, p. 13)

And the Queensland Government made it very clear that the requirement had not been an impetus for reform in Queensland:

Queensland's publicly available housing and homelessness strategies that meet the NHHA funding criteria are entirely comprised of existing strategy, policy and planning legislation ... and as such, the requirements of the NHHA were largely an administrative impost for Queensland, rather than an impetus for policy reform or a mechanism for improved outcomes. (sub. 27, p. 16)

Both the Audit Office of New South Wales and the Victorian Auditor-General's Office have conducted reviews on the New South Wales and Victorian homelessness strategies.

- The Audit Office of New South Wales found that the strategy is building the evidence base on what works to prevent and reduce homelessness, but it was not designed to end homelessness and it received significantly less funding than the department requested. The Audit Office recommended the Department of Communities and Justice develop a comprehensive strategy to address homelessness (Audit Office of New South Wales 2021).
- The Victorian Auditor-General's Office found that the Victorian Government did not know whether the programs under the strategy were reducing rough sleeping or its impacts and there was poor planning, a lack of agreed goals and limited performance monitoring. It made recommendations to improve future planning, implementation, guidance and compliance, and performance reporting (VAGO 2020).

National priority homelessness cohorts

The NHHA identifies priority cohorts that State and Territory Governments need to:

- address in their homelessness strategy
- provide estimates of expenditure in the statements of assurance
- provide disaggregated data on the national performance indicators.

The national priority homelessness cohorts are:

- women and children affected by family and domestic violence
- children and young people
- Aboriginal and Torres Strait Islander people
- people experiencing repeat homelessness
- people exiting institutions and care into homelessness
- older people.

State and Territory Governments can identify other priority homelessness cohorts in their bilateral agreements. Western Australia mentions older women in its bilateral agreement (NHHA, Schedule E4, p. 7).

Many participants supported including priority cohorts in the NHHA,³ and argued for more priority cohorts in the next NHHA based on their higher risk of homelessness, the cohort's other vulnerabilities, their higher rates of service use and/or the difficulties they face obtaining services (for example, Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, pp. 5–6; Uniting Vic.Tas, sub. 25, p. 3). New priority cohorts suggested included people with disability, older women, people with mental ill-health, people from culturally and linguistically diverse backgrounds, refugees and recently arrived migrants, people in the LGBTIQ+ community and veterans.⁴

Despite the support for priority cohorts, little progress appears to have been made in addressing homelessness among these groups. The Housing for the Aged Action Group argued:

The current agreement identifies a number of priority cohorts for the respective state and territory homelessness strategies. Although older people are mentioned as a priority cohort, little progress has been made to meaningfully address the increasing housing challenges they experience. (sub. 90, p. 7)

Similar to the strategy requirement, the actual requirements State and Territory Governments face regarding the priority cohorts are low. Addressing the cohorts in strategies and reporting disaggregated expenditure is unlikely to lead to more focus or investment on these groups. The Queensland Government also raised concerns about the reporting requirements:

No nationally consistent methodology has been developed to underpin financial reporting under the NHHA, particularly with regard to division between housing and homelessness responses and spending on each National Homelessness Priority Cohort. (sub. 27, p. 18)

³ For example, KWILS, sub. 85, p. 11; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, p. 5; SA Housing Authority, sub. 58, p. 13; The Salvation Army, sub. 42, p. 12; Uniting Vic.Tas, sub. 25, p. 3.

⁴ AMIDA, sub. 67, p. 5; City of Yarra, sub. 16, p. 7; DCLS and NAAFLS, sub. 89, p. 16; DVA, sub. 26; EHSSA, sub. 22, pp. 2–3; Jesuit Social Services, sub. 49, pp. 9–10; HAAG, sub. 90, pp. 7–10; PDCN, sub. 45, p. 5; RANZCP, sub. 12, p. 3; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, p. 5; Safe and Equal, sub. 19, p. 9; The Salvation Army, sub. 42, p. 39; Uniting Vic.Tas, sub. 25, p. 3.

State and Territory Governments already have an incentive to support groups who face increased risk of homelessness. The Western Homelessness Network (sub. 41, p. 16) argued 'in a functioning service system, identification of priority cohorts should not be necessary'.

There is a question about why 'national priorities' would differ to local need. Support should go to people most in need, regardless of their characteristics (chapter 5, box 5.2). It is unclear why other cohorts who are also at high risk of homelessness are not included.

Participants also raised concerns that a simple list of cohorts does not recognise intersectionality and that many people experiencing or at risk of homelessness can identify with multiple cohorts and face overlapping forms of discrimination and marginalisation (KWILS, sub. 85, p. 11; Safe and Equal, sub. 19, pp. 8–9). McAuley Community Services for Women stated:

Segmenting [priority cohorts] in this way could imply that their needs must fit into one neat category and reinforces the sector's tendency to silo 'problems' and push them into one access point or another, rather than respond to their individual needs ... Lists of this nature lack an understanding of intersectionality. Women supported by McAuley, for example, have complex needs, and any one woman could have multiple dimensions shaping her experience; she could be experiencing family violence, be a young person, be Indigenous, experiencing repeat homelessness and exiting an institution into homelessness. (sub. 24, pp. 8–9)

In response to this issue, some participants argued for a rethink of how the categories are identified or argued for the recognition that some issues cut across all cohorts. The Eastern Homelessness Service System Alliance (sub. 22, pp. 2–3), Mental Health Australia (sub. 17, p. 5) and Neami National (sub. 34, pp. 6–7) argued that the NHHA should recognise mental health as an intersecting issue that affects all priority cohorts. Mission Australia (sub. 88, p. 10) argued for the list of priority cohorts to be changed to four broad categories of people at risk: families with children; women escaping domestic and family violence; young people; and single adults.

The *Inquiry into Homelessness in Australia* raised concerns about the lack of clarity around the designation of priority cohorts and insufficient transparency around what is being done to address homelessness in these cohorts. It recommended the cohorts be reviewed and the requirements about cohorts be strengthened (HRSCSPLA 2021b, p. xxii). The Interim National Commissioner for Defence and Veteran Suicide Prevention in its preliminary interim report also commented on the priority cohorts in its preliminary interim report, recommending veterans be included as a priority cohort (INCDVSP 2021, p. 41).

Overall, including priority cohorts in the NHHA has not led to increased focus or investment on these groups and adding to the list of cohorts is unlikely to be of practical benefit. Instead, it is the Commission's view that the next Agreement, instead of having priority cohorts, should include an outcome covering improving outcomes for groups at highest risk of homelessness (recommendation 5.4).

Homelessness priority policy reform areas

The NHHA includes three homelessness priority policy reform areas that are to be incorporated into the State and Territory Governments' homelessness strategies:

- (a) Achieving better outcomes for people, setting out how the desired outcomes for individuals will be measured (may include a focus on priority groups, economic and social participation);
- (b) Early intervention and prevention, including through mainstream services, setting out actions being taken through homelessness services and mainstream services (may include a focus on particular client groups or services); and

(c) Commitment to service program and design, that is evidence and research-based, that shows what evidence and research was used to design responses to homelessness and how responses/strategies will be evaluated. (para. B4)

Like the priority cohorts, there is no information about why these reform areas were chosen and the requirements are weak. The Commission received little evidence about the benefits of the homelessness priority policy reform areas. The SA Housing Authority (sub. 58, p. 14) noted it was supportive of the priority reform areas. However, the City Future Research Centre said they were no more than ‘motherhood statements so bland as to be essentially meaningless’ (sub. 87, p. 19). And Mission Australia said ‘while prevention and early intervention is a priority reform area for the NHHA, there was no additional funding provided to achieve this reform’ (sub. 88, p. 8).

The Commission agrees with including prevention and early intervention as a reform area in the NHHA, given the current crisis-focused nature of the homelessness service system and the benefits of prevention and early intervention (chapter 5; section 6.4). However, while better outcomes and commitment to service program and design are essential to preventing and addressing homelessness, they are not ‘reform areas’. A commitment to service program and design that is evidence-based should be ‘business as usual’ for all government policy and achieving better outcomes should follow from reforming the system to focus on prevention and early intervention, Housing First support, and better tailored support to key groups (section 6.4).

Performance indicators

The NHHA includes four homelessness-related national performance indicators:

- (g) a decrease in the number of people experiencing homelessness
- (h) a decrease in the number of people that experience repeat homelessness
- (i) an increase in the proportion of people who are at risk of homelessness that receive assistance to avoid homelessness
- (j) an increase in the proportion of people who are homeless that are assisted to achieve housing. (para. 31)

The homelessness-related performance indicators appear reasonable, however, data is not yet available for all indicators.

- Indicator (h) is expected to be measured using SHSC longitudinal data.
- The AIHW is leading the development of a nationally agreed measure of indicator (i) (NHHA, Schedule E, p. 2).

A more comprehensive list, underpinned by more timely and comparable data would improve the assessment of the next Agreement’s performance (chapter 5; section 6.5). Participants made several suggestions for improved performance indicators. For example, Shelter WA said:

We need ... a better indicator for demand given issues with waitlist data. Five yearly Census data estimates should be supplemented by place-based figures, including By-Name Lists, to build a stronger picture of the prevalence and nature of homelessness in our community, and to aid in the measurement of outcomes. (sub. 98, p. 14)

Some participants highlighted the importance of unmet need and recommended that a performance indicator should be included in the next Agreement (ACT Shelter and ACTCOSS, sub. 65, p. 6). Anglicare Australia argued:

The most important performance indicator for our homelessness response must be the number of people who are turned away from accommodation support. The goal should be as close to zero as is practicable. (sub. 61, p. 13)

As discussed in chapter 4, there are no targets in the existing performance framework of the Agreement. Meaningful and achievable targets should be set to improve the accountability of governments towards improving homelessness outcomes. The next Agreement should have targets to reduce the overall level of homelessness and reduce the proportion of people who are discharged from health and correctional facilities and care into homelessness (section 6.4).

Funding

Funding in the Agreement is broken up into general funding that can be spent on housing and homelessness services and homelessness funding, which must be matched by State and Territory Governments. The general funding component is discussed further in chapter 4.

The homelessness funding is not based on need

NHHA homelessness funding is not based on the needs of the homelessness service system. It was rolled over from the National Partnership Agreement on Homelessness. It has not been reviewed or revised based on estimates of homelessness, demand for homelessness services or level of need. As the Queensland Government put it:

The preservation of separate funding streams from former agreements and their distinct calculation methods in the NHHA bears no relationship to housing and homelessness need in each state and territory. For example, in real terms, the NHHA provided no additional funding for housing and homelessness, despite homelessness increasing by 14 per cent between the 2011 and 2016 Censuses. (sub. 27, p. 12)

Homelessness Australia also said:

Despite ... increasing need for support, homelessness funding within the NHHA has not increased in line with demand. This has put more pressure on existing services, which lack the staff, accommodation options, and other resources to respond to more people. The consequence is more people approaching services who are unable to be assisted. Between 2016-17 and 2020-21, people unable to be assisted increased by 20 per cent, from 95,392 in 2016-17 to 114,026 in 2020-21. (sub. 62, p. 4)

Participants argued that the NHHA funding is insufficient to prevent and address homelessness (for example, ERA and WPI, sub. 32, p. 10; Homelessness Australia, sub. 62; JSS, sub. 39; MCM, sub. 23; Queensland Government, sub. 27; Safe and Equal, sub. 19; St Bart's, sub. 84). Improving homelessness funding is discussed further in section 6.4.

Five-year funding has provided certainty

One of the benefits of the NHHA over previous homelessness agreements is that the homelessness funding has been guaranteed for five years. Participants argued this has meant certainty for the sector and contributed to building relationships between governments and service providers (AHURI, sub. 52, p. 17; Queensland Government, sub. 27, p. 15; SA Housing Authority, sub. 58, pp. 37–38). The Queensland Government (sub. 27, p. 15) also noted that the five-year funding certainty facilitated five-year contracts for homelessness services in Queensland.

The matched funding contribution is not binding

While the requirement to match homelessness funding is probably intended to increase funding for homelessness services, this does not appear to have occurred. In fact, homelessness funding in 2020-21 exceeded the NHHA homelessness expenditure in all jurisdictions (table 6.2).

Table 6.2 – Homelessness funding under the NHHA and actual homelessness funding by jurisdiction, 2020-21^a

\$ million

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT
NHHA	70.0	51.0	65.8	20.0	34.8	6.2	12	3.4
Actual funding	264.0	509.4	164.0	83.4	90.3	34.5	48.1	26.7

^a Includes Homelessness Social, Community and Disability Services Industry Equal Remuneration Order 2012 funding. Source: NHHA, part 5; SCRGSP (2022c, table 19A.1).

The Queensland Government stated the matching requirement does not affect its homelessness spend:

The funding arrangements do not currently impede Queensland’s ability to allocate the funding because the restrictions on allocation of homelessness funding and associated matched funding are significantly lower than funding typically expended on homelessness. (sub. 27, p. 27)

Funding is allocated based on outdated data

A concern raised by many participants⁵ was the method used to allocate homelessness funding — 2006 Census data is used, even though 2016 Census data is available. NT Shelter noted that the methods for allocating both homelessness and general funding results in the Northern Territory receiving funding that does not match its need:

To illustrate what to many people resembles a nonsense, Western Australia received a total of \$171.3 million under NHHA in 2020-21. WA has an estimated 6,224 homeless population. The Northern Territory has over twice as many homeless people but receives only 11.9% of the amount allocated to Western Australia ... Even the ACT, with a homelessness count of 1,596 that dwarfs in comparison with the Northern Territory’s 13,727 homeless people, receives \$7 million per annum more than the NT. (sub. 59, p. 8)

This issue is discussed in more detail in chapter 4. In the next Agreement, funding should be allocated according to need and the cost of providing services, and be based on up-to-date data (chapter 5).

⁵ For example, City of Yarra, sub. 16, p. 3; EHSSA, sub. 22, p. 3; Jesuit Social Services, sub. 49, p. 7; Launch Housing, sub. 36, p. 7; Victorian Government, sub. 97, p. 20.



Finding 6.1

The NHHA has not improved homelessness outcomes

It is unlikely the National Housing and Homelessness Agreement (NHHA) has met its objective of contributing to preventing and addressing homelessness.

- Homelessness does not appear to have declined over the life of the Agreement.
- The homelessness-related requirements do not appear to have changed State and Territory Government homelessness investment and activities, and identifying homelessness priority policy reform areas and priority homelessness cohorts has not led to increasing expenditure and focus in these areas.
- Homelessness funding is not allocated to jurisdictions based on need.

However, the NHHA has made some positive contributions to the governance and funding of homelessness services.

- The five-year funding contribution has provided certainty to homelessness services.
- The requirement for State and Territory Governments to have a publicly available homelessness strategy is a positive step towards improving information, transparency and accountability.

6.4 Preventing and addressing homelessness through the NHHA

While the NHHA has had limited impact on preventing and reducing homelessness, addressing homelessness is possible. The homelessness service system successfully supports many people and there are effective interventions that can prevent homelessness and support people into secure, long-term housing. And the response to the COVID-19 pandemic shows that governments can respond quickly to house people.

Investing in homelessness services not only results in better outcomes for people, it can also reduce costs to governments. The Inquiry into Homelessness in Victoria (LCLSIC 2021, p. xxxi) found investment in homelessness early intervention services can produce financial savings for the Victorian Government by preventing homelessness or treating it at an early stage before individuals require more intensive support. Zaretsky and Flatau (2013) found that providing homelessness support to single men and single women and providing tenancy support services could save governments \$3685 per client per year because of reduced health and justice expenditure. Another study estimated that every \$1 invested in homelessness accommodation generates \$2.70 of benefits, as giving accommodation to people experiencing homelessness results in them requiring less health care, being less likely to be involved in crime, and being more likely to participate in education and employment (Witte 2017).

Participants also highlighted the benefits of preventing and addressing homelessness (box 6.7).

A future NHHA can meaningfully address homelessness by facilitating action on:

- addressing the structural factors that lead to homelessness
- shifting the homelessness service system from being crisis-oriented to more focused on prevention and early intervention
- scaling up Housing First to better support people experiencing homelessness with complex needs
- addressing gaps in support for key groups
- improving the funding and contractual arrangements for SHSs.

Box 6.7 – The benefits of addressing homelessness: what participants said

Western Homelessness Network discussed the benefits of homelessness support for client Bart:

Bart very frequently expresses how much transitional housing and support has changed his life, identifying that he does not think he could have coped, or worked on the fundamental areas of his life without it. Bart's support workers are impressed with how hard Bart has worked, and that he has had the courage to confront and address the challenges he has faced. (sub. 41, p. 27)

Michael Dillon:

For governments interested in improving outcomes in areas such as employment, education, and health, or less tangible (but very important) objectives such as language and cultural resilience and community wellbeing, improving housing outcomes is an easy first step. It does require funding, but in addition to the direct benefits (improved housing) the dollars invested clearly have intangible payoffs (positive externalities) such as safer and healthier environments and reduced risk of domestic violence. Importantly, the beneficiaries of reduced overcrowding are not just the residents of new housing, but also the residents of existing housing who now live in less crowded circumstances. (sub. 4, p. 6)

The Salvation Army:

Studies have consistently indicated that programs that effectively reduce homelessness can achieve savings from reduced public health and criminal justice costs that far outweigh their expense. For instance, alternative housing models, such as 'Housing First' approaches to ending homelessness, can quickly move people experiencing homelessness into independent and permanent housing while also providing appropriate support. (sub. 42, p. 23)

Addressing the structural factors that affect homelessness

As discussed in section 6.1, there are a range of structural factors that can result in people becoming homeless. But fundamentally, homelessness is a result of not being able to afford housing.

If governments want to reduce homelessness, they need to address the structural factors that lead to housing unaffordability. Otherwise, more people will become homeless and services will continue to face barriers to supporting people out of homelessness. Governments need to make social housing more accessible to people who need it, increase the supply of housing, and help people to pay for housing when needed (chapters 7, 9 and 12–14). As one stakeholder put it:

It does not matter how much support dollars are provided, if there is no housing, the support will have limited impact. I think support has been prioritised as the cheap option. We have welcomed support traditionally, but we are now saying unless you tackle structural housing problems you are wasting our time. (Victorian stakeholder quoted in Pawson et al. 2018, p. 54)

The Commission has made several recommendations that will make affordable housing more accessible, leading to fewer people becoming homeless and more people exiting homelessness quicker.

- Trialling portable rental assistance (recommendation 7.1).
- Reviewing CRA with the aim of improving its adequacy, fairness and effectiveness (recommendation 9.2).

- Recommendations aimed at improving the supply of housing (chapters 13 and 14).

However, some structural factors are outside the scope of the NHHA and this review, including financial insecurity, income support and taxation. Participants argued for improvements in these areas.

Homelessness cannot be eradicated without actions to eliminate poverty, and only the Federal Government has the levers to address measures of inequality: in particular with the ‘safety net’ of social security supports. (McAuley Community Services for Women, sub. 24, p. 7)

Multiple structural and systemic issues, as well as changes to personal circumstances, can increase an older women’s risk of homelessness. In addition to rising housing costs, eviction, job loss, financial instability, domestic violence or elder abuse, the end of a relationship, sudden illness and disability or a combination of these factors can result in older women experiencing homelessness later in life. These challenges are exacerbated for older women who have been in the largely feminised and low paid care sector, taking time off work for care responsibilities and have limited superannuation. (HAAG, sub. 90, p. 8)

The Inquiry into Homelessness in Australia discussed the issue of financial insecurity of older women leading to homelessness and recommended ‘the Australian Government establish a comprehensive strategy to address the financial insecurity of older women’, which should include consideration of ‘measures relating to superannuation and income support with a view to improving financial outcomes for women’ (HRSCSPLA 2021b, p. xxv).

These factors should be considered as part of the announced National Plan (chapter 5).

Addressing the individual factors that can lead to homelessness

Many cases of homelessness can be prevented by addressing the individual risk factors that lead to homelessness. However, there is insufficient investment in prevention and early intervention. In the next Agreement, the Australian, State and Territory Governments should earmark funding for expanding prevention and early intervention. Areas that should be focused on include:

- eliminating the exit of people from correctional facilities, health facilities and out-of-home care into homelessness
- increasing support for young people at risk of homelessness
- increasing support for people to maintain their tenancies.

While increasing prevention and early intervention will lead to fewer people experiencing homelessness, funding should not be redirected from supporting people already experiencing homelessness, as this funding is already insufficient to meet demand (section 6.2). A separate pool of funding will be required.

Governments should also continue to reform the mental health sector and ensure that the National Plan to End Violence Against Women and Children adequately addresses housing and homelessness issues.

Addressing discharging into homelessness

Eliminating discharging from correctional and health facilities into homelessness

Many people who spend time in correctional and health facilities, including prisons, hospitals or specialised mental health facilities, are discharged into homelessness (section 6.1). As well, many people remain in facilities when it is not appropriate because accommodation or other services are not available. For example, 236 people under 18 years were held in detention centres in New South Wales in 2019-20 because they did not have an appropriate bail address to go to (Yfoundations 2021, p. 5). And over 2000 mental health

hospital inpatients could potentially be discharged if appropriate clinical services and accommodation were available (PC 2020d, p. 971).

Reasons why people may be discharged into homelessness include:

- difficulties identifying people who were homeless prior to entry into care or identifying people at risk of homelessness on exit
- confusion about who is responsible for ensuring people have accommodation and insufficient coordination between sectors and services
- constraints on health facilities' capacity resulting in people being discharged too early
- delays or lack of follow up after discharge
- difficulties accessing housing, health, out-of-home care and other services after discharge (PC 2020d, pp. 994–995; Yfoundations 2021, sub. 94).

Participants argued for the importance of preventing exits into homelessness and improving the support for people transitioning back into the community (Jesuit Social Services, sub. 49; Launch Housing, sub. 36, p. 7; Mental Health Australia, sub. 17, p. 9; WHN, sub. 41).

... ongoing funding is needed for housing services and multidisciplinary psychosocial supports for rapid connection before and upon discharge from custody or inpatient facilities ... there should be funding of innovative services to ensure people who are released or discharged do not become homeless. (RANZCP, sub. 12, p. 4)

Having stable and affordable housing makes a significant difference in the life of a person leaving prison and can determine whether they reoffend. People exiting prison without housing often cycle from prison into homelessness and back into prison, with people exiting prison into homelessness nearly twice as likely to reoffend within nine months of release. Post-release support, including transitional facilities and supportive public housing, is critical to ensuring that individuals do not exit prison into homelessness or unsuitable housing. (Jesuit Social Services, sub. 49, p. 5)

State and Territory Governments and services have initiatives in place that aim to prevent people being discharged into homelessness or remaining in facilities because accommodation is not available. Yfoundations (2021, p. 5) noted the efforts the NSW Government has made to prevent adolescents remaining in detention unnecessarily or exiting detention into homelessness, including:

- the Bail Assistance Line
- the Place to Go Pilot
- the Memorandum of Understanding between the Youth Justice and Child Protection divisions in the Department of Communities and Justice
- transition planning for adolescents who are being held in long-term remand or sentenced detention.

New South Wales also has a framework that aims to eliminate people exiting government services into homelessness by improving coordination across government agencies, pathways between services, data and evidence, and addressing service gaps (NSW Government 2020).

Another program is the Royal Perth Hospital Homeless Team. The team consists of a GP, practice nurse, caseworkers, a hospital clinical lead and an administrative assistant and provides GP care, care coordination and discharge planning for patients who are homeless. An evaluation of the program showed it significantly reduced emergency department and inpatient admissions, resulting in reduced hospital bed use and a saving of \$4.6 million each year. The team's operating costs were \$500 000 per year. The largest reductions in hospital use were seen among people who had been housed and had access to after-hours GP and nurse home visits (Gazey et al. 2019; PC 2021a, p. 95).

Participants pointed to other examples of programs in their submissions, including programs supporting young people, men and Aboriginal and Torres Strait Islander people exiting the justice system (Jesuit Social Services, sub. 49, pp. 5, 9; St Bart's, sub. 84, p. 4). However, these types of programs are not available across the country and do not have the capacity to support all in need. The Salvation Army noted:

Where some form of aftercare follow-up does exist, people frequently report that it is too scarce, has insufficient capacity and does not operate for long enough. In every dimension, the lack of appropriate levels of service provision increases the likelihood that a person with increased vulnerability will experience a crisis that leads them back into institutions. (sub. 42, p. 57)

The Commission's mental health inquiry recommended 'State and Territory Governments should, with support from the Australian Government, commit to a nationally consistent policy of no exits into homelessness for people with mental illness who are discharged from institutional care, including hospitals and correctional facilities'. It also stated 'people with mental illness who exit hospitals, correctional facilities or institutional care should receive a comprehensive mental health discharge plan and have ready access to transitional housing' (PC 2020d, p. 79). And 'States and Territories should monitor and report on discharging into homelessness under the next version of the NHHA' (PC 2020d, p. 997).

The inquiries into homelessness in Australia and Victoria made similar recommendations. The Inquiry into Homelessness in Australia recommended governments 'implement strategies to address the risk of exiting into homelessness from state institutions' including 'developing a nationally consistent approach to discharge planning' (HRSCSPLA 2021b, p. xxiv). The Australian Government supported this recommendation in principle (Australian Government 2022a, p. 16).

The Inquiry into Homelessness in Victoria made several recommendations, including the Victorian Government:

- pursue a 'no exits into homelessness' policy to improve discharge practices at mental health, hospital, rehabilitation, aged care and other institutional settings
- provide additional transitional housing for people leaving custodial settings and ensure access to housing support workers and integrated legal support both before and after release
- investigate whether greater access to supported accommodation is required for people seeking bail (LCLSIC 2021, p. xxxiv).

As part of the *National Mental Health and Suicide Prevention Agreement*, the Australian, State and Territory Governments have agreed to:

- 'develop a nationally consistent approach to the collection, linkage, and sharing of data and reporting on people discharged with mental illness or suicidality from hospitals, correctional facilities, and other institutional care settings ... into a situation of homelessness, to support decreasing instances of discharge into homelessness'
- 'share best practice examples of programs that reduce incidence of discharge into homelessness to encourage consideration of new, evidence-based approaches across jurisdictions, to move towards zero discharge into homelessness' (Australian, State and Territory Governments 2022, p. A-3).

Governments should adopt the recommendations of the Commission's mental health inquiry and the inquiries into homelessness in Australia and Victoria. In addition, under the next Agreement, the Australian, State and Territory Governments should:

- develop a nationally consistent policy of no exits from health and correctional facilities into homelessness
- increase investment into preventing discharging from health and correctional facilities into homelessness and share lessons about what works and why
- include a target in the next Agreement on reducing the amount of people exiting into homelessness

- improve collection and sharing of data on exits into homelessness and report on exits into homelessness from health and correctional facilities under the performance monitoring and reporting framework.

Extending support for people in and leaving out-of-home care

Young people leaving out-of-home care are at significant risk of experiencing homelessness (section 6.1). A 2018 survey of people who had left out-of-home care in the previous five years found 30 per cent had been homeless in the first year, and of those who experienced homelessness, 37 per cent experienced it for more than 6 months (McDowall 2020, p. xviii).

Reasons why young people transitioning from out-of-home care can end up homeless include:

- many people in care have other risk factors that place them at a higher risk of homelessness. They have often experienced abuse, neglect and trauma, are more likely to be disengaged from education and employment, and are more likely to have experience with the justice system
- like young people not in care, many do not yet have the life skills to live without support and can face barriers accessing social housing and the private rental market
- support for people leaving care is patchy. There is no guarantee of housing support, and only 36 per cent of care leavers have a transition plan and 26 per cent had not spoken with anyone to help with their transition (LCLSIC 2021; McDowall 2020, The Salvation Army, sub. 42, pp. 58–59; Yfoundations, sub. 94).

State and Territory Governments have put in place initiatives in recent years to improve outcomes. Most jurisdictions have extended accommodation support from 18 years to 21 years for all or some care leavers (Home Stretch 2022). For example, the Home Stretch program in Victoria provides an accommodation allowance, case work support and flexible funding to help with economic and social participation to all people in out-of-home care. This allows young people to continue living with their carers beyond 18 years or helps them to transition to other housing options (DFFH 2021). Deloitte Access Economics (2018) estimated that extending care for 18 to 21 years would deliver significant cost savings to governments due to lower rates of homelessness, hospitalisation, mental illness and substance use disorders, lower welfare payments and tax foregone and higher educational attainment.

While the NSW Government has not extended out-of-home care to 21 years, it does provide support to people leaving out-of-home care to prevent homelessness. Under the Premier's Youth Initiative, people who are identified as being at risk of homelessness once they leave out-of-home care are provided with a personal advisor and education and employment mentoring, and some are offered a transitional support worker and subsidised accommodation (DCJ (NSW) 2021c). An evaluation of the program found that it successfully prevented homelessness after 18 years of age for people with a history of homelessness while they were in out-of-home care (Taylor et al. 2020).

Under the next Agreement, State and Territory Governments should bolster programs that prevent people leaving out-of-home care from becoming homeless. This should include considering increasing the age at which out-of-home care support ceases, and increasing access to effective support for people leaving out-of-home care, including support to find and maintain housing.

Early support for young people

While prevention and early intervention is important for all cohorts, it is particularly important for young people. Preventing young people from becoming homeless can stop them from entering the cycle of homelessness and experiencing a lifetime of poor social, health, economic and justice outcomes (Flatau et al. 2013; section 6.1).

Young people face a diverse range of factors that can lead to homelessness (section 6.1). Many of the causes of youth homelessness involve issues in other service systems. In these cases, a coordinated response across sectors is required. The Salvation Army told us:

... the provision of appropriate education and training for at-risk young people when combined with tailored, coordinated, wrap-around support across housing, youth justice, out-of-home-care and mental health, will ensure the unique needs of each young person can be met and will break the cycle of homelessness for many. (sub. 42, p. 46)

Improving outcomes in these systems will help to prevent youth homelessness. Addressing issues in the domestic and family violence and out-of-home care system, and issues in exiting the youth justice system are discussed in this section.

In addition, governments can provide direct prevention and early intervention support to young people. This support needs to consider:

- their relationship with their family. Interventions at the family level, such as through family mediation or therapy, can improve family relationships and prevent youth homelessness caused by family breakdown. However, this is not always appropriate, particularly where there is violence or abuse.
- their engagement in education, employment, or training to improve their economic outcomes and reduce their risk of becoming homeless. The Inquiry into Homelessness in Victoria recommended providing young people at risk of, or experiencing, homelessness with job readiness training and connecting them with employment opportunities (LCLSIC 2021).
- if they have any mental health, trauma or substance use issues, which may affect their education or housing (Barker et al. 2012; LCLSIC 2021; MacKenzie et al. 2020).

One successful program is Reconnect. Reconnect is a community-based early intervention and prevention program that provides support to young people and their family, including counselling, group work, mediation and practical support. It also aims to improve family relationships and keep young people engaged in education, employment, and the community (DSS, sub. 83, p. 22). There have been multiple evaluations of Reconnect that highlighted significant improvements in housing situations, wellbeing, family relationships and engagement in school, work and/or training (FaHCSIA 2013; Mission Australia 2016). Most of the decrease in youth homelessness between 2001 and 2006 was attributed to early intervention, particularly through Reconnect (Chamberlain and MacKenzie 2008, pp. 47–48). In 2011-12, 92 per cent of Reconnect clients were homeless or at risk of homelessness at the start of support, which decreased to 20 per cent at the end of support (FaHCSIA 2013, p. 19).

Another example of a promising program is the Community of Schools and Services (COSS) model (box 6.8). The Inquiry into Homelessness in Victoria recommended that the Victorian Government fund the expansion of the COSS model to more sites (LCLSIC 2021).

As part of prioritising prevention and early intervention in the next Agreement (recommendation 6.1), governments should expand support for young people at risk of homelessness.

Box 6.8 – Community of Schools and Services Model

The Community of Schools and Services (COSS) model is an approach to early intervention in youth homelessness where schools and community services collaborate to screen students and identify those at risk of homelessness to provide them with support. The COSS model has four core foundations:

- Community collaboration — early intervention workers and school welfare staff make referral decisions together. The COSS model promotes community collaboration as a necessary condition for improving the local support system.
- Early identification through population screening — all students participate in the screening process and complete the Australian Index of Adolescent Development survey every year. Their responses are used to compute a series of three indicators to rigorously identify which students are at-risk of homelessness or disengagement from school.
- Longitudinal outcomes measurement — there is a whole of community approach to measuring outcomes for young people. Outcomes are measured across the community cohort of at-risk young people over time.
- Flexible and responsive practice framework — there are three levels of responses: active monitoring; short-term support; and wrap-around case management for complex cases. Where case work is required, it takes a youth-focused and family-centred case management approach. Schools and services will work together with the young person and their family.

The Geelong Project is the first program to apply the COSS model. An evaluation found that between 2013–2016:

- the number of adolescents entering the SHS system had declined by 40 per cent
- the number of adolescents leaving school early had declined by 20 per cent
- disengagement from school had declined by almost 50 per cent.

The social return was estimated to be \$5 for every \$1 invested. The COSS model has since been adopted in different communities, including The Albury Project and The Mt Druitt Project.

Source: MacKenzie (2018, 2020).

Supporting people to maintain their tenancies

Tenancy support services provide tailored support for tenants who face challenges finding or maintaining a rental property. Services include assistance with searching and applying for properties, one-off grants for moving or other costs and links to other support services (Tually et al. 2016). Tenancy support services are mostly used in the social housing sector, however they also play a role in the homelessness sector by helping people secure or maintain their tenancies. Their role in the private rental market is discussed in chapter 9.

Homelessness can be prevented by supporting people to maintain their tenancy. Many people who experience homelessness were evicted into homelessness. Twenty-three per cent of SHS clients in 2020-21 who were homeless identified housing crisis — they were formally evicted or asked to leave their accommodation — as their main reason for seeking assistance. And 32 per cent of SHS clients in 2020-21 needed assistance to sustain their tenancy or prevent eviction (AIHW 2021d). An evaluation of several tenancy support programs across Australia found that 81–92 per cent of people maintained their existing social housing tenancy and less than 4 per cent of people were evicted. In contrast, over 16 per cent of public housing tenants who did not receive tenancy support were evicted (Zaretsky and Flatau 2015).

Tenancy support services also help people secure housing in the private rental market by helping clients become rental ready and overcome barriers they may face, including discrimination. This support can help people transition out of homelessness (Tually et al. 2016).

There is evidence that tenancy support services can be cost effective for governments when they prevent eviction, homelessness or a deterioration in mental health. One study estimated the average cost of assisting someone to maintain or access a tenancy was about \$5400 (2019-20 dollars) compared with about \$11 100 per eviction event (PC 2020 estimate based on Zaretsky and Flatau 2015).

One example is the Private Rental Assistance Program (PRAP) in Victoria, which provides financial assistance to people to maintain their tenancy and avoid eviction, and help those who are homeless to secure a private rental. PRAP Plus extends this by providing extra support to address the underlying causes of losing tenancy (LCLSIC 2021). The Inquiry into Homelessness in Victoria recommended the Victorian Government commit to ongoing funding for the program, commenting:

... PRAP is exactly the kind of homelessness early intervention program that needs ongoing funding. PRAP avoids the costs of crisis accommodation and the trauma of eviction for those who access it. The program has already shown it can be applied on a statewide scale to a number of different cohorts. The Committee believes PRAP should continue to grow to become a key part of the homelessness services system. (LCLSIC 2021, p. 138)

Tenancy support services appear promising as a cost-effective way to support rental ready clients to secure or maintain their tenancy. However, as discussed in chapter 9, there is limited evidence to assess the long-term outcomes of these programs and scaling up might be difficult. Additionally, service providers 'expressed the view that it was very challenging, if not impossible, to assist clients with high needs into private rental' (Tually et al. 2016, p. 3). There are some tenancy support services targeted towards people with complex needs, including the Private Rental Brokerage Services in New South Wales, but these programs have not been evaluated (DCJ (NSW) 2018a). Consequently, a cautious approach is warranted in scaling up tenancy support services and expanding services to a wider group of renters (chapter 9).

Governments should trial, invest in and regularly evaluate tenancy support services for people at risk of homelessness.



Recommendation 6.1

Prevention and early intervention should be a higher priority

Prevention and early intervention programs should be a higher priority under the next Agreement. The Australian, State and Territory Governments should establish a separate pool of funding for prevention and early intervention programs to address the causes of homelessness for the main 'at risk' cohorts, including but not limited to people leaving health and correctional facilities and care, Aboriginal and Torres Strait Islander people, young people and people needing support to maintain their tenancy.

Continued investment in the mental health sector

Mental health and homelessness are strongly linked. Mental health is both a cause and consequence of homelessness (section 6.1). Preventing and providing support for mental ill-health are therefore important for improved homelessness outcomes.

The Australian, State and Territory Governments are undertaking substantial reforms that aim to deliver comprehensive and consumer-focused mental health care by:

- increasing investment
- reducing system fragmentation, and gaps and duplication in services
- enhancing the capability of the mental health and related workforce
- improving models of care
- improving cooperation and coordination across the system (Australian, State and Territory Governments 2022).

The reforms are in response to several key reports.

- The Productivity Commission’s mental health inquiry (PC 2020d)
- *National Suicide Prevention Adviser — Final Advice* (National Suicide Prevention Adviser 2020)
- The final report of the Royal Commission into Victoria’s Mental Health System (RCVMHS 2021).

The Australian, State and Territory Governments should continue work on improving mental health outcomes, including implementing the recommendations of the Commission’s mental health inquiry.

Addressing family and domestic violence

Family and domestic violence is a key cause of homelessness and the number one reason women and their children seek support from specialist homelessness services (section 6.1).

The Australian Government is developing the National Plan to End Violence against Women and Children 2022–2032. The public draft national plan has a strong focus on prevention of violence, which is consistent with the outcomes of the National Summit of Women’s Safety 2021 (Australian Government 2022b). It is essential that prevention remains a key element of the final plan.

Where family and domestic violence does occur, safe at home approaches can enable victim–survivors to remain in their home or accommodation of their choice, rather than being forced to move (ANROWS 2016). They involve coordinating action from housing, justice, police and other services, to ensure victim–survivors are safe and free from harassment (box 6.9; Spinney et al. 2020, p. 33). State and Territories all appear to have safe at home programs (Breckenridge et al. 2016).

While safe at home responses can be an effective approach to preventing homelessness, they are only appropriate in some situations. Safe at home responses are not appropriate where the women’s safety cannot be ensured and an integrated response involving housing, justice and other stakeholders is not available (Spinney 2012). The lack of available housing for perpetrators of domestic violence is also a key barrier to these approaches being used more widely (Pawson et al. 2018).

The Inquiry into Homelessness in Victoria recommended that the Victorian Government ‘trial and evaluate the effectiveness of programs that provide supported accommodation for perpetrators of family violence, linked to compulsory behavioural change programs, including in regional areas’ (LCLSIC 2021, p. xxxii). In addition, the Inquiry into Family, Domestic and Sexual Violence recommended the Australian, State and Territory Governments:

- consider implementing policies to remove perpetrators rather than victim–survivors in cases of family, domestic and sexual violence, where this can be achieved without threat to the safety of victim–survivors; and
- consider funding for emergency accommodation for perpetrators to prevent victim–survivors being forced to flee their homes or continue residing in a violent home. (HRSCSPLA 2021a, p. 339)

Box 6.9 – Case study of a Safe at Home response – Shirley’s story

Shirley is a timid and shy 40-year-old Aboriginal lady from Western Australia who has been living with bipolar disorder. She was first referred to [The Salvation Army] by Lincoln Street Outreach Centre to assist Shirley to feel secure, safe and able to return to her home. Shirley had been in a long-term relationship with Jason for 13 years but their relationship became critical when Jason’s substance use became worse, resulting in escalated violence towards Shirley. Shirley described the abuse as verbal, physical and psychological, which intimidated her, increased her fear and triggered mental health concerns that she normally manages well on a daily basis. Jason had made threats of harm against Shirley, other people she knows and even her pet dog.

Following an incident where Jason punched Shirley in the mouth, terrorised her and allegedly harmed her dog, Shirley was granted a 24 hour Violence Restraining Order against Jason. This incident forced Shirley to leave her home of 16 years to stay at her neighbour’s home out of fear that Jason would return. Shirley was hesitant as she did not want to leave her home but felt she had no choice due to feeling unsafe in her home.

Shirley’s property was assessed and it was recommended that the following upgrades be made to the home for Shirley to return:

- Front door to be re-keyed
- Rear door to be re-keyed
- Sensor light to be installed to existing light at front
- Sensor light to be installed to existing light at rear
- Window — supply and install a security grill to front lounge window.

Once the upgrades had been completed, Shirley was able to return safely to her home as she felt more secure that Jason could no longer enter the home with his house keys.

Source: The Salvation Army (sub. 42, pp. 41–42).

DSS (sub. 83, p. 15) noted ‘expanding options for women and children to stay safely in their own home, rather than being made to leave as a default’ was a key issue being considered as part of the 2022–2032 Plan. The next Agreement should be aligned with the National Plan to End Violence against Women and Children 2022–2032 and the Australian, State and Territory Governments should consider how the next Agreement can support the 2022–2032 Plan in preventing family and domestic violence and homelessness.

Implementing Housing First-type responses

Housing First is an approach to tackling long-term homelessness in people with complex needs. The core principle of Housing First is that providing housing is not contingent on behavioural changes or receiving support services (box 6.10). Once housing is provided, flexible support services, such as mental health and drug and alcohol services, are provided for as long as needed. The separation of housing and support services provides stability that better enables the individual to engage with support (Dodd et al. 2020; Tsemberis and Eisenberg 2000).

Box 6.10 – Housing First in more detail

Housing First was developed in the 1990s with the implementation of Pathways to Housing in New York City.

Principles of Pathways to Housing

The Pathways program had five fundamental principles:

1. Rapid access to permanent housing without housing readiness conditions: clients are provided immediate access to permanent housing with no requirements to be housing ready. Housing is not conditional on the client seeking treatment for their complex needs and they will not lose their housing if they refuse treatment.
2. Consumer choice and self-determination: clients can exercise some choice in the housing they are provided (such as location and type of housing) and the support they receive (which services and when to use them).
3. Individualised and client-driven supports: clients are unique and are therefore provided with a range of support services to help address their unique needs.
4. Recovery orientation: there is a focus on supporting clients' recovery and wellbeing, such as by promoting social and community integration, and a harm reduction approach to clients with substance use disorders or addictive behaviours.
5. Social and community integration: clients are supported to participate in the community to prevent social isolation and presented with opportunities for social engagement through employment, vocational and recreational activities.

These principles contrast to the traditional 'staircase' approach of housing support, which requires clients to transition through different levels of housing, from shelter placements to transitional housing and then finally permanent housing. Clients must accept treatment and show that they are 'housing ready' before they are offered permanent, independent housing.

Evaluation of Pathways

One study found that 88 per cent of clients with psychiatric disability housed through the Pathways program had retained their housing after five years, compared with 47 per cent of clients through traditional services. Another study found that after four years, clients with mental illness of Pathways and traditional services lived in stable housing 75 per cent and 50 per cent of the time, respectively.

Implementation of Housing First can differ

Although based on the same core principles of providing unconditional housing and support, the implementation of Housing First models can differ. The fidelity of Housing First programs — the extent to which it follows the original Pathways model — is important. Programs should follow Housing First principles, but this needs to be balanced with being adaptable to local conditions and needs.

Housing First can also be delivered:

- as a philosophy: the principles of Housing First can guide an organisation or community's work, such as by informing how outreach is conducted and the mandate of crisis accommodation
- through a systems approach: the principles of Housing First can be embedded within the broader integrated services system, where all services and programs within the homelessness sector are guided by Housing First principles
- as a program model: Housing First can be applied as a service delivery model for individual programs.

Box 6.10 – Housing First in more detail

For example, Finland takes a whole-of-government approach through a system-wide implementation of Housing First, while Australia tends to adopt Housing First principles for specific projects.

Source: Dodd et al. (2020); Johnson et al. (2012); LCLSIC (2021, p. 253); Padgett, Gulcur and Tsemberis (2006, p. 79); Roggenbuck (2022, p. 28); Tsemberis and Eisenberg (2000, p. 491); Western Australian Government (2020, p. 31).

Housing First is effective

Housing First has been embraced globally as a best practice approach to ending long-term homelessness. There is a large, international evidence base that illustrates the effectiveness of Housing First in delivering positive housing outcomes and improving the wellbeing of clients (box 6.11). These results highlight the significantly better housing outcomes for Housing First clients relative to clients of traditional housing services.

Box 6.11 – Housing First examples

There are many examples of Housing First in Australia and internationally.

Journey to Social Inclusion (J2SI)

J2SI began as a Housing First pilot in St Kilda. Over 75 per cent of the 40 participants remained in stable housing after four years from 2009–2012. Following the success of the pilot, J2SI was refined and expanded with Phase Two operating from 2016–2019.

An evaluation of Phase Two found that 82.5 per cent of the 60 participants were housed at the end of the program, while a final survey found that 62 per cent of participants were housed, significantly greater than 28 per cent of participants in the control group. J2SI participants also reported lower rates of depression, anxiety, stress, substance use, and nights spent in drug and alcohol rehabilitation. It is estimated that every \$1 invested in J2SI resulted in \$1.84 in cost savings in health and justice services amounting to \$32 293 per participant.

Phase Three was launched in 2018 and has tripled the number of participants to 180.

50 Lives 50 Homes

The '50 Lives 50 Homes' campaign launched in 2015 and was the first Housing First initiative in Western Australia. 50 Lives 50 Homes supports rough sleepers in Perth who are the most vulnerable, with housing and wrap-around services. Overall, 81 per cent of participants retained their tenancy after one year. This decreased to 73 per cent after two years with a slight decrease to 71 per cent after three years.

Not all participants were allocated housing directly from the 50 Lives 50 Homes program, but those who did had significantly higher retention rates after three years (87 per cent) compared with those who were allocated housing elsewhere (60 per cent).

The MISHA Project

The MISHA project operated in New South Wales between 2010–2013 and provided 74 participants with long-term, sustainable accommodation and intensive support. An evaluation of the project found that

Box 6.11 – Housing First examples

97 per cent of participants retained their tenancies after one year while 89 per cent retained their tenancies after two years. Savings in health, justice and welfare services were estimated to be \$8002 per participant per year after the first year of support.

Europe

The Housing First Europe project involved five test sites across Europe. The 12 month housing retention rate for the four projects that followed Housing First principles were:

- Amsterdam, Netherlands: 97 per cent of 142 service users
- Copenhagen, Denmark: 94 per cent of 64 service users
- Glasgow, Scotland: 93 per cent of 14 service users
- Lisbon, Portugal: 79 per cent of 68 service users.

Canada

The recent At Home/Chez Soi project studied over 2000 participants and found that participants in Housing First spent on average 73 per cent of the two-year period in stable housing. This compares to just 32 per cent of those receiving standard treatment.

For participants with high needs, the program cost an average of \$22 257 per person per year with cost offsets of \$21 375. And for people with medium needs, the program cost an average of \$14 177 with cost offsets of \$4849. These cost offsets were due to reductions in health and justice service usage.

Source: Busch-Geertsema (2013); Conroy et al. (2014); Mental Health Commission of Canada (2021); Sacred Heart Mission (nd); Seivwright et al. (2020); Vallesi et al. (2020).

While Housing First has been demonstrated to have strong housing outcomes, the evidence on the effectiveness of Housing First on non-housing outcomes are mixed. Some studies found improvements in mental health, substance use and social inclusion but others found little to no improvements (Johnson, Parkinson and Parsell 2012, p. 9). Studies commonly identified that while Housing First resulted in improvements in mental health, quality of life and substance use, these improvements were not significantly greater than the results under standard treatment (Baxter et al. 2019, pp. 383–384).

Similar to traditional services, Housing First studies commonly reported lower usage of government services, including health and justice services. These cost offsets reduce the net cost of Housing First to governments. Some programs showed a small net cost or even a potential net benefit (Johnson, Parkinson and Parsell 2012; Mental Health Commission of Canada 2021; PC 2020d, pp. 1004–1005).

Some studies, particularly those showing very high cost offsets, have been criticised for their cost analysis. They have been described as lacking rigour, having inappropriate sampling, lacking a proper comparison or control group and having strong assumptions about the client's service usage that overstates the total cost offsets (Johnson, Parkinson and Parsell 2012, pp. 8–9; Tsemberis 2010). Ly and Latimer (2015, p. 482) noted that more rigorous studies of Housing First had smaller cost offsets.

Many Housing First studies are short-term and evaluate outcomes after one to two years, but complex needs require ongoing long-term support. The founder of the original Pathways model noted:

... housing and other supportive housing interventions may end homelessness but do not cure psychiatric disability, addiction, or poverty. These programs, it might be said, help individuals

graduate from the trauma of homelessness into the normal everyday misery of extreme poverty, stigma, and unemployment. (Tsemberis 2010, p. 52)

However, ensuring that people with complex needs have safe and secure housing while providing ongoing wrap-around services offers the stability essential to addressing their needs in the long-term.

In Australia, adoption of the Housing First approach has been limited but support has grown over the past decade. There have been various Housing First initiatives implemented on a small scale (box 6.11).

Following the success of small scale Housing First programs, State and Territory Governments have increasingly adopted Housing First principles. Housing First is identified in many of the State and Territory Governments' housing and homelessness strategies (ACT Government 2018; NSW Government 2018; South Australian Government 2019; Victorian Government 2018; WA Department of Communities 2020). For example, the Western Australian Government's (2020) *All Paths Lead to a Home: Western Australia's 10-Year Strategy on Homelessness 2020–2030* identified Housing First as a priority and formally committed to embedding a Housing First approach in the homelessness system.

State and Territory Governments have recently funded new Housing First programs. For example, the NSW Government (2018, p. 8) invested \$20 million in the Supported Transition and Engagement Program, which provides long-term housing and wrap-around services to people who are sleeping rough. The ACT Government (2018, p. 27) has expanded Common Ground projects, including Common Ground Gungahlin and Common Ground Dickson.

Many of the major homelessness programs implemented in response to COVID-19 adopted Housing First principles (section 6.2). These programs include Together Home in New South Wales (NSW Government 2022c) and From Homelessness to a Home in Victoria (Victorian Government, sub. 97, p. 24).

Support for the Housing First model

Given the strong evidence of the effectiveness of Housing First, there is overwhelming support for Housing First principles to be adopted more widely in Australia. Many participants expressed support for the expansion of Housing First within Australia,⁶ highlighting the strong evidence base and the need to implement Housing First system-wide. For example, Homelessness NSW said:

For those with the most chronic and complex experiences of homelessness, Housing First is a demonstrated program that can reduce homeless with excellent outcomes. It is the basis on which homelessness strategies have succeeded worldwide. As has been demonstrated internationally, it can be powerful in changing both individual lives and systems responding to homelessness ... There should be a nationally funded Housing First program that includes permanent housing. The states should match their investment such as expanding Together Home in NSW with Federal investment. (sub. 40, pp. 23–24)

⁶ AHHF, sub. 86, p. 5; AMIDA, sub. 67, p. 5; Anglicare Australia, sub. 61, p. 11; Anglicare Southern Queensland, sub. 28, p. 4; AAEH, sub. 51, p. 4; Bridge Housing, sub. 50, pp. 5–7; CCCLM, sub. 53, pp. 20–21; CHIA, sub. 74; City of Yarra, sub. 16, p. 8; DCLS and NAAFLS, sub. 89, pp. 15–16; EHSSA, sub. 22, p. 2; Homelessness Australia, sub. 62, p. 5; HNSW, sub. 40, pp. 23–24; JSS, sub. 39, p. 2; Launch Housing, sub. 36, p. 11; McAuley Community Services for Women, sub. 24, p. 5; MCM, sub. 23, p. 5; Neami National, sub. 34, p. 2; NLASN, sub. 6, p. 3; NT Shelter, sub. 59, pp. 11, 15; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92; Ruah Community Services, sub. 10, p. 1; SA Housing Authority, sub. 58; SEARMS Aboriginal Corporation, sub. 44, p. 2; Shelter WA, sub. 98; SHSN, sub. 29, p. 5; SYFS, sub. 80, p. 4; St Bart's, sub. 84, p. 10; SCH, sub. 93, p. 2; The Salvation Army, sub. 42; Uniting Vic.Tas, sub. 25, p. 4; Victorian Government, sub. 97, p. 24; Western Australian Government, sub. 99, p. 4; WHN, sub. 41; Yfoundations, sub. 94, p. 30.

The Commission's Mental Health Inquiry (2020d, p. 1010) recommended scaling up Housing First approaches for people with mental illness and the Inquiries into Homelessness in Victoria and Australia recommended that governments scale up Housing First approaches (HRSCSPLA 2021b, p. 209; LCLSIC 2021, p. 260).

While there is overwhelming demand for more Housing First programs, there are barriers to implementing them on a larger scale in Australia. Housing First is resource intensive and the lack of funding and shortage of social and affordable housing in Australia constrains its expansion (Anglicare Southern Queensland, sub. 28, p. 4; EHSSA, sub. 22, p. 2; JSS, sub. 39, p. 2; MCM, sub. 23, p. 5; NLASN, sub. 6, p. 4; NT Shelter, sub. 59, p. 11; Shelter WA, sub. 98, p. 9).

Private rental properties can be used and improve flexibility in finding appropriate housing for clients, but are less secure, difficult to find in a competitive rental market and clients move more often compared with when they are housed in social housing (Bridge Housing, sub. 50, p. 6; cohealth, sub. 37, p. 2).

Victoria's Housing First programs report being significantly handicapped by a lack of affordable long-term accommodation to house participants (LCLSIC 2021, p. 260). NT Shelter reported that the Northern Territory has not yet implemented any Housing First initiatives:

The Northern Territory is the only jurisdiction across Australia that does not have a Common Ground, or Youth Foyer facility. Housing First doesn't exist despite its undeniable success – there is simply no housing to enable such initiatives. These proven, effective accommodation and support services remain a distant dream in the NT. (sub. 59, p. 11)

Funding arrangements also prevent service providers from implementing a Housing First approach. Housing First requires both housing and support services, but many participants told the Commission that governments usually fund either housing or support, but not both (EHSSA, sub. 22, p. 2; JSS, sub. 39, p. 2; MCM, sub. 23, p. 5; NLASN, sub. 6, p. 4; SHSN, sub. 29, p. 5). Additionally, as discussed in section 6.2, funding is often time limited and inadequate to meet the needs of clients, particularly those with complex needs who require longer-term support (EHSSA, sub. 22, p. 2; JSS, sub. 39; Mission Australia, sub. 88, p. 14; SHSN, sub. 29, p. 5). These funding arrangements are inconsistent with the principles of providing both long-term housing and support for as long as the client needs.

Scaling up Housing First programs will require significant investment from governments and more contract flexibility. Expanding and scaling up Housing First programs should be a key reform area in the next Agreement.



Recommendation 6.2

Expanding Housing First should be a key reform area

In the next Agreement, the Australian, State and Territory Governments should commit to expanding Housing First programs to improve housing outcomes for people experiencing homelessness.

Addressing gaps in support

For people to be well supported and successfully transition out of homelessness, they need support tailored to their unique circumstances. However, as discussed in section 6.2, many people do not receive this support. As the NSW Government explained:

A one-size-fits all response to address homelessness will not be adequate. Achieving long-term stable housing ... requires multiple approaches. Strengths-based, tailored service responses that

span the continuum from prevention and early intervention through to crisis management are required if we are to have a long-term impact on reducing homelessness. (sub. 69, p. 28)

Young people, for example, have different homelessness experiences to adults and require different types of support. Melbourne City Mission stated:

Young people who become homeless at an early age are forced to take on a range of adult responsibilities, without having been given the time and support to develop the knowledge and skills required, including how to maintain a property and their tenancy rights and responsibilities ... A youth housing system must provide integrated, sustained support and housing, to address the complex personal and structural causes of their homelessness. Key elements of support include education and employment support, living skills development, community connections and health and wellbeing. This framework aims to build the independence and resilience of young people experiencing homelessness and their capacity to sustain social housing and successfully transition into the private rental market. (sub. 23, p. 5)

However, participants argued that there is insufficient funding to provide the type of support young people need and some areas do not have youth-specific crisis accommodation.

Caring for young people in crisis requires 24/7 SHS staff who are highly trained and can provide support to young people with complex needs. But these vital services are under-funded and over-stretched, frequently supporting more young people than their contracts require. (Yfoundations 2022, p. 1)

... there are certain areas of [NSW] ... that have no youth-specific crisis accommodation at all, meaning, children and young people experiencing homelessness in these areas have nowhere to turn and are forced to travel considerable distances to access support. (Yfoundations, sub. 94, p. 12)

Additionally, there is a need to provide more exit options to support young people into independent living and prevent them from cycling in and out of crisis accommodation. One form of supportive housing is Youth Foyers, which integrates housing with education, employment and training. There is evidence that Youth Foyers are effective in keeping young people housed, while also supporting them to develop life skills and stay engaged in education, employment or training (box 6.12). Many participants also supported Youth Foyers as an effective program to address youth homelessness (for example, GCYS, sub. 71, pp. 4, 7; HNSW, sub. 40, pp. 26–28; NT Shelter, sub. 59, p. 15; Western Australian Government, sub. 99, p. 1; WHN, sub. 41, p. 30; Yfoundations, sub. 94).

Box 6.12 – Youth Foyers

Foyer Oxford

Foyer Oxford housed 317 young people and 50 children between February 2014 and December 2017. 93 per cent of residents left to stable, secure housing. Follow-up surveys found that 81–96 per cent of residents reported being in long-term accommodation 12 months after leaving Foyer Oxford. Additionally, between 76–90 per cent of residents were engaged with employment, education or training when living in Foyer Oxford. And 61–73 per cent were engaged in employment, education or training 12 months after leaving Foyer Oxford.

Education First Youth Foyers

Education First Youth Foyers expand on traditional youth foyers by prioritising education and training as a pathway to a sustainable livelihood. It targets young people who are committed to pursuing education and training.

Participants' educational attainment increased significantly. The number of participants who had completed year 12, Certificate III or higher had increased from 42 per cent at entry up to 75 per cent 12 months after leaving. Despite the focus on education, housing outcomes also improved significantly:

- 2 per cent of participants were sleeping rough or living in crisis accommodation, treatment centres or detention 12 months after leaving, down from 32 per cent at entry.
- 51 per cent of participants were living in their own home 12 months after leaving, up from just 7 per cent at entry.
- Almost 90 per cent of participants reported feeling safe in their home 12 months after leaving, up from 67 per cent at entry.

An economic evaluation estimated that the Education First Youth Foyer model delivered an additional \$10 million in net benefits over a 20 year period compared with transitional housing management services.

Source: Coddou, Borlagdan and Mallett (2019); KPMG (2018, 2019).

However, young people may not be ready for programs or accommodation that support transitioning to independent living. In this case, medium-term accommodation is more appropriate, which is designed to provide young people experiencing homelessness with trauma-informed support in a home-like environment. Medium-term accommodation has a greater level of onsite support, with onsite staff available at all times who offer practical and emotional assistance (Yfoundations, sub. 94, pp. 26–27).

There is also a lack of specialised homelessness services for older people (Ageing on the Edge NSW Forum 2021, p. 9). Housing for the Aged Action Group (sub. 90, p. 13) said the design of the existing homelessness system is inappropriate for older people and is a barrier for older people to obtain support. Homelessness services targeted towards older people are necessary to encourage more older people to seek support.

One promising model is the 'Home at Last' program, which the Housing for the Aged Action Group delivers in Victoria. Home at Last provides older people on lower incomes with services, including assistance with housing applications, tailored housing information, and referrals into aged care. An evaluation found the program provided a net benefit of \$1.3 million from 1001 clients, with a benefit–cost ratio of 2.3. The benefits included improved wellbeing of clients and cost savings, including costs associated with health and justice

services, and crisis emergency housing (EY 2021). The Queensland Government (2022a) is establishing a \$6 million housing and support hub for older people, similar to Home at Last.

Governments have also committed to implementing recommendations from other reviews, which will require additional investment in homelessness services. For example, the Royal Commission into Victoria's Mental Health System recommended that the Victorian Government 'invest in a further 500 new medium-term (up to two years) supported housing places for young people aged between 18 to 25 who are living with mental illness and experiencing unstable housing or homelessness' (RCVMHS 2021, p. 61).

Participants argued that the homelessness service system requires more funding to meet need.⁷ Safe and Equal (sub. 19, p. 6) recommended governments 'increase the quantum of funding delivered through the agreement to truly meet demand for social housing and homelessness support services'.

To help determine the additional investment required for the homelessness service system to effectively and efficiently support people who experience homelessness, in the next Agreement, the Australian, State and Territory Governments should commit to a study into the unmet need for homelessness support and a stocktake of current services.



Recommendation 6.3 **Determining the funding required to meet need**

In the next Agreement, the Australian, State and Territory Governments should commit to a study into the unmet need for homelessness support and a stocktake of current services, to determine the level of funding required to adequately meet the needs of people experiencing or at risk of homelessness.

Improving funding arrangements

The funding arrangements for homelessness services act as a barrier to providing flexible, long-term support tailored to people's needs. Services and people with lived experience would benefit from longer-term, flexible funding.

Funding should be flexible

Funding for homelessness services is generally provided for defined periods of support, which are arbitrary and limit services' ability to provide flexible support tailored to people's needs (section 6.2).

Funding that is more flexible in how and for how long it could be used for would help services provide tailored support. For example, flexible funding could facilitate more support for people who are in social housing and require additional support to maintain their tenancies (chapter 7). It could also help facilitate the scaling up of effective support models, including Housing First, which involves providing longer-term housing and other wrap-around support (discussed above).

⁷ For example, Anglicare Australia, sub. 61, pp. 12–13; Anglicare Southern Queensland, sub. 28, p. 5; Homelessness Australia, sub. 62; HNSW, sub. 40, pp. 14–15; Jesuit Social Services, sub. 49, pp. 7–8; Launch Housing, sub. 36, p. 7; NT Shelter, sub. 59; SYFS, sub. 80, p. 3.

Participants argued that flexible funding would facilitate better support and outcomes for people experiencing homelessness (for example, JSS, sub. 39; NLASN, sub. 6, p. 4; SHSN, sub. 29, p. 5; WHN, sub. 41, p. 21; YWCA Canberra, sub. 18). The Eastern Homelessness Service System Alliance said:

Funding should provide for a more flexible spectrum of support rather than a time limited support period that may not equate to the actual needs of people experiencing homelessness. For example, for complex clients with multiple needs who may require longer term support. (sub. 22, p. 2)

The Inquiry into Homelessness in Victoria recommended that the Victorian Government embed flexibility into the homelessness program funding and that the flexibility 'should extend to the amount of time an individual receives support and the services they are eligible to receive' (LCLSIC 2021, p. xxx). The Victorian Government indicated it is working with homelessness service providers to implement more flexible support periods (LCLSIC 2021, pp. 105–106).

In the next Agreement, State and Territory Governments should commit to trialling flexible funding arrangements, including non-time limited funding and flexibility around what services can be provided.

Longer-term funding cycles

While some jurisdictions have longer-term funding cycles for homelessness services, other jurisdictions have shorter-term contracts of three years or less, or rolling contracts (Queensland Government, sub. 27; South Australian Government 2020a, p. 11). Short-term funding cycles provide certainty for governments as they allow for regular performance assessments and greater flexibility to change funding priorities. However, they inhibit the provision of effective services (PC 2017b, 2020d).

Longer-term contracts provide stability and certainty for services, allowing them to invest in improving support over time. Participants argued for longer-term funding contracts for homelessness services (McAuley Community Services for Women, sub. 24, p. 5; Mission Australia, sub. 88, p. 14; St Bart's, sub. 84, pp. 9–10; SYFS, sub. 80, p. 8). For example, Shelter WA argued:

States and territories and the community sector organisations funded via the NHHA need surety of funding. Terms of less than five years do not allow sufficient time for service sustainability which impacts on funding outcomes and effectiveness. (sub. 98, p. 13)

The Queensland Government (sub. 27, p. 15) recognised the benefits of longer-term funding certainty when it entered into five-year funding agreements over 2018–2023, in line with the funding provided through the NHHA. The Queensland Government said the longer-term arrangements had provided increased workforce stability and planning. The SA Housing Authority (sub. 58, pp. 37–38) indicated longer-term funding contracts would be considered depending on the progress of the new alliance model. It also noted that previous funding contracts were too short and did not encourage stability and forward planning.

The Commission has previously recommended longer-term contracts for family and community services and mental health services in its human services and mental health inquiries (PC 2017b, p. 48, 2020d, p. 76). When recommissioning services, State and Territory Governments should provide a minimum of five-year funding to homelessness services.



Recommendation 6.4

Improved funding arrangements for service providers

In the next Agreement, State and Territory Governments should commit to reforming contract arrangements for specialist homelessness services.

- State and Territory Governments should trial flexible funding that allows services to provide a range of supports to meet people's needs, for however long they are needed.
- Funding to specialist homelessness services should be provided for a minimum of five years, where this is not already the case, in line with the recommendations of the Productivity Commission's Human Services and Mental Health inquiries.

6.5 Improving homelessness data

Homelessness data is necessary to understanding who is homeless and why, and how they can be supported to transition out of homelessness. However, homelessness data in Australia has limitations.

Improving the Census homelessness estimates

Is severe overcrowding homelessness?

In Australia, definitions of homelessness are based on a cultural understanding of what a 'home' is (ABS 2012b). Most aspects of the ABS definition are well accepted by Australian stakeholders. However, including severe overcrowding as homelessness is debated. Australia is one of the few countries to include severe overcrowding, and AIHW's definition of homelessness does not include severe overcrowding (HRSCSPLA 2021b).

The ABS explained that severely crowded dwellings do not meet adequate health and safety requirements, and there is a lack of space and privacy (HRSCSPLA 2021b, p. 15). Participants also pointed to the poor outcomes of living in a severely overcrowded dwelling (for example, Michael Dillon, sub. 4; Mission Australia sub. 88, p. 13; Torres Shire Council, sub. 20, p. 2).

However, some stakeholders questioned whether severe overcrowding should be classified as homelessness. For example, Chamberlain and Johnson (2020) found that every person who lived in a severely overcrowded dwelling in Victoria lived in permanent accommodation. They argued that people who are homeless do not live in permanent housing and highlighted that 31 per cent of people living in severely overcrowded dwellings owned the property outright or had a mortgage. They also argued the definition applied by the ABS to measure severe overcrowding is arbitrary:

The ABS ... made the arbitrary decision that households requiring four extra bedrooms were homeless, whereas households requiring three extra bedrooms were housed. There was no convincing rationale for this decision. (Chamberlain and Johnson 2020, p. 4)

Consequently, they concluded that overcrowding is a separate problem and not a form of homelessness.

The City Futures Research Centre (2020) identified the limited information about the circumstances of those living in severely crowded dwellings as a barrier to determining whether they should be counted as homeless.

There are also concerns about using the Canadian National Occupancy Standard (CNOS) to measure overcrowding. Concerns are that it:

- assumes a nuclear family of parents and children, which is irrelevant to the extended family composition common among Aboriginal and Torres Strait Islander and CALD households
- assumes that households have specific sleeping arrangements that are not adopted by many Aboriginal and Torres Strait Islander and CALD households, where people sleep in areas other than bedrooms such as living rooms
- is unable to differentiate between crowded households that function well and those that do not, and living arrangements that are due to cultural choice rather than a lack of other options (Dockery et al. 2022).

According to the 2016 Census, almost one-third of people living in severely crowded dwellings were Aboriginal and Torres Strait Islander people, and an additional one-half were born overseas (ABS 2018c). Some argue the western cultural framework of the CNOS may not be appropriate to measure overcrowding as it does not account for cultural differences in how people live (Dockery et al. 2022). The Inquiry into Homelessness in Australia also described CNOS as ‘too prescriptive and potentially a blunt instrument for determining homelessness’ (HRSCSPLA 2021b, p. 78).

Dockery et al. (2022) reviewed the measurement of overcrowding in Australia and concluded the CNOS is not a robust measure of crowding and whether overcrowding is a problem for a household is contextual. They also highlighted the need for qualitative approaches to measure crowding for individual target groups. They suggested a ‘potential approach is to ... develop a dashboard of indicators or “flags” relating to vulnerability to crowding in addition to high levels of household density’, such as the presence of multiple family units, a single bathroom, the presence of young children, and low income (Dockery et al. 2022, p. 117).

The Census is not designed to measure homelessness

Because of the nature of homelessness, it is difficult to measure. Homelessness is often hidden and is transitory with many people cycling in and out of homelessness (section 6.1). There are also limitations with how the ABS definition of homelessness is applied in practice, which affect the identification and enumeration of people who are homeless in Australia.

First, there is no variable in the Census that can be used to accurately measure homelessness. Instead homelessness is estimated using analytical techniques, the characteristics of the person’s responses and assumptions about the way people respond to the questions (ABS 2018b).

Second, some key groups cannot be identified through the Census. For example, there are no questions to identify whether a person identifies as part of the LGBTIQ+ community, preventing the ABS from estimating the prevalence of homelessness for this group.

Third, homelessness is underestimated in the Census for some groups and types of homelessness, including younger people, people displaced due to domestic and family violence, people staying with other households, rough sleepers and people living in boarding houses. For example, many people staying in temporary and insecure accommodation on Census night record their current accommodation as their usual address. This leads to the number of people who are homeless and are staying with family and friends (for example, couch surfing) or in hotel or motel accommodation being undercounted (ABS 2018b).

To count rough sleepers, the ABS relies on service providers to identify hot spots and on field staff who count people who are sleeping rough on Census night (ABS 2012a). Chamberlain and Johnson (2020) argued this results in a significant undercount of rough sleepers as:

- rough sleepers may hide away to escape the cold or because they fear being attacked

- street count volunteers do not enter empty buildings where people might be squatting
- there are many places where it is difficult to count rough sleepers, including large parks, back laneways and alleys, stairwells in private buildings, and behind buildings, houses or shops.

Fourth, the concept of homelessness may vary between some cultural groups, but the Census does not adequately capture this. For example, Aboriginal and Torres Strait Islander people may not consider themselves to be homeless if they sleep on the land or in an improvised dwelling as they feel a strong connection to the country, family or community (chapter 11). Additionally, the concept of 'no usual address' in the Census is argued to be inappropriate due to their different understanding of 'home' (ABS 2018a; Chamberlain and MacKenzie 2008).

These limitations result in an underestimation of the actual number of Australians who are homeless. This highlights the importance of improving the identification of people who are homeless to better reflect the state of homelessness in Australia.

In the 2021 Census, the ABS added a question on whether the person has ever served in the Australian Defence Force. The ABS (nd) identified how including this question will 'enable better delivery of services and support for veterans' and referred to their specific health and disability needs and their experience of homelessness. There is potential to identify other groups who are vulnerable to homelessness through the Census, which will allow the prevalence of homelessness to be estimated, including the LGBTIQ+ community.

The existing data improvement plan (DIP) includes the ABS leading improvements in the enumeration, processing and estimation of homelessness under the Census. The next DIP should continue this work and consider how the Census can be improved, such as by:

- improving the identification of people who are homeless, including groups at higher risk of homelessness, couch surfers, people displaced due to domestic and family violence, and people sleeping rough
- improving the measurement of overcrowding
- considering the role of culture in determining whether someone is homeless.

The Census can also be complemented by other sources of data to address some of its limitations. For example, a by-name list can be developed to provide a real-time count of people sleeping rough (discussed below).

Improving the Specialist Homelessness Services Collection

The SHSC provides comprehensive data on people who seek assistance from, or are referred to, specialist homelessness services agencies (AIHW 2021d). However, there are limitations that inhibit its usefulness.

The SHSC does not reflect the actual level of homelessness and unmet need

The SHSC only includes people who seek support and are not turned away from SHSs. Results from the 2014 General Social Survey suggest about two-thirds of people who experienced homelessness in the prior 10 years did not seek support during their most recent period of homelessness (ABS 2015). McAuley Community Services for Women submitted:

The current homelessness data collected by the AIHW only focuses on those who have at least had an initial appointment. It is unable to tell us how much 'true demand' exists outside the service system's capacity to respond. A 'census' by just one service based in Melbourne's west, looking at a single month, identified that 200 people are not even getting this first interview. There

is no way of exploring what happened to them next, the reasons they were unassisted, or how this differs from service to service or across Australia. (sub. 24, p. 10)

In addition, the SHSC only captures data from clients of SHSs, but there is a range of homelessness services outside of SHSs (AIHW 2020c, p. 7). For example, some homelessness support offered by State and Territory Governments in response to COVID-19 was not captured under the SHSC (AIHW 2022g, pp. 5–6).

And the rate at which people access SHSs and the location where people access services is influenced by the availability and location of services. It does not necessarily reflect the level of homelessness in different areas (AIHW 2021d).

There are also issues with unmet need data:

- Front end homelessness services are often overwhelmed and do not have the capacity to adequately report on client support periods or to complete turn-away data.
- Clients provided with short-term housing may be identified as having their need met, even if they need long-term housing and this need is unmet.
- Many services will try to provide some level of assistance to clients that present at the services (Shelter WA, sub. 98; WHN, sub. 41, p. 18).

The limitations in the SHSC in identifying unmet need further highlights the need to commission a study into the unmet need for homelessness support (recommendation 6.3).

Data are often inconsistent across jurisdictions and over time

A major limitation of SHSC data is that they are inconsistent across jurisdictions. Jurisdictions use different definitions, have different policies and homelessness systems, which makes some of the data incomparable (The Salvation Army, sub. 42, p. 12; Western Australian Government, sub. 99, pp. 5–6). Inconsistent data and reporting make it difficult to interpret results, compare performance across States and Territories and constrains the accountability and transparency of the Agreement (SA Housing Authority, sub. 58, pp. 39–40; Shelter WA, sub. 98, p. 14).

For example, the number of unassisted requests vary significantly across jurisdictions (section 6.2). However, much of the difference may not be due to the effectiveness of their homelessness systems and instead likely reflects the different service models. Jurisdictions with central intake type models are likely to record lower unassisted requests (AIHW 2021d; SCRGSP 2022c; section 6.2). Policy, service models or data collection practices can also change over time, making it difficult to compare data across years (The Salvation Army, sub. 42, p. 16).

Data collection and reporting could be simplified

Data collection and reporting can be time consuming and complex. The Commission heard that service providers can deliver multiple programs, which may require using different data collection systems with different reporting requirements for different contracts or government departments. The duplication in reporting requirements results in a significant administrative burden to service providers (Shelter WA, sub. 98, p. 14). Launch Housing told us:

This often results in staff having to enter data into multiple different systems for each client. For example, Launch Housing has around 50 programs with client services staff required to work across multiple data systems, for reporting purposes. (sub. 36, p. 9)

The Regional Local Government Homelessness and Social Housing Charter Group suggested that data input can become a second priority to meeting urgent needs of clients and as a result the quality of data input can suffer (sub. 92, p. 18).

And The Salvation Army submitted there was scope to reduce the complexity of questions, long lists of potential responses (there are 27 potential responses that can be selected under 'main presenting issue') and reduce the rate of error in data entry (sub. 42, p. 16).

Data are not always accessible

Service providers use data to improve the quality of their services by '[allowing] for internal analysis and learning, continuous improvement of services, and advocacy' (The Salvation Army, sub. 42, p. 15). However, service providers told us there were issues in accessing SHSC data.

The Salvation Army (sub. 42, p. 15) identified that 'only limited summaries of national data can be obtained from the AIHW' and suggested there be 'easier access for SHS agencies to obtain their client data (individual and aggregate) at each services centre, as well as at the state and national levels from SHS data systems'. They also noted 'there is not a single data set that includes all of the information for clients within the identified report period' and identified the issue this created:

This has necessitated developing a data cleansing process that is time consuming and not feasible for most organisations, especially when there are numerous centres (hence numerous data sets to be downloaded and collated) within an organisation. This also hinders the possibility to perform longitudinal tracking of client progress and outcomes. (sub. 42, p. 15)

Data can also be costly. The Western Homelessness Network (sub. 41, pp. 18, 24) said the cost of purchasing data from the AIHW prevented homelessness networks in Victoria from purchasing data on a regular basis, despite the data being 'critical to localised planning and sector development'.

In the next DIP, the AIHW should collaborate with governments, service providers and researchers to consider how the SHSC can be improved, including:

- improving the questionnaire to improve the quality and depth of data collected, including the clients' reasons for seeking assistance
- reducing the data collection burden, including by ensuring service providers are sufficiently resourced to collect data, and streamlining the data collection process
- improving service providers' access to, and the accessibility of, relevant data
- improving the collection and reporting of unmet need for homelessness services
- improving the consistency of SHSC data across jurisdictions.

By-name lists can help us better understand homelessness

By-name lists are an important innovation.⁸ A by-name list is a real-time list of every person who is experiencing homelessness in a community. They are used to track who is homeless at a given point, who becomes homeless, who transitions out of homelessness, and to identify who needs support (AAEH, sub. 51).

[By-name lists are] a near-to-real time mechanism for rigorous and reliable data capture on the incidence and prevalence of homelessness and the effectiveness of our housing response. The By

⁸ Participants supported the use of by-name lists — for example, AAEH, sub. 51; City of Yarra, sub. 16, p. 4; Shelter WA, sub. 98, p. 14; SHSN, sub. 29, p. 3; The Salvation Army, sub. 42, p. 27.

Name List is used to monitor service delivery, allocate responsibility for finding solutions for people, track trends and outcomes, identify system barriers, and to inform and drive system improvements.

The By Name List is updated fortnightly and means that we can identify and work with all people who are rough sleeping in the City at a given point in time. (City of Port Phillip 2020, pp. 7–8)

Implementing a by-name list has many benefits:

- It provides a timely measure of homelessness and can supplement Census homelessness estimates to better understand the prevalence of homelessness.
- The incidence of rough sleeping can be measured over time and help to evaluate a program's impact on rough sleeping.
- It provides insight into the inflows and outflows of the homeless population, which can inform service delivery and the amount of housing and support necessary to meet the community's needs.
- It can be used to better understand the experience of homelessness and the factors that contribute to the inflow and outflow of the homeless population (AAEH, sub. 51, p. 2; Shelter WA, sub. 98, p. 14; VAGO 2020).

By-name lists are an important tool of the Advance to Zero methodology, which aims to achieve 'Functional Zero' — where the average capacity of the housing system is greater than the existing need (SA Housing Authority, sub. 58, p. 17). Some areas already have by-name lists. The Zero Project WA has developed a by-name list in Perth, and the Adelaide Zero Project has developed a by-name list in Adelaide (Shelter WA, sub. 98, p. 7; Tually and Goodwin-Smith 2020). The City of Port Phillip implemented a by-name list in July 2019 through the Port Phillip Zero initiative (City of Port Phillip 2020, pp. 7–8).

Governments should investigate implementing by-name lists across Australia to provide a timely measure of homelessness that supports homelessness research, service delivery, and policy development.

Using existing data to better understand outcomes

In addition to improving the quality of homelessness data, there are opportunities to better use existing data.

Longitudinal data

Longitudinal data are collected from the same individuals repeatedly over time. In comparison, cross-sectional data — such as the Census — are data at a single point in time. Longitudinal data have greater research potential compared with cross-sectional data due to the ability to:

- understand persistence and change in people's circumstances
- know what makes a difference to people's outcomes
- explain how experiences interact over time and across different life domains
- test ideas and evaluate policy (DSS 2022b).

The SHSC provides valuable insights, which can be strengthened by further supporting longitudinal analysis of clients and their service use patterns over time. The AIHW has previously conducted longitudinal analysis using SHSC data and improvements to the longitudinal nature of the SHSC are ongoing (AIHW 2020c).

There are few homelessness longitudinal datasets beyond the SHSC longitudinal data. One example is the Journeys Home study, which is the largest longitudinal survey of homelessness in Australia. Journeys Home tracked almost 1700 Australians over a 2.5 year period who experienced either housing insecurity or homelessness (Bevitt et al. 2015).

AHURI (sub. 52, p. 12) identified longitudinal data on homelessness as a future data priority, noting its ability to measure changes for at-risk groups over time. The Regional Local Government Homelessness and Social

Housing Charter Group (sub. 92, p. 19) suggested 'specific targets for the output of longitudinal data' and noted the possibility of using welfare administrative data and longitudinal data to identify indicators of homelessness.

Data linkages

Linking multiple datasets can create a more comprehensive dataset. In particular, linking longitudinal data can show a person's pathway through service systems and their outcomes over time. The AIHW (2020c) described the benefits of linked homelessness data:

The housing and homelessness sector would substantially benefit from a linked longitudinal data asset. Given the intersections between housing and health, the asset could include the data domains including income support payments, health and homelessness services use and social housing. Such an asset would provide valuable insights into the intersection between health and homelessness, and the pathways through housing-related support services.

There is significant research potential in using linked data. For example, by linking the SHSC with data collections from other sectors, such as health, justice, and social services, the effect of homelessness services on the usage of these other services can be analysed. This enables better program evaluation by facilitating the analysis of the program's economic impact and other policy research (Wood, Vallesi and Flatau 2017). The evidence-based insights obtained from linked data will also help improve planning and service delivery (VAGO 2020).

There have been some examples of data linkage in the homelessness sector, including:

- various reports by the AIHW (2020c)
- the Pathways to Homelessness report (DCJ (NSW) 2021b)
- the 50 Lives 50 Homes evaluation (Vallesi et al. 2020).

However, Wood, Vallesi and Flatau (2017, p. 43) identified that the application of linked administrative data 'in the housing and homelessness fields is still in its relative infancy', largely 'reflecting low levels of investment in research and data infrastructure'. Data linkage projects have been completed previously in other sectors, such as the National Disability Data Asset project. Similar projects could be conducted by linking housing and homelessness data with other administrative data (Victorian Government, sub. 97, p. 22).

As part of the next DIP, governments should invest in linking homelessness data with other datasets. (recommendation 5.8).

Improving access to data

Even where high-quality data exists, it may not be easily accessible. The Commission has previously noted 'Australia lacks a culture of information sharing and proactive data release' and that access to data remains difficult (PC 2013, p. 10). Providing researchers with greater access to de-identified administrative data has many benefits including:

- it can result in robust evidence of homelessness programs or policy performance
- administrative data are an alternative to more sophisticated and costly evaluation techniques
- it creates more opportunities for researchers to conduct homelessness research and improves the productivity of research activity
- it can be used to create indicators that identify individuals at-risk of homelessness and allow for more effective and targeted interventions (PC 2013, 2017a).

Improving access to de-identified administrative data for government users, academics, and other researchers should be pursued as a priority. The DIP should include improving access to data for researchers and service providers as part of its work program (recommendation 5.8).

Making better use of service providers' data and knowledge

Data collected by service providers can be better leveraged to understand outcomes. Service providers collect a significant amount of data beyond the data included in the SHSC. Mission Australia said:

There is an opportunity to utilise the data captured in ... community service providers' data holdings, to assess shorter-term outcomes and indicators assessing individual factors which drive homelessness (such as domestic and family violence or poverty) as well as housing outcomes. Notably, Mission Australia has collected relevant data through the Personal Wellbeing Index for many years ... and this is now also collected by other providers as required by the NSW Government's SHS program. Further, valuable additional data is being collected about people who are street sleeping through the various "zero" collaborations around Australia. (sub. 88, p. 25)

Given the significant role and experience service providers have in collecting, reporting and using the data, service providers could have a more active role and voice in improving homelessness reporting and data. The DIP should include evaluating the potential for how service providers' data could be used to supplement Census and SHSC data to measure other outcomes.

7. Social housing

Key points

- * Social housing is an essential safety net for people unable to access or sustain housing in the private rental market. It is affordable (rents are typically 25 per cent of income) and secure (with long-term leases available for some tenants). And social housing is effective at preventing and addressing homelessness.
- * But income-based rent means demand for social housing exceeds supply and access to social housing properties is rationed. There are long waiting lists and waiting times for social housing, including for some people with urgent housing needs. Social housing tenants often have little choice about the location and type of their property and there may be 'lock-in' effects that impede their social and economic participation. The mismatch between social housing stock and tenants needs (and underutilisation of properties) points to the potential for better management of the social housing stock.
- * Social housing features prominently in the National Housing and Homelessness Agreement (NHHA), but there is little evidence (in part because reporting is incomplete) that the Agreement is driving reform or improving outcomes for social housing tenants.
- * Some States and Territories are offering alternatives to social housing, including private rental assistance and headleasing, to provide more timely, flexible and targeted assistance. States and Territories have the flexibility to use NHHA funds for alternatives to social housing; the next Agreement should improve data collection to help identify effective programs.
- * Building more social housing will increase the supply of housing affordable for low-income households, but social housing is relatively costly and can only be a partial solution to affordability. Social housing should be targeted to people most at risk of long-term homelessness and people who are unable to access and sustain affordable and appropriate housing in the private market. For most low-income households, the focus should be on improving housing affordability in the private rental market.
- * Needs-based rental assistance that is portable across social and private rental housing would improve choice and equity in housing assistance. More competition between social housing providers should also lead to improved services and better outcomes from taxpayers' funds. Portable rental assistance should be trialled.

This chapter looks at social housing as one form of housing assistance for low-income households and people who face barriers securing housing in the private rental market (section 7.1). It also looks at what providing affordable and secure housing means for how well the social housing system functions and how effective it is at assisting tenants (sections 7.2 and 7.3). Section 7.4 assesses whether the National Housing and Homelessness Agreement (NHHA) is improving outcomes from social housing. Section 7.5 explores the contribution that more social housing can make to improving affordability. Reforms to social housing, including the alternative approaches to assistance offered by some States and Territories, and the potential for the next Agreement to support further reform towards portable rental assistance, are also examined (section 7.6).

7.1 About social housing

Social housing is a safety net for people on low incomes (mostly people who receive income support) who cannot access appropriate or adequate housing in the private market. Some people apply for social housing because they are experiencing rental stress in the private market. Others turn to social housing because they have a poor rental history, face discrimination, or have complex needs (such as mental ill-health) that make it difficult for them to obtain or sustain a private rental property.

Social housing includes:

- public housing and State Owned and Managed Indigenous Housing (SOMIH) — properties owned and managed by State and Territory housing authorities
- community housing and Indigenous community housing — properties owned or managed by community organisations (usually registered as not-for-profit).

There are eight public housing authorities in Australia and about 745 community housing providers. Most community housing providers (73 per cent) manage fewer than 50 dwellings (AIHW 2022c).

Social housing properties and tenants

In 2021 about 417 800 households (about 4.2 per cent of all households) and 790 000 people were living in social housing (box 7.1). On Census night 2021 there were about 350 000 social housing dwellings (or about 4 per cent of all dwellings) (ABS 2022d).

The number of social housing properties is determined by State and Territory Governments. Victoria has the lowest percentage of households living in social housing (3 per cent) and the Northern Territory has the highest (14.7 per cent).

Most social housing tenants live in public housing — about 70 per cent of all social housing households are in public housing. While originally governments built and managed social housing properties for low-income working families, in more recent years there has been a shift towards a mixed model and a significant increase in properties managed by community housing providers (box 7.2). The number of community housing dwellings more than tripled between 2006 and 2021 (from 32 350 to 108 500 dwellings) (AIHW 2022c).

Box 7.1 – Social housing in Australia

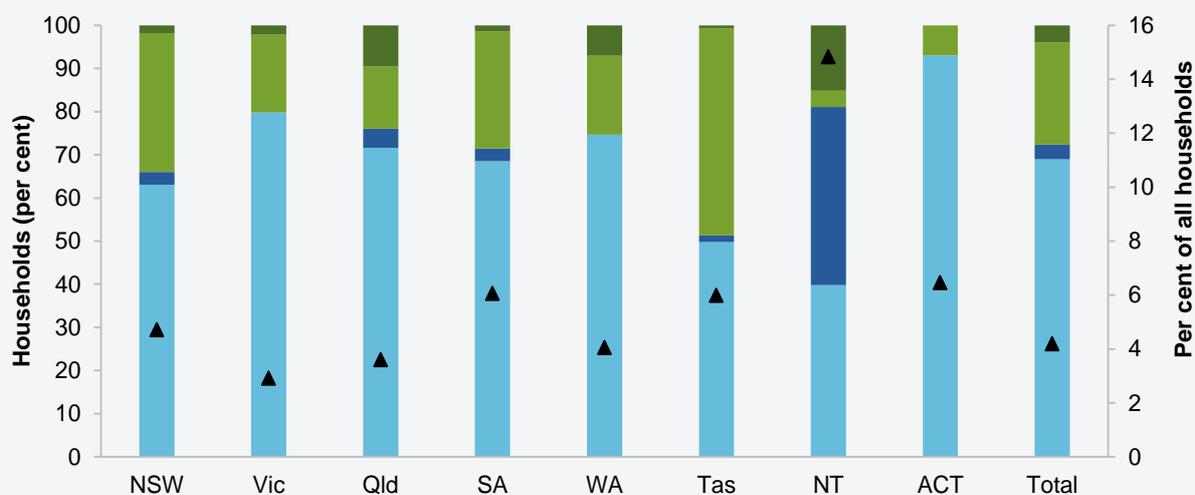
Most social housing households live in public housing^a ...

Tenure type	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
Public housing	93 131	61 001	51 260	30 144	30 744	6 904	4 740	10 421	288 345
SOMIH	4 372	..	3 171	1 295	..	217	4 909	..	13 964
Community housing	47 536	13 755	10 283	11 927	7 548	6 658	453	776	98 936
Indigenous community housing	2 671	1 640	6 846	632	2 905	91	1 803	..	16 588
Total	147 710	76 396	71 560	43 998	41 197	13 870	11 905	11 197	417 833
% all households	4.7	2.9	3.6	6.1	4.1	6.0	14.8	6.5	4.2

a. Number of social housing households at 30 June 2021. .. Not applicable.

Source: AIHW (2022d).

... although each jurisdiction has a different mix^a



■ Public housing ■ SOMIH ■ Community housing ■ Indigenous community housing ▲ Social housing households (RHS)

a. At 30 June 2021.

Source: AIHW (2022d).

Box 7.2 – Social housing in Australia has changed over time

Over time, the social housing system has changed from large public housing authorities building and owning homes rented to working families (and in some cases providing a pathway to home ownership) and a small number of community providers, to a significant but reduced role for public housing authorities, and community housing providers managing, owning and developing more of the social housing stock.

Up to about 1996, national housing agreements focused on building public housing stock. State, and later Territory, public housing authorities built up portfolios of housing assets that were funded by capital grants to the authorities, sometimes with loan financing. As national agreements became oriented towards needs-based provision, some Australian Government funding became earmarked for specific groups, and States were required to match the funding. Different priorities, such as supporting private rentals, and an ageing stock that needed to be maintained and renewed meant there was less funding for new stock. Commenting on the transformation of public housing in recent decades, AHURI said:

Its original roles encompassed working family affordability, urban renewal, economic development, and decentralisation. More recently public housing has shifted focus to serve as a housing safety net for high needs households. Reductions in funding levels, in eligibility and allocations policy, and in asset management strategies have contributed to changing the role of public housing, along with a shift toward highly targeted welfare models. (sub. 52, p. 19)

Community housing evolved differently. Community housing providers had a good track record involving tenants in decision making, and integrating with other service providers and the community (CHIA Victoria nd). In 2009, the Social Housing Initiative allocated \$5.2 billion to build new social housing dwellings as part of the stimulus package in response to the global financial crisis. This began the increase in the stock of community housing. From 2012 State and Territory Governments also began transferring management or title of public housing dwellings to community housing providers, resulting in an increase in their share of the social housing stock. The change was partly in response to community housing tenants being eligible for Commonwealth Rent Assistance (CRA). As Yates (2013) put it:

They [community housing providers] can make better use of current subsidies to renters by setting rents so that tenants receive the maximum Commonwealth Rent Assistance to which they are entitled ... This effectively represents a transfer of responsibility for improving affordability from the States to the Commonwealth. (p. 121)

Community housing providers are exempt from some Australian, State and Territory Government taxes, which lowers their costs. Community housing providers are also able to access other sources of funds such as charitable contributions, non-government organisation assets (sometimes land or existing dwellings where sub-commercial/social return is expected) and volunteer networks. This makes community housing providers more financially viable than their public housing authority counterparts, although tenant rent and CRA is generally not sufficient for financial viability without other sources of funds.

Source: Pawson, Milligan and Yates (2020).

Social housing supports many vulnerable people

Compared with the general population, social housing households are more likely to be on income support payments, identify as Aboriginal and Torres Strait Islander household, or have members who are older or have a disability. In 2021:

- 87 per cent of households in public housing¹ and SOMIH receive income support payments, compared with 18 per cent of the population
 - 24 per cent of households receive the age pension (compared with 10 per cent in the population) and 27 per cent receive the disability support pension (compared with 3 per cent in the population)
- Aboriginal and Torres Strait Islander people make up 15 per cent of social housing households, compared with 3 per cent of the population
- 14 per cent of social housing households have a member aged 75 years or over, compared with 7 per cent of the population in this age group
- 36 per cent of households in social housing have a member with a disability, compared with about 18 per cent of the population living with disability.²

Fifty seven per cent of social housing households in 2021 were single adult households, compared with 25 per cent of all households. About 55 per cent of all occupants of social housing were women (ABS 2019b, 2021g; AIHW 2022d).

Access to social housing is via a waiting list

There were about 176 000 households on social housing waiting lists (about 1.7 per cent of all households) in 2021 (figure 7.1).

Social housing eligibility is determined independently of the income support system. States and Territories set eligibility criteria for social housing.

Waiting lists are usually divided into general applicants and priority applicants.

- Eligibility for the general waiting list depends on income, household characteristics and assets.
- Requirements vary across States and Territories, and can change over time (table 7.1)
- Eligibility for the priority waiting list is usually based on criteria relating to homelessness or safety, or 'circumstances that require deep and/or consistent support' (Powell et al. 2019, p. 21).

Over 40 per cent of households on the waiting list were considered to be in 'greatest need'³ in 2021 (figure 7.1).

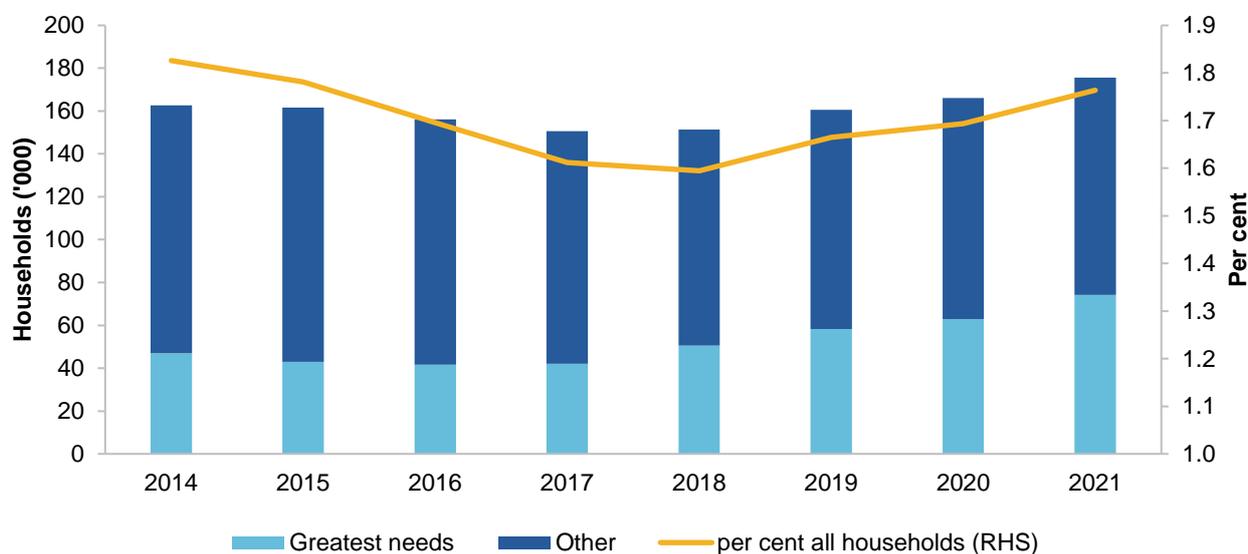
In practice, meeting the income eligibility criteria is usually not sufficient for a household to access social housing, as priority is given to people who are homeless, at risk of homelessness, experiencing family violence, or in poor physical or mental health.

¹ The proportion of households on income support payments varies across jurisdictions, with NSW Government noting in its submission to this review that 95 per cent of public housing households received Commonwealth income support payments (sub. 69).

² A social housing household is classified as 'with disability' if any member of the household reports disability.

³ A household is considered to be in 'greatest need' if occupants are homeless, their life or safety is at risk in their accommodation, their health condition is aggravated by their housing, their housing is inappropriate to their needs or they have very high rental housing costs.

Figure 7.1 – Social housing waiting lists^a
At 30 June, 2014 to 2021



a. A household is 'greatest needs' if, at 30 June occupants were homeless, their life or safety was at risk in their accommodation, their health condition was aggravated by their housing, their housing was inappropriate to their needs or they had very high rental housing costs.

Source: AIHW (2022d).

Table 7.1 – Social housing eligibility varies across jurisdictions^a

Eligibility criteria, 2021

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT
Income limit per week	\$655	\$580	\$609	\$1033 ^b	\$450	\$561	\$830	\$768
Asset limits	Nil	\$13 699 (priority); \$34 656 (general)	\$116 375	\$482 500 (PH&CH); \$473 750 (SOMIH)	\$38 400	\$35 000	\$71 426 (PH) .. (SOMIH) na (CH)	\$40 000
Waiting list segments	Single list of approved clients	Six priority segments and a register of interest	Need (four segments)	Need (four segments)	Need (four segments)	Three levels: Priority (Exiting); Priority; General	Two segments: Priority; General.	Need (three segments)

a. Income and assets eligibility criteria apply to single person households in public housing. Income and asset limits vary depending on household size. Income and asset limits may change each year according to government policy. b. In August 2021 the weekly income limit in South Australia was reduced to \$715 per week and the asset test was changed to \$48 250. .. Not applicable. na Not available. PH=public housing. CH=community housing.

Source: ABC News (2021a); SCRGSP (2022a).

Some State Governments commented on recent increases in priority waiting lists. For example, the Western Australian Government said:

... despite significant funding committed under the NHHA, the rate of homelessness is persistent and the demand for social housing is growing. Of great concern is the rate at which priority need for social housing outstrips need from very low income earners. Since the pandemic began, the priority waiting list has increased by more than 100 per cent, whereas the total list has increased by just 27 per cent. (sub. 99, p. 3)

And the NSW Government said:

There has been a 29 per cent growth in just the past 24 months in Priority Applicant Households on the NSW Social Housing Register. At 30 June 2021, there were over 900 Aboriginal households on the NSW priority social housing waitlist. Between 2018 and 2021, this has increased by over 50 per cent. (sub. 69, p. 29)

People on social housing waiting lists are likely to be receiving other forms of housing assistance, including Commonwealth Rent Assistance (CRA) and other forms of private rental support (Queensland Government, sub. 27). However, Homelessness NSW commented that many people waiting for social housing are likely to be living in insecure situations.

While little is formally known about those who are waiting to access social housing, it is thought that they are most likely to be unable to sustain a private rental and in insecure situations including couch-surfing, living in improvised, temporary, or below-standard accommodation or sleeping rough. What's more is that we know that violence against women is perpetuated by the lack of investment in social housing because women will return to a violent partner when there are no other housing alternatives. (sub. 40, p. 16)

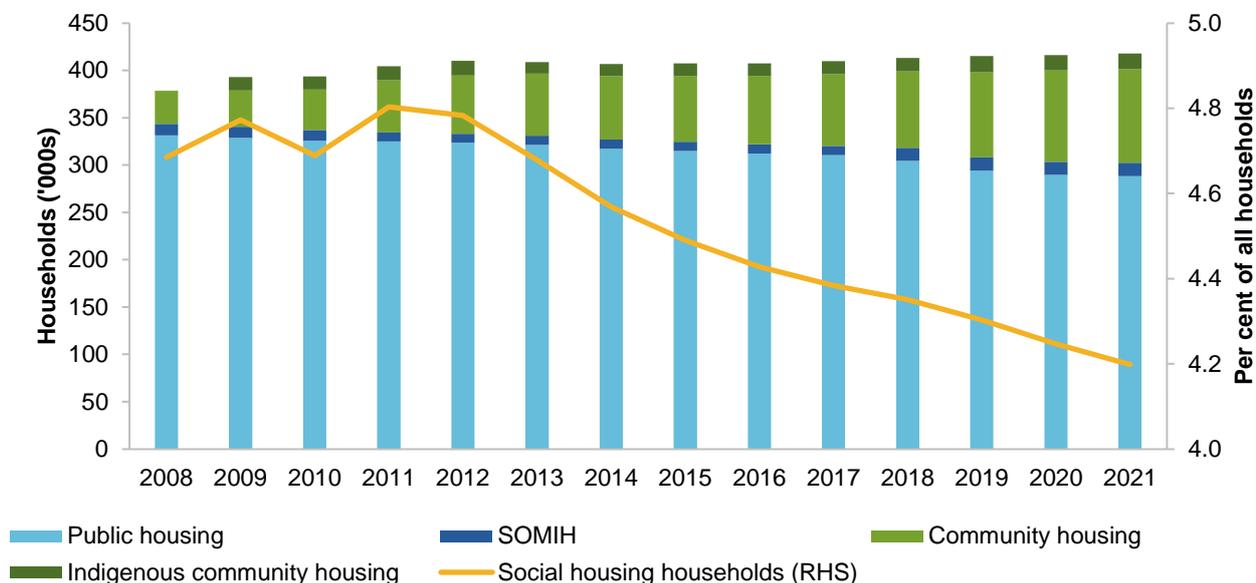
The proportion of Australians living in social housing has declined

There has been little change in the number of social housing properties since the Social Housing Initiative ended in 2012 (box 7.2). Less than 4000 dwellings have been added to the stock since 2018 when the NHHA commenced.

Since 2012, the growth in social housing has not kept pace with growth in the number of households, resulting in more low-income households renting in the private rental market. The proportion of the population who live in social housing declined from about 4.7 per cent of the population in 2008 to 4.2 per cent in 2021 (figure 7.2).

This is in line with declining support for social housing in many OECD countries in recent decades (over the past two decades, public investment in housing construction dropped by more than 50 per cent on average across the OECD) and there is increasing reliance on demand-side subsidies (OECD 2020b).

Figure 7.2 – Social housing has changed over time
Social housing households, 2008 to 2021



Source: AIHW (2022d).

Government involvement in social housing

The Australian, State and Territory Governments fund social housing. State and Territory Governments spent \$6.6 billion on social housing in 2020-21, including \$4.5 billion net recurrent expenditure and \$2.1 billion capital (non-recurrent) expenditure. The Australian Government’s contribution of \$1.6 billion for services under the NHHA is included in State and Territory Government net recurrent expenditure on housing and homelessness services (SCRGSP 2022a).

State and Territory Governments deliver social housing, through the public housing authorities, and fund and regulate community housing providers. The Australian Government:

- funds CRA for community housing tenants
- operates the affordable housing bond aggregator through the National Housing Finance and Investment Corporation (NHFIC), which lowers the cost of finance for community housing providers (box 8.2)
- leads the nationally consistent social housing dataset and data improvements.

Social housing and the NHHA

Although social housing is a small, and declining, part of the housing spectrum, it is important for achieving the NHHA’s objective of ‘contribut[ing] to improving access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation’ (box 7.3). Social housing also interacts with other parts of the housing spectrum.

- People who find it difficult to access other parts of the housing spectrum, such as the private rental market (chapter 9), are often eligible for social housing. Low vacancy rates and high rents in private rental markets increases the demand for social housing while also making it more difficult for tenants to exit social housing and new tenants to access social housing.
- Social housing is affordable and secure housing for people who have become homeless or are at risk of homelessness (chapter 6). Low levels of social housing stock limits homelessness service provider’s

ability to help people out of, or prevent, homelessness, reducing the effectiveness of NHHA funded homelessness services.

State and Territory Governments are required to report expenditure on social housing in their annual statements of assurance.

Box 7.3 – Social housing and the NHHA

One of the NHHA's outcomes is 'a well-functioning social housing system that operates efficiently and sustainably, and is effective in assisting low-income households and priority homelessness cohorts to manage their needs'.

The NHHA requires States and Territories to have publicly available housing strategy that 'includes planned or expected levels of social housing'.

There are four national performance indicators relating to social housing:

- the stock of social housing dwellings relative to the target population for social housing
- an increase in the proportion of social housing occupants that are housed in homes that match their needs
- an increase in the number of social housing occupants with greatest need as a proportion of all new allocations
- an increase in the proportion of social housing occupants whose needs are met and are satisfied with services provided by their housing organisation.

Housing priority policy areas are listed in the NHHA and 'should be incorporated into the State's housing strategies where appropriate to its needs'. This includes:

- social housing that is:
 - utilised efficiently and effectively (may include redevelopment and stock transfers)
 - responsive to the needs of tenants (may include redevelopment and stock transfers)
 - appropriately renewed and maintained (may include redevelopment and new construction)
 - responsive to demand (may include new construction and re-development).
- community housing support that improves the viability and encourages growth of the sector (may include redevelopment and stock transfers).

7.2 Social housing is affordable and secure

For people who can access social housing, it is affordable and secure. People in social housing report improved health and better access to services. There is also evidence that social housing reduces the risk of homelessness.

Social housing is affordable for tenants ...

Social housing tenants pay a set proportion of their income (typically 25 per cent) or the estimated market rent if it is lower. As discussed in chapter 3, renting households are said to be in rental stress if they are in the bottom two quintiles of income and spend more than 30 per cent of their income on rent.⁴ Less than

⁴ This measure is known as the '30/40' rule, and is one of the national performance indicators in the NHHA.

1 per cent of public housing tenants on low incomes pay more than 30 per cent of their income in rent. For community housing tenants, the proportion is higher, but still low at 6 per cent in 2021 (SCRGSP 2022a).

Income-based rent gives tenants certainty that their rent will only adjust if their income changes. Social housing tenants told the Commission about the premium they place on knowing that their rent will only increase if their circumstances change, particularly given recent rent increases in the private market. (Private renters also spoke about potentially being only one rent increase away from not being able to afford their rent.)

However, as discussed in more detail below, because the rents for social housing tenants are income-based and not determined by market conditions, social housing tenants are less responsive to the trade-offs faced by people renting in the private market (such as whether to pay the extra cost to live in a better located suburb or in a bigger property). Social housing providers also receive little information about the types of housing social housing tenants value.

... and provides secure tenure

Social housing provides greater tenure security than the private rental market (chapter 9). Some of the benefits of secure tenure include improved connections to community, better health outcomes and higher levels of social and economic participation (chapter 3).

Social housing tenants and specialist homelessness services spoke about secure tenure as a key benefit of social housing and its impact on social and economic participation, health and wellbeing.

... one of the greatest strengths of public housing ... is security of tenure. The knowledge for renters that there only very limited circumstances in which they can be moved is of great assistance in terms of settling in, becoming involved in the community, and entering the labour market or seeking assistance to resolve health concerns. Without these perceptions of security, new residents are less likely to be able to take up all the opportunities that the safety and security of a home can provide. (Victorian Public Tenants Association, sub. 8, p. 2)

People do far better with stable housing than without it – it is the foundation to overcome all kinds of serious challenges and rebuild lives. They are also less likely to become homeless because of the stability, affordability, and support systems of social housing. (Homelessness NSW, sub. 40, p. 18)

I live in regional public housing. I was homeless, due to domestic violence, with a 2 ½ year old and a cat. ... I raised my daughter in this house. She is the joy of my life. I have lived here for 40 plus years. It's my place of belonging. (Chris Cherry, sub. 105, p. 1)

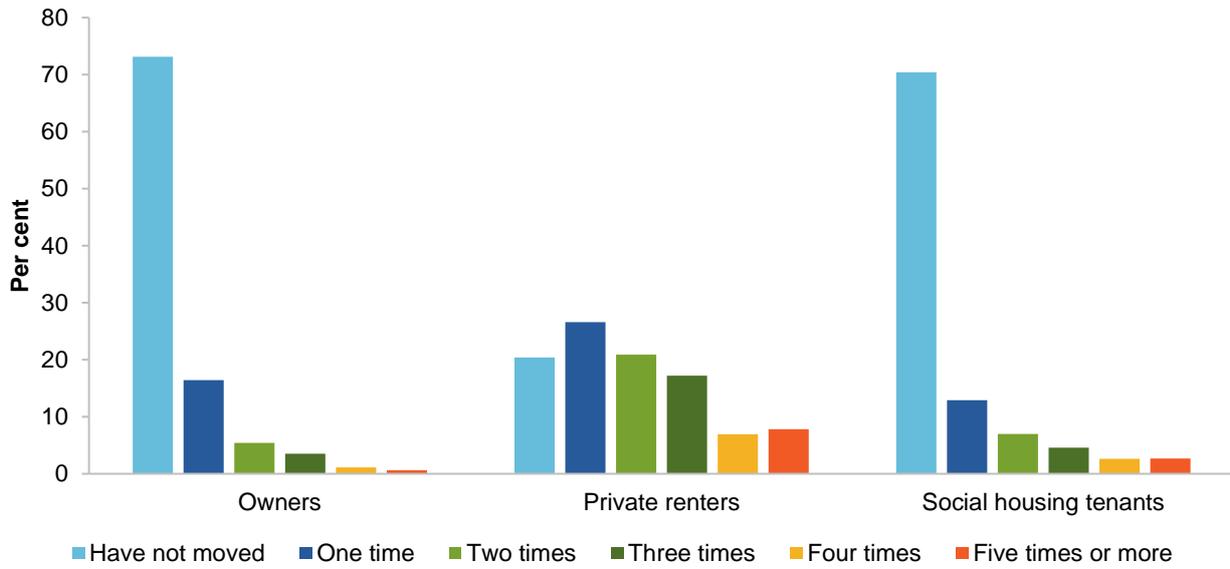
Secure tenure can be particularly important for people with long-term and complex needs, such as people with disability. A participant at the Commission's consultation on disability commented that social housing is becoming a disability provider by default because of the challenges in the private rental market.

Supporting secure tenancies, including avoiding tenants being evicted and unnecessary movement of tenants, is a focus of social housing providers. However, there is a lack of data on the reasons why people exit or move within social housing, and there is no commonly applied framework to guide data collection (Johnson, McCallum and Watson 2019).

The Victorian Social Housing Regulation Review noted that there was a 'general view amongst review participants that community housing tenants have less security of tenure than public housing tenants' (Hayward, Holst and Cousins 2021, p. 27). But West Heidelberg Community Legal in its submission to that Review noted that community housing evictions are publicly reported by the Housing Registrar, but public housing evictions have not been reported since 2013-14 (2021, p. 19).

There is some evidence that social housing households are less likely to move than other households. When surveyed in 2019-20, the majority of social housing tenants (and owner-occupiers) had not moved in the past five years, while the average private renter had moved twice in the previous five years (figure 7.3).

Figure 7.3 – People living in social housing move less than private renters^a
Distribution of the number of times moved in the past five years, by tenure, 2019-20



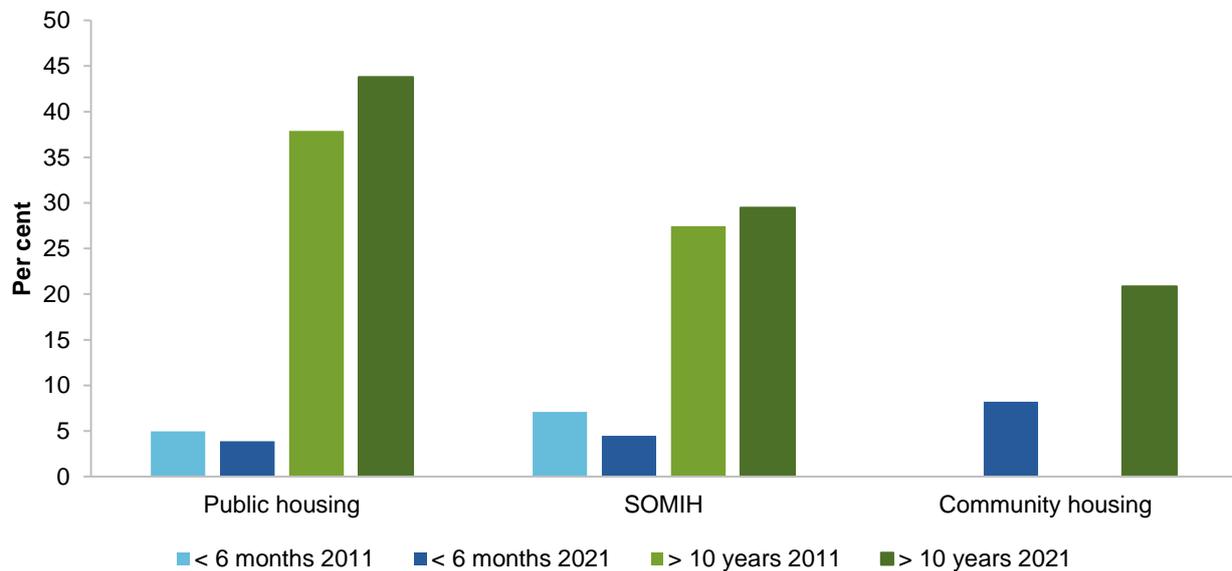
a. Individuals did not necessarily hold the same tenure over the five years.

Source: ABS (Housing Mobility and Conditions, Australia: Summary of Results, 2019-20, table 2.1).

At the end of June 2021, 44 per cent of public housing households and 29 per cent of SOMIH households had been in the same housing for over a decade. This was lower for community housing (21 per cent), although this may reflect transfers of housing stock from public housing and SOMIH to community housing (figure 7.4). Length of tenure has also increased over time for public housing, with 10 year tenures or longer making up about 38 per cent of all public housing households in 2011. The proportion of households in long tenures has stayed fairly constant in SOMIH over the same period.

Figure 7.4 – Social housing households stay for many years^a

Proportion of households in social housing by length of tenure, 2011 and 2021



a. Data for community housing are not available for 2011.

Source: AIHW (2022d).

While historically, social housing provided life-long tenancy, some jurisdictions have moved to fixed-term leases, and stricter and more frequent checks on income eligibility to better target social housing to people with high needs and to align the duration of the tenancy with the expected duration of need.

A study that looked at housing tenure for income support recipients between 2000 and 2015 showed that there were positive outcomes for social housing tenants from both stable tenure in social housing and for tenants who transitioned through social housing. The study found that stable tenants spent less time on income support payments than tenants who moved out of social housing, suggesting social housing can be a ‘springboard’ to improved workforce participation. It also found that people who entered social housing were more likely to have moved greater distances, possibly dislodging them from social and support networks, than people who left social housing (Baker et al. 2020).

Social housing reduces the risk of homelessness ...

There is some evidence that social housing reduces tenants’ risk of becoming homeless. One study found that placing a vulnerable person in social housing reduced their risk of homelessness by 13 percentage points (Prentice and Scutella 2018). Another study found that public housing reduced a vulnerable tenant’s risk of becoming homeless by 6 percentage points (Johnson et al. 2018).

The Salvation Army said that, for many people who come to them for assistance, social housing plays ‘a vital role in an increasingly unaffordable and insecure housing market’ and is often ‘the only path out of homelessness’ (sub. 42, p. 33). Flatau et al. (2021) also commented that:

Social housing provides one permanent housing exit point from homelessness particularly for those with high health needs and long histories of homelessness. There are both access and housing affordability reasons (the setting of rents at 25% of income for most tenants) for utilising a social housing exit-from-homelessness pathway (p. 167).

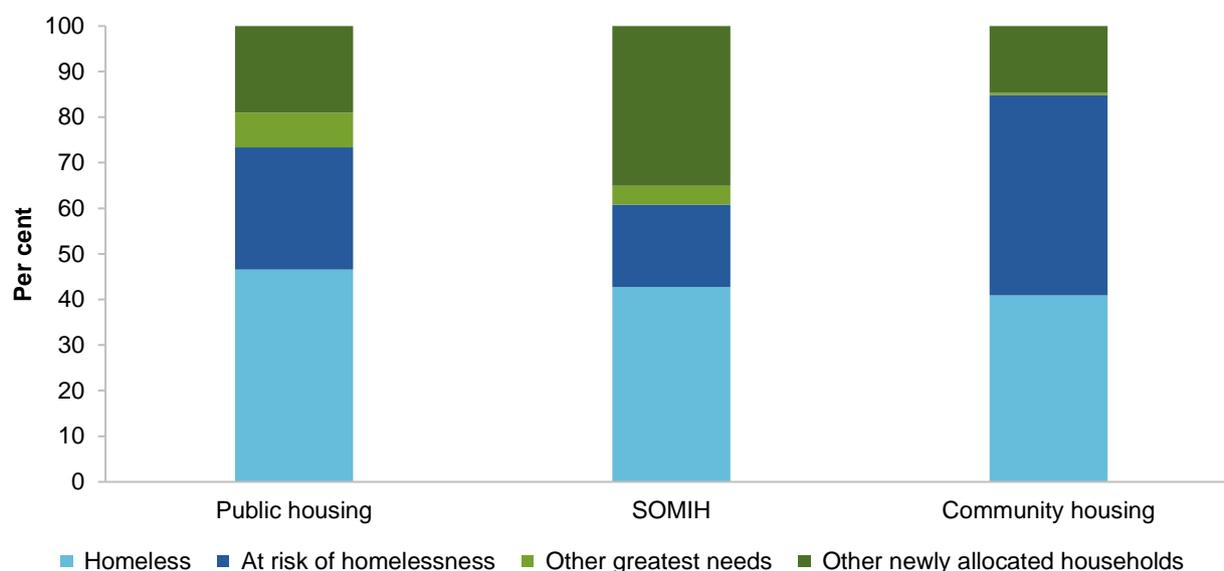
Social housing can support 'Housing First' approaches to addressing homelessness. As discussed in chapter 6, Housing First takes a 'public health' approach to addressing homelessness through prevention or rapid allocation from crisis accommodation to permanent housing (including social housing). The shortage of stable housing options, including social housing, is a barrier to reducing homelessness through Housing First approaches. Melbourne City Mission, for example, said:

The lack of social housing options is the most common and severe block to funded homelessness agencies like MCM achieving NHHA outcomes and outputs. (sub. 23, p. 3)

Most new allocations to social housing in 2020-21 were for people who were homeless or at risk of homelessness. Community housing providers allocated more 'at risk' households than homeless households, while public housing and SOMIH providers allocated more homeless households (figure 7.5).

Figure 7.5 – Most households allocated to social housing were homeless or at risk of homelessness^a

Social housing allocations, per cent of newly allocated households, 2020-21



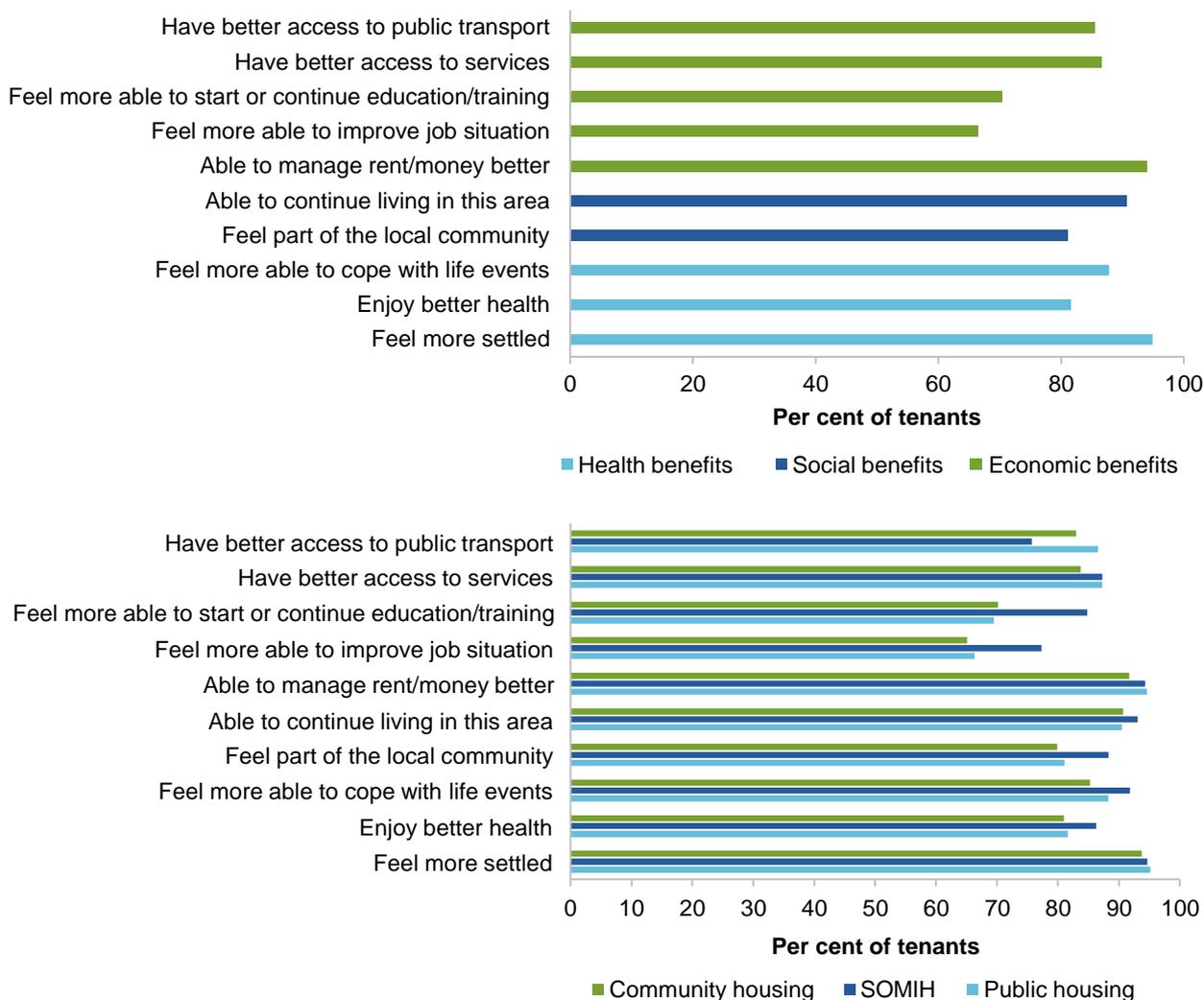
a. A household is 'greatest need' if occupants are homeless, their life or safety is at risk in their accommodation, their health condition is aggravated by their housing, their housing is inappropriate to their needs or they have very high rental housing costs. Other newly allocated households are households from the general waiting list.

Source: AIHW (2022b).

... and provides benefits to tenants and the community

Most social housing tenants report benefits from living in social housing, including feeling more settled, being able to manage their rent/money better and being able to continue living in an area (figure 7.6) (AIHW 2019b). Social housing tenants also report having better health, improved access to services and supports that they need, and that they are better able to improve their employment situation (box 7.4 and 7.5).

Figure 7.6 – Social housing tenants reported benefits from living in social housing^a
Per cent of surveyed tenants who reported benefits from living in social housing, 2018



a. Excludes Indigenous community housing tenants.

Source: AIHW (2019b).

But the evidence is mixed, or thin, about whether outcomes for social housing tenants are better (when compared with similar people in other tenures) in terms of employment, education, physical and mental health, and incarceration (box 7.5).

Box 7.4 – People living in social housing, some positive experiences

Natalia's story

I've lived in public housing since 1999. Before that, I was living with a man who did nothing but beat me. One day I just collapsed and was rushed to hospital. They said they weren't expecting me to live. I remember praying and fighting like mad, hanging onto the bars of the bed, saying 'you're not taking me, you're not taking me'. The doctors told me they didn't want me to go back to that man. Somehow, some way they contacted the Office of Housing and they offered me a house. I moved in with one sheet – that's all I had. I slept on the floor and bit by bit built myself up. I've never been happier in my life than I am now. I've been in about 9 different foster homes, I've lived on the street, and now I've got my home and I'm ever so happy. I've made it very comfortable with a beautiful garden. Having a home gives you a chance to start living again. Now I'm like a butterfly. (VPTA 2022)

Morgan and Chris' story

Morgan and Chris live in social housing in Ashfield. Born with intellectual disabilities which have meant that they have been unable to learn to read or write and struggle with numbers, Morgan and Chris met while at school and have been housemates in a purpose-built community home for the past ten years. Morgan and Chris both hold down long-term employment and contribute to the community. ...

Morgan's father Frank and Chris' mum Lyn have been extremely grateful for the positive impact which social housing has made to their sons' lives. 'It makes my wife June and I more settled knowing that if anything happened to us, Morgan would have a much higher chance of surviving on his own and he wouldn't just be dumped somewhere like a nursing home' ... 'Social housing has been the only real answer for them in terms of their future independence'. (Housing Authority (WA) 2022a)

Tim's story

My journey started about eight years ago when I broke up with my former partner. I was lost and as a result was irresponsible and inconsistent with my behaviour and actions. After about four years I decided that it was time to make a change for the sake of my children as my behaviour was keeping me away from them, so I checked into rehab about three and a half years ago and have never looked back. I am so grateful to Serenity Lodge where I completed my rehab and also to Access Housing Australia and Mission Australia who helped me transition to living on my own in a social housing property. Being in public housing allowed me to get back to casual work and also be there for my daughter and this really helped a lot. After a number of months I was ready to work full time again and realised with this decision I would definitely become over income and ineligible for public housing. I explained my situation and was referred to the Housing Transitions Team to help me transition out of public housing. Under the Rental Pathways scheme, my rent was subsidised 20 per cent for the first year and then 10 per cent the next year ... One of the options I really want to work towards in the coming year is to eventually become a home owner. Public housing was just a stepping stone to help me go on to bigger and better things. (Housing Authority (WA) 2022b)

Participants commented on the benefits of social housing to the community. For example, Western Homelessness Network (sub. 41) pointed to the benefits to the community from reduced demand on community services, reduced crime and reduced trauma resulting in mental ill-health and substance abuse.

And the Victorian Government noted the benefits to the Australian Government from investments in social housing.

Investments into social and affordable housing and homelessness services create benefits and avoided costs for the Commonwealth. Avoided costs can provide benefits or ongoing savings to the Commonwealth due to reduced service usage. Economic benefits also arise through employment and productivity gains and education outcomes for recipients, leading to social and community benefits with increased community participation and enhanced security and safety. (sub. 97, p. 16)

Box 7.5 – Evidence of better outcomes for social housing tenants?

There is some evidence of benefits to tenants from social housing.

- A study using data from five Western Australian National Partnership Agreement on Homelessness programs found that providing public housing significantly reduced health service use by people who were formally homeless (Wood et al. 2016). While this study measures a health-related outcome, there is no counterfactual group of people who did not enter public housing from homelessness, or people who entered public housing who had not been homeless.
- A study linking housing conditions and hospitalisation and mortality records in a large cohort of Housing New Zealand Corporation tenants and applicants found that placement of housing applicants into social housing was associated with a significant drop in hospitalisation rates for almost all health outcomes. The improvement in health status appeared to be, at least partially, because of a temporary period of worse health for applicants while they were on the waiting list (Baker, Zhang and Howden-Chapman 2010).

However, other studies suggest the benefits are less clear.

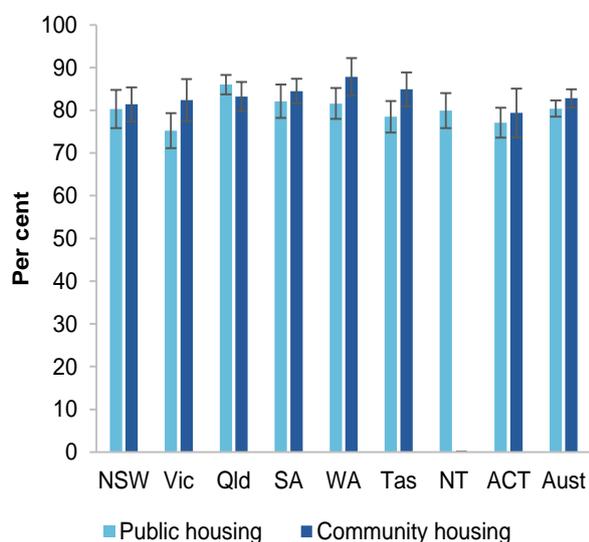
- A study based on interviews with about 60 recently housed social housing tenants found that the main outcomes from access to social housing were security and affordability. The study also found that there were mixed outcomes in terms of safety, social inclusion and accessibility from living in social housing. And there were mixed outcomes on safety, and accessibility for tenants with disability (Wiesel et al. 2012b).
- A study comparing people in social housing with similar individuals not in social housing found that outcomes, in terms of employment, education, physical and mental health, and incarceration, were similar at least in the short run (Prentice and Scutella 2018).

Most social housing tenants feel safe in their homes ...

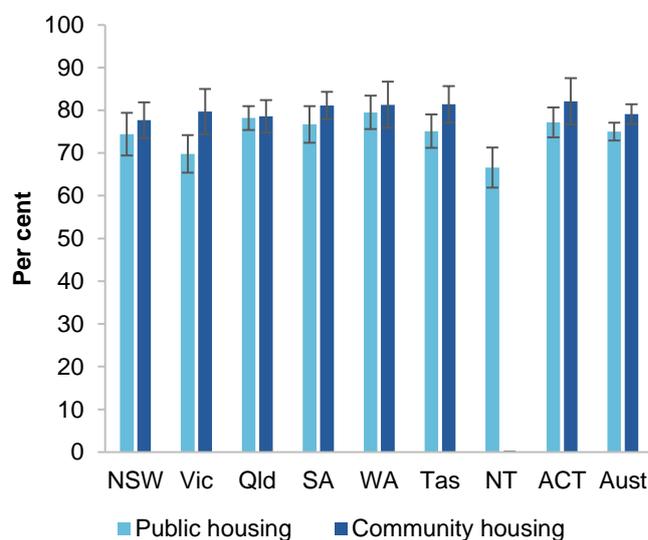
About 80 per cent of social housing tenants, when surveyed in 2021, said they felt safe and secure in their social houses and neighbourhood (figure 7.7).

Figure 7.7 – Most social housing tenants felt safe at home and in their neighbourhood^a
Proportion of surveyed tenants who rated safety and security aspects as meeting their needs, 2021

a) Safety and security in your home



b) Safety and security in your neighbourhood



a. Data for community housing in the Northern Territory are not available.

Source: SCRGSP (2022a).

A study conducted in 2015 also found that greater safety was the most important positive change for newly allocated tenants to social housing, with 18 per cent self-reporting that added safety/privacy was the single most important change in their lives since taking up social housing tenancy (Pawson et al. 2015, pp. 53–54).

However, high rates of safety and security does not mean that there are no safety concerns in social housing (20 per cent of tenants did not feel safe and secure in the home and neighbourhood). Neighbourhood disputes was raised as a key issue in the Victorian Social Housing Regulation Review (Hayward, Holst and Cousins 2021). And one participant to this review commented that crime and theft was an issue in her estate.

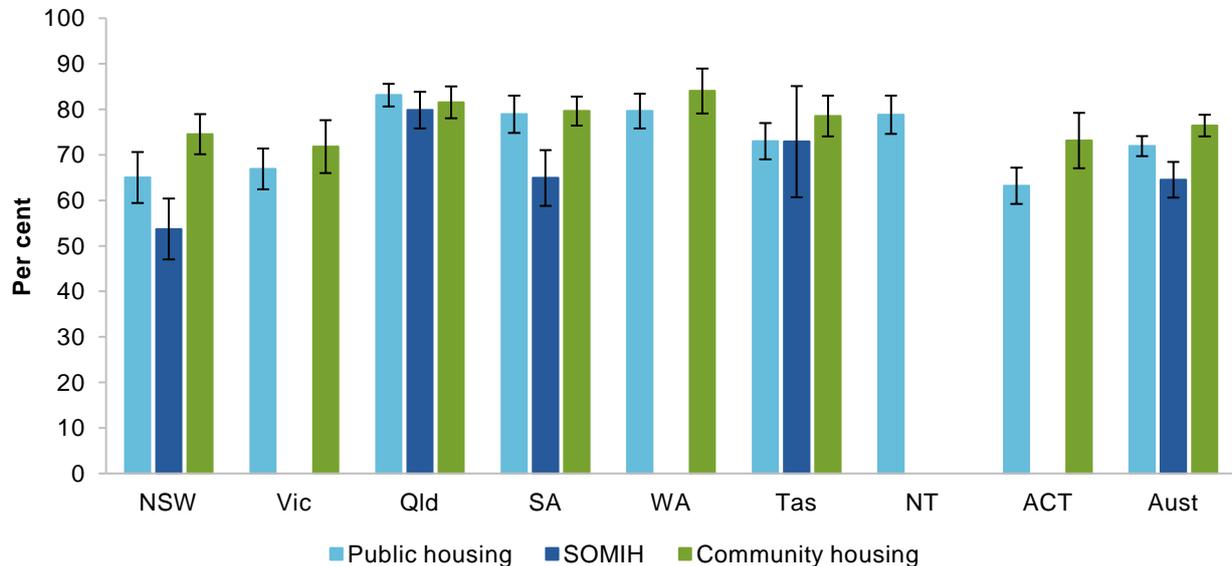
Homes that are in poor condition can also make tenants feel unsafe. In 2021, the proportion of social housing households living in homes where the condition was not of acceptable standard⁵ was: 24 per cent for public housing, 36 per cent for SOMIH, and 18 per cent for community housing. In 2018-19, 22 per cent of households were living in Indigenous community housing that was not an acceptable standard (SCRGSP 2022a).

... and tenants are generally satisfied with their housing

There are reasonably high levels of general satisfaction with social housing, although there are differences across jurisdictions and between types of social housing, with tenants in community housing having higher levels of satisfaction than tenants in public housing and SOMIH (figure 7.8). That said, about a quarter of people in public housing and community housing, and about one third of people in SOMIH, were dissatisfied with their housing.

⁵ A dwelling is assessed as being of an acceptable standard if it has at least four working facilities (for washing people, for washing clothes/bedding, for storing/preparing food, and sewerage) and not more than two major structural problems.

Figure 7.8 – Customer satisfaction with social housing^{a,b}
Proportion of households satisfied or very satisfied, 2021



a. Victoria, Western Australia and the ACT do not have SOMIH. b. Data for the Northern Territory for SOMIH and community housing were not available.

Source: SCRGSP (2022a).

However, the Commission heard some concerns about poorly maintained social housing properties and properties that were unsuitable for the person living in them (including people with disability living in inappropriate properties). Infrastructure Victoria, for example, said:

The condition of existing social housing stock is deteriorating. Many homes no longer meet the needs of tenants. Older low-rise apartments or ‘walk ups’ are inaccessible for some older people and people with a disability. Many dwellings have low energy efficiency standards. This results in higher energy bills for tenants, and poorer health. (sub. 14, p. 1)

And one participant to this review commented that his home had steps that he could not navigate by himself and needed assistance to leave his house.

Social housing tenants have access to tenancy support services

Tenancy support services are targeted at three key areas:

- helping a tenant to sustain a tenancy, including to help stabilise tenancies and prevent evictions
- assisting tenants to improve their social and economic participation, including life skills
- linking social housing with broader support services, such as clinical care for people with mental ill-health.

About 4 per cent of people in public housing in 2016 used drug and alcohol counselling services, about 20 per cent accessed mental health services, and about 11 per cent required support services for day-to-day living (AIHW 2017).

7.3 But social housing falls short in some areas

While there are benefits for people who can access social housing, it falls short in some areas, in part because of the trade-offs that are made between the competing objectives of the system. One significant trade-off made for affordability and tenure security is providing timely housing support to people most in need. Income-based rent also means that the system is not financially viable without considerable government support, and this can compromise other objectives, such as building quality and safety. Many of the features of social housing do not align with the Commission's suggested principles for delivering housing assistance (chapter 5).

Income-based, usually sub-market, rent means that demand for social housing exceeds supply, and access to social housing properties needs to be managed by waiting lists. And there are long waiting lists and waiting times, including for some people with urgent housing needs (box 7.6), which means housing assistance cannot always be delivered in a timely way (chapter 5).

Box 7.6 – Waiting times for social housing can be long

New South Wales publishes information on expected waiting times for social housing properties across regions (most other jurisdictions do not). A non-priority applicant can expect to wait 10 years or more, depending on the area they wish to live in (DCJ (NSW) 2022a). The NSW Government reported a median wait time of two months for newly housed priority applicants and 20 months for newly housed general applicants in 2020-21 (sub. 69).

The Queensland Audit Office reported that the average time on the waiting list in Queensland (known as the housing register) was two years in 2022 (QAO 2022).

Waiting times for priority applicants are shorter, but can still be lengthy. In 2020-21, 59 per cent of newly allocated households in greatest need waited less than 6 months for social housing, however 10 per cent waited two years or more (AIHW 2022d).

In 2020-21, for newly allocated households:

- for public housing, 53 per cent of households spent less than six months on the waiting list and 40 per cent spent less than three months waiting
- for SOMIH, 53 per cent of households spent less than six months on the waiting list and 39 per cent spent less than three months waiting (AIHW 2022d).

It is to be expected that waiting lists are long

When rents are set below market rates, demand will exceed supply (commonly referred to as the shortage in social housing properties). It is the unavoidable trade-off from making social housing much more affordable than private rental properties — social housing must be rationed and people in need of housing must wait for support.

The number of people on waiting lists may not necessarily be a good measure of need, it is more a display of demand. It reflects each jurisdiction's eligibility criteria, including for priority access, the willingness of

households to wait for social housing and how well demand is managed through the allocations system. There are other factors that influence the length of waiting lists, including State and Territory allocation policies and priorities, reflected in eligibility criteria. People who are eligible for social housing can also be discouraged by long waiting times or lack of available options in their preferred location. This will understate demand. Community Information & Support Victoria, for example, said:

... many people do not even bother putting themselves on such a long list, that cannot address their immediate crisis. (sub. 33, p. 2)

And the Community Housing Industry Association said:

They do not register demand for housing in areas of low social housing supply, and many low income households in housing need are discouraged from registering by increasingly strict eligibility criteria, temporary suspensions and the sheer length of wait times for anyone other than multiply disadvantaged households in extreme need. Beyond this, while jurisdiction-scale waiting list statistics are routinely published on an annual basis, these are subject to varying and sometimes erratic administrative practices which also limit their value as an indicator of 'true' need. (sub. 74, p. 12)

The Queensland Audit Office (2022) found that many people on the Queensland Register had inactive applications or could not be contacted by the Queensland Department of Communities, Housing and Digital Economy.

Shorter wait times and broad eligibility criteria may induce demand. For example, in 2018 the Victorian Government added people aged 55 years and over facing difficulties sustaining affordable housing to the eligibility criteria for priority access to social housing (DHHS (VIC) 2018, pp. 5–7). This could explain some of the increase in the waiting list after that time. Increases in the supply of social housing, which can be expected to reduce waiting lists and time, may also encourage more people to apply for social housing, and increase waiting lists and times.

Providing secure tenure in social housing (compared with private rental markets, figure 7.4) encourages tenants to stay which reduces openings in the system for people on waiting lists.

There are inequities in the system

People renting social housing receive different levels of assistance compared with people renting in the private market, despite often having otherwise similar circumstances (box 7.7). Assistance in social housing can be estimated by the difference in rent paid and the market rent that the property would attract in the private rental market. This means the amount of assistance provided to social housing tenants increases as market rents rise.

Income-based rent means social housing tenants on the same income and with the same characteristics, such as size of the household, can receive significantly different amounts of housing assistance because of the location and quality of their social housing home. All else being equal, social housing households will receive more assistance if they live in high-cost locations or are allocated better quality or larger properties. Households with higher incomes can also receive more assistance than those on lower incomes if they are lucky in their social housing dwelling and location allocation. This does not align with the Commission's suggested principles for housing assistance (chapter 5).

Income-based rents mean that social housing tenants have a significant disincentive to exit social housing, which increases as the gap between social housing rents and market rents increase (PC 2017b).

Box 7.7 – Estimates of the difference in housing assistance

The implicit assistance received by households in social housing properties varies considerably both across and within jurisdictions, largely because of local housing market conditions. The gap between rent charged and market rent in public housing and SOMIH was about \$9060 annually (or \$174 a week) ranging from \$6050 in South Australia to \$13 642 in the ACT in 2021 (SCRGSP 2022a).

The Commission's inquiry into competition and choice in human services (PC 2017b) found that in Victoria in 2016, some public housing households received more than \$300 a week in implicit assistance while other households with similar incomes received less than \$50 a week. And when it looked at the difference between the implicit assistance received through rents (set at a proportion of a tenant's income) and what tenants would have received under Commonwealth Rent Assistance (CRA) in 2016, it found that people living in public housing in Victoria received about \$2500 more per household than they would have if the financial assistance was provided through CRA. The estimate for South Australian households was about \$1750 per household, and about \$8500 per household in the ACT.

Tenants have limited choice

Social housing tenants have little choice about where they live. While they can indicate preferences for the location and features of a home based on their needs, and there is an option to transfer within social housing after they obtain housing (including in some jurisdictions urgent transfers when household circumstances change), in practice, social housing tenants are often faced with a 'take it or leave it' choice. Rejecting two offers of a home, and in some jurisdictions, one offer, can result in having to start again at the end of the queue. One participant to this review commented that she did not want to accept an offer of a property where there were known drug issues in the neighbourhood, but felt she had no choice. The suitability of the property on offer can often be down to luck.

A lack of choice of properties can also affect other parts of tenants' lives, such as access to work, schools and other services. And limited choice of properties affects the responsiveness of the social housing system to the preferences of tenants.

People living in an unsuitable social housing property face a stark choice. They can remain in an unsuitable property or move into a home in the private market where tenancies can be insecure and the amount of financial assistance they receive can potentially be (sometimes substantially) lower (box 7.7). Many people who do move face significant financial hardship and can find it difficult to maintain their tenancy.

There is a mismatch between dwelling and household size

Housing is a long lived asset, and the 'build and own' model for social housing makes it difficult for providers to respond quickly to changes in the nature of demand. Many older properties are in locations or have characteristics (such as high-density high-rise apartments) that reflects the historical approach to providing housing assistance.

As noted earlier, one of the NHHA performance indicators is whether social housing occupants are living in homes that meet their needs (box 7.3). Over time, and in some locations, a mismatch has emerged between the type of properties held by social housing providers (particularly government providers) and the needs of people in or entering the system. For example, about 57 per cent of social housing households were single adults in 2021, but only 26 per cent of the stock is one bedroom or a bedsit/studio (AIHW 2022d, 2022c).

The NSW Government noted that 73 per cent of households waiting for social housing in New South Wales are single people or single parent/guardian households (sub. 69, p. 29).

Nationally, about 17 per cent of the public housing stock (equivalent to about 63 000 households) were underutilised, that is, they had more bedrooms than the household needed, in 2021. And there is much higher underutilisation in SOMIH, but less in community housing (table 7.2).

Table 7.2 – There is some underutilisation of social housing dwellings^a
Proportion of households underutilising their homes, at 30 June 2021

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
Public housing	16.8	16.4	15.5	26.2	13.3	13.9	7.5	18.4	16.9
SOMIH	30.7	..	19.7	32.2	..	18.5	np	..	26.7
Community housing	10.6	7.9	2.3	21.5	10.2	11.8	na	2.1	10.7

a. Data are based on the Canadian National Occupancy Standard for underutilisation (where the number of bedrooms exceeds the number that the household needs by two or more). .. Not applicable. **na** Not available. **np** Not provided.

Source: SCRGSP (2022a).

Properties are underutilised in part because tenants do not face price signals about trade-offs (for example, whether to meet the extra cost of living in a larger or better quality dwelling) in the same way people renting in the private market do. While there are ways to address underutilisation, such as excess bedroom charges and term leases with review, these are not widely used (section 7.5).

At the same time, there is some overcrowding in social housing, particularly in SOMIH and Indigenous community housing (table 7.3). Overcrowding has been associated with poor health and educational outcomes, and can lead to safety concerns relating to dwelling condition and household conflict (chapters 3 and 11).

Table 7.3 – There is some overcrowding in social housing households^{a,b,c}
Proportion of overcrowded households at 30 June 2021

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
Public housing	3.2	5.5	5.3	2.1	4.3	5.1	8.1	4.8	4.2
SOMIH	6.5	..	14.9	8.2	..	4.7	52.2	..	24.7
Community housing	4.2	4.4	2.5	3.0	1.9	6.5	na	0.8	3.9
Indigenous community housing	5.9	2.9	24.3	33.0	8.4	na	na	..	14.3

a. Data are based on the Canadian National Occupancy Standard for overcrowding (where one or more additional bedrooms are required to meet the standard). b. Data are not comparable across public housing, SOMIH, community housing and Indigenous community housing. c. Data for Indigenous community housing are for 2020. .. Not applicable. **na** Not available.

Source: SCRGSP (2022a).

Revenue is declining and costs are increasing

While income-based rents take into account households capacity to pay, they also affect the economic sustainability of the social housing system. As the social housing system has become more residualised

(from supporting working families to prioritising people, usually on low incomes and sometimes complex needs, box 7.2), the funding gap between rental revenue and operating costs has widened (also creating an incentive for community housing providers to prioritise higher income households). Increased targeting means that rent collected from tenants has declined and increasingly complex clients means the cost of tenancy management services has increased. The NSW Government, for example, said:

Social housing being increasingly occupied by people with higher needs means that many more tenants need access to supports to help them sustain their tenancy and live well, including Commonwealth-delivered supports. In addition, a higher proportion of applicants and tenants require dwellings with particular configurations and/or modifications. (sub. 69, p. 30)

Concentrating tenants with complex needs can also create ‘neighbourhood issues’ and further increase costs (including from using intensive tenancy management as a response but also from costs of responses aimed at diversifying the tenure mix) (Atkinson 2008).

At the same time, the cost of maintaining an ageing stock has increased. A review by the NSW Independent Pricing and Regulatory Tribunal (IPART) into social housing rental models in 2017 identified financial sustainability as a challenge to the social housing model. IPART identified that operating losses, deferred maintenance, unfunded depreciation and forgone returns on assets constituted a subsidy (covering the gap between the tenant contribution and market rent) of \$945 million in 2015-16 (IPART 2017). And the number of social housing tenants indicating that the condition of their home is acceptable⁶ has decreased over time in some jurisdictions (SCRGSP 2022a).

The Queensland Government commented that:

... structural factors continue to drive up costs, and see revenue decline. These factors are principally driven by increased targeting over the past 20 years of services to those in greatest need who primarily derive household incomes from Commonwealth support payments, with base rates that have not increased in over two decades (excepting the temporary COVID-19 supplements, now withdrawn); rising capital expenditure associated with an ageing \$16 billion social housing portfolio; and declining federal funding for housing and homelessness against a backdrop of increasing demand and complexity of demand. (sub. 27, p. 7)

Declining revenue and increasing costs, including due to the COVID-19 pandemic, has placed the social housing system’s financial sustainability increasingly at risk. This has increased the funding gap and the extent to which governments must provide financial support (box 7.8).

The Western Australian Government observed:

As the impacts of COVID-19 continue to be felt through rising construction costs, the subsidy required to bridge the gap between rent receipts and the cost of social housing provision is increasing. (sub. 99, p. 6)

The NSW Government also noted the ageing of the social housing portfolio. More than half of NSW’s Land and Housing Corporation properties are over 40 years old. While about \$660 million is estimated to be needed each year to cover maintenance costs on properties aged over 40 years, only about \$500 million was available for maintenance for the entire portfolio in 2021-22 (sub. 69, p. 34).

⁶ Dwelling condition is acceptable if has at least four working facilities (for washing people, for washing clothes/bedding, for storing/preparing food, and sewerage) and not more than two major structural problems (SCRGSP 2022a).

Box 7.8 – The social housing funding gap

The difference between rental income, and operations and other costs in the social housing system, is known as the funding gap. In community housing the funding gap is closed by:

- governments paying providers for housing services (such as State and Territory Governments procuring tenancy management services and making capital grants for new development or renewal)
- income support to tenants (usually from Commonwealth Rent Assistance)
- lowering providers' costs (such as the Goods and Services Tax exemption for community housing providers).

In public housing the funding gap is not always closed, and can be reflected in unfunded depreciation, deferred maintenance, foregone return on assets (or user cost of capital) and operating losses (IPART 2017). Public housing authorities can also be in deficit — they were in surplus until the 1990s but since then they have usually been in deficit.

New and renewed stock has historically been funded by capital contributions (equity) from government and private sources (including from the not-for-profit sector, mainly mission-driven community housing providers). In most cases capital contributions are financial and are sourced from government contributions, or for private providers, surpluses from operations and donations.

In some projects there is a capital contribution in the form of land, known as ground leasing, where homes are built by private providers on government owned land, with either market or discounted leasing fees. The homes can revert to either public or private ownership after a specified period.

Social housing can create work disincentives

While social housing can provide a secure environment for tenants, work disincentives, or 'welfare locks', can arise from income-based rent and eligibility criteria that is primarily about income (PC 2015). Income-based rent means that each additional dollar earned is partially offset by an increase in rent, up to a market rent cap (Dockery et al. 2008; Henry et al. 2009). This loss may be concurrent with withdrawal of other income and additional work-related costs. For example, income support payments are reduced by 50 cents for each dollar of income above a threshold, and there may be a loss of other benefits and concessions, such as family tax benefits.

There may also be other costs from work such as income tax, higher family maintenance and travel. If these cumulative effects — referred to as effective marginal tax rates — are sizeable, they can create a disincentive to work or earn additional income. Studies have found that social housing renters can face very high effective marginal tax rates — sometimes above 65 cents for every additional dollar earned (Hulse and Randolph 2004; PC 2015) (box 7.9).

Box 7.9 – Mixed evidence on the impact of social housing on work incentives

The evidence on work disincentives from social housing is both qualitative and quantitative. Interviews and surveys of social housing workers and tenants show that many tenants are aware of high effective marginal tax rates, which can be a disincentive to work. Other work disincentives include employment-related costs such as transport and clothing, and the precarious nature of work (Arthurson and Jacobs 2009). However,

Box 7.9 – Mixed evidence on the impact of social housing on work incentives

participants to these studies also acknowledge that other factors, such as self-esteem or the ability to gain skills, may be more important in employment decisions (Hulse and Randolph 2004).

Cigdem and Wood (2017) tested whether there was a ‘welfare lock-in’, where people on public housing waiting lists may maintain their income below a threshold in order to remain eligible. The study found that housing assistance to private rental and public housing tenants has a negligible impact on employment.

In 2015, the Commission looked at the link between housing assistance and employment in Western Australia and South Australia and found that:

- although public housing tenants were significantly less likely to be employed than other income support recipients, once unobserved characteristics, such as substance use disorder, mental ill-health, and criminal records were taken into account, public housing tenants were no less likely to be employed than other recipients of income support payments
- employment rates increased while applicants were on the waiting list and when they moved into social housing (PC 2015).

This latter result is consistent with a positive stability effect for some tenants in public housing that makes it easier for them to pursue employment opportunities. Wiesel et al. (2014) said:

Some participants commented that disqualification from a rental rebate did not discourage them from working; rather, they felt they were still better off financially with paid employment and higher rents. These participants also noted non-financial — psychological and social — advantages of paid employment. However, associated rent increases were at times bundled with other cited work disincentives. (p. 41)

There is also some evidence that people suppress their labour supply while on waitlists, but employment increases once in social housing (Dockery et al. 2008). The study found that for males, being in public housing increased the probability of employment by 11 percentage points relative to being on the wait list. For females, the increase was smaller, at 5 percentage points.

One survey found that over half of public renters were at least ‘concerned’ that getting a job or working more hours would have an impact on their rent (Hulse and Randolph 2004). But more than half of public renters agreed that they would be better off from paid work if they earned more and their rent went up.

In another study, social housing workers reported that income-based rent increases are seen as an ‘annoyance’, but ‘not a sufficient disincentive to taking up employment’ (Arthurson and Jacobs 2009, p. 9). Social housing tenants also commonly identified low paid and insecure employment as a barrier to work in the context of social housing, as the rent setting rules may be slow to adjust rent after loss of work. The study also concluded that any social housing-specific work disincentives were among a range of work disincentives created by the welfare system in general.

International empirical evidence is also mixed. In the United Kingdom, Gregoir and Maury (2018) found that living in social housing results in a lower probability of entering employment. But Robinson (2012) did not find evidence of work disincentives.

Other types of work disincentives may arise from the ongoing need for a tenant to maintain eligibility for social housing:

- Income-based eligibility criteria could create a work disincentive for people on waiting lists. People may choose not to work to maintain incomes low enough to qualify for social housing.
- The actual or perceived risk that access to social housing will be lost if their work situation improves may create a work disincentive.



Finding 7.1

Social housing is an essential part of the affordable housing solution

Social housing is an essential safety net for people experiencing, or at risk of, homelessness and for people unable to access or sustain housing in the private rental market. And it is effective at preventing and addressing homelessness.

However, social housing tenants often have little choice about the location and type of property they are offered. The gap between housing assistance provided in social housing compared with private rental markets discourages people from changing homes if their family or other circumstances change. Income-based rents help with affordability, but can also create work disincentives. The mismatch between social housing stock and tenants needs (and underutilisation of properties) also points to the potential for better management of the social housing stock.

7.4 The NHHA is not driving better outcomes

To the extent that the funds from the Australian Government to the States and Territories allow more social housing to be built, the NHHA contributes to improved social housing outcomes for the people who can access these properties. Allowing general NHHA funding to be used for 'housing' means State and Territory Governments can fund other forms of housing assistance. However, the NHHA does not set a reform agenda for social housing (or for housing assistance for low-income renters), nor does it have principles to guide reform.

Little evidence that the NHHA is improving outcomes for tenants

As noted earlier, an outcome of the NHHA is 'a well-functioning social housing system that operates efficiently, sustainably and is effective in assisting low-income households and priority homelessness cohorts to manage their needs' (box 7.3). However, apart from the funding for housing, there is little evidence that the NHHA has led to better outcomes for social housing tenants or people who need social housing. Some participants noted that the NHHA lacks a focus on outcomes and reforms that will increase the stock of social housing (box 7.10).

Box 7.10 – What participants said about the NHHA’s contribution to an effective social housing system

Housing for the Aged Action Group:

Existing national outcomes, such as ‘a well-functioning social housing system that operates efficiently, sustainably and is effective in assisting low-income households and priority homelessness cohorts ... to manage their needs’, are meaningless without connection to the impacts on people’s lives. By any measure, the current NHHA has not achieved this intended outcome although the terms used are open for interpretation. (sub. 90, p. 6)

Yfoundations:

The NHHA has failed to achieve a well-functioning social housing system that meets and manages the needs of young people. ... Currently, the social housing system in NSW is inefficient, unsustainable, and ineffective in assisting young people. In NSW young people face greater challenges than any other age group in securing sustainable and affordable housing. (sub. 94, p. 14)

City Futures Research Centre:

... the scale of funds included within the NHHA is extremely small in relation to the scale of housing need (e.g. the cost of maintaining the current social housing portfolio, providing emergency services to homeless people and investing in new social housing provision to match population growth). ... the NHHA is inadequate both in relation to its specific goals on housing assistance (related to social housing and homelessness services), and its wider aspirations to help redress the deepening economic challenges arising from Australia’s housing system performance. (sub. 87, p. 8)

The Australian Housing and Urban Research Institute (AHURI):

The NHHA contributes resources to enable the maintenance (and growth) of social housing, increase supply of affordable housing, resourcing of the homelessness service system. AHURI research suggests that the declining level of resourcing going into the social housing system via the NHHA leads to diminishing available stock Reduced stock availability has impeded mobility such as transfers and conditioned operational policies designed to manage demand. (sub. 52, p. 8)

The contribution of the NHHA to the functioning, transparency and accountability of the social housing system is unclear. ... the NHHA follows a substantial history of Commonwealth-State agreements, and while it differs in explicitly positioning social housing responsibility with the states rather than as a shared responsibility, the social housing system is not transformed by the most recent agreement. The increased focus on accountability of the states does not radically change social housing system functioning, and in practice the accountability is similar to previous agreements. The Data Improvement Plan, under the HHDWG, continues to work toward better social housing data. (sub. 52, p. 20)

For various reasons it is difficult to attribute good social housing outcomes, or poor performance, specifically to the 2018 NHHA.

- Efficiency and outcomes are difficult to measure, and the NHHA provides no guidance on what should be measured.
- Sustainability is not defined in the NHHA and governments have not defined any measures (chapter 3).
- There has been limited data reported since 2018. Some data are not annual so there is only baseline data and one year at most. Where there are data they show little change.
- Little data are collected on priority homelessness cohorts in social housing other than older people and Aboriginal and Torres Strait Islander people.

In particular, there is no national framework for outcomes for social housing tenants and applicants to support an assessment of outcomes.

Housing strategies and national housing priority policy areas have limited value

All States and Territories cover social housing in their published housing strategies. The requirement to include 'planned or expected levels of social housing' in these strategies has improved transparency. The housing strategies also outline the reforms jurisdictions are undertaking. But there are often not explicit links in the strategies to the NHHA that would suggest it has been a catalyst for reform.

However, these points aside, the value of the published strategies is limited because:

- strategies usually only include information about expenditure on new developments, rather than the numbers of dwellings or where they are located, and the timeframes are ambiguous
- information is usually about 'social and affordable housing'
- strategies usually only have information about new developments, not about sales or demolitions. This makes it difficult to estimate any net increase in housing stock
- strategies can become quickly out-of-date as plans and priorities change.

Most jurisdictions include some information in their housing strategies about their plans for addressing the housing priority areas or the unmet need for social housing. But the information can be difficult to find and there is little visibility of the action States and Territories are taking in these areas (noting that this is an optional requirement under the NHHA, which gives States and Territories a justification for not including priority policy areas in strategies and creates a weak incentive for monitoring). As discussed in chapter 4, the value of including a list of priority policy areas in the NHHA is questionable. The Commission is recommending that the next Agreement include reforms that governments agree to progress (recommendation 5.1).

Performance indicators provide few insights

The NHHA has four social housing performance indicators (box 7.3, chapter 4). However the indicators provide little insight into how the system is performing or whether outcomes for social housing tenants have improved. And there are issues with some of the indicators (table 7.4).

Commenting on the social housing performance indicators, National Shelter said:

None of these indicators measure or analyse if the current level is adequate, what level would be desirable, or have any targets attached to them. ... There is not a current housing needs analysis that could assess the extent to which current housing relative to occupants match need. (sub. 38, p. 6)

Table 7.4 – NHHA performance indicators shed little light on outcomes

Indicator	Data	Assessment
The stock of social housing dwellings relative to the target population for social housing	No reporting	No agreed definition of or data on target population. Social housing stock has not kept pace with population
An increase in the proportion of social housing occupants that are housed in homes that match their needs	Reporting does not reference the NHHA. The Data Improvement Plan includes work to examine the Canadian National Occupancy Standard's relevance and accuracy in depicting utilisation for some groups	Needs are restricted to the match of dwelling with household size (overcrowding and underutilisation)
An increase in the number of social housing occupants with greatest need as a proportion of all new allocations	Annual data reported on the Dashboard (with noticeable improvement from 2018)	Data are not comparable across jurisdictions due to different social housing priority allocation policies
An increase in the proportion of social housing occupants whose needs are met and are satisfied with services provided by their housing organisation	Reporting does not reference the NHHA. National Social Housing Survey Data for baseline (2018) and 2021 shows little change in satisfaction	Ambiguous about differences with indicator 'increase in the proportion of social housing occupants that are housed in homes that match their needs'

7.5 Building more social housing — the solution?

A common proposed solution to housing affordability is more investment in social housing (Coggan 2020; Flatau et al. 2021; Ziffer 2020). Many participants, pointing to the decline in the proportion of social housing households and estimates of social and affordable housing shortages, argued for more social housing (box 7.11).

Some State Governments have recently announced new developments of social (and affordable) housing (box 7.12). Some of the new social and affordable housing developments will be delivered in partnership with community housing providers. The Australian Government has also committed to expanding social and affordable housing (with the aim to build about 30 000 social and affordable housing properties over five years) funded through the Housing Australian Future Fund (Collins 2022c).

Box 7.11 – Participants argued the need for more social housing

Melbourne City Mission:

The key concern with the NHA is that the current level of funding is insufficient to generate enough social housing to address Australia's growing problem of declining rental affordability and needs to be significantly increased to meet social housing demand. ... If Australia's social housing stock is not expanded to meet this need, more and more people will become homeless or end up in insecure, unsafe housing. Once people are in this position, it is difficult to retain or find employment, stay healthy, care for children — and very challenging to re-enter housing in the private rental market. (sub. 23, pp. 3–4)

The Salvation Army:

... we recommend that increasing the social housing stock (both public and community housing), both in the short and long term, must be included as one of the pillars of the NHA going forward. This would be in addition to the proposed investment in renewal refurbishment and significant upgrades. (sub. 42, p. 34)

Adelaide Day Centre for Homeless Persons:

Regarding the availability of public housing with waiting times up to 10 years even though half of public housing applicants have been settled within 6 months it is clear that there is a chronic shortage. Even 6 months of waiting is a long time if one has nowhere else to go and 10 years is unacceptable. It is obvious that housing stock needs to be built up after years of public housing being sold off. (sub. 13, p. 1)

Bridge Housing:

It is clear that our housing affordability problem, is compounded by a critical shortage of social housing. Almost 155,000 Australians are languishing on social housing waiting lists. Of these, around 40% meet priority housing criteria and require an urgent housing due to homelessness or risk of homelessness. Social housing is one of the only social policy areas where Australians can be fully eligible for a service, yet not receive one. (sub. 50, p. 3)

Anglicare Australia:

Governments are contributing less than they ever have before to building housing for low-income earners. Just to maintain the current share of social housing as a proportion of Australia's housing stock will require construction of 15,000 new social housing properties a year. Our current rate of new social housing construction is about 3,000 dwellings a year. ... Anglicare Australia recommends a long-term funding commitment from the Federal Government to end the shortfall social and affordable housing, and reach levels determined as part of a National Housing Plan. (sub. 61, pp. 6–10)

Box 7.12 – States announce plans to build more social housing

During 2021 and 2022 State Governments announced the following spending on social housing.

- In its 2020-21 Budget, the New South Wales Government announced \$812 million to deliver new and upgraded social housing (NSW Government 2020a). Barnes et al. (2021) estimates that this partly funds accelerated building of already committed projects, and 780 new properties.
- The Victorian Government announced a \$5.3 billion package to build 12 000 new social housing, and affordable and low-cost homes. This is expected to increase Victoria's social housing supply by ten per cent in four years (Andrews 2020).
- The Queensland Government announced a package of \$526 million for new and upgraded social housing (Fentiman et al. 2020).
- The Western Australian Government announced a \$875 million package for about 3300 social housing dwellings (McGowan and Carey 2021).
- In its 2020-21 Budget, the South Australian Government announced a \$76 million construction stimulus for social and affordable housing (Government of South Australia 2021b).
- The Tasmanian Government announced plans for about 2350 new social housing dwellings, including 300 new dwellings funded with \$53.6 million from the Commonwealth-State Housing Agreement debt waiver scheme (Government of Tasmania 2021).

Some of the new developments will be in partnership with community housing providers. For example, in New South Wales, the Land and Housing Corporation (LAHC) is partnering with Cbus superannuation fund, the National Housing Finance and Investment Corporation (NHFIC) and community housing providers to deliver new social and affordable housing through the Community Housing Renewal Program. The Program will expand the funding available to community housing providers, with NHFIC providing senior debt and Cbus providing subordinate debt, and the LAHC providing land on a 49 year lease (AFR 2020; NHFIC 2020b; NSW Government 2021h). Another initiative from New South Wales involves the LAHC providing community housing providers with twenty-year land leases, which has facilitated greater access to loans from NHFIC (NSW Government, sub. 69, p. 48).

As part of Victoria's Big Housing Build, Homes Victoria is partnering with Community Housing Limited (CHL) to redevelop vacant land owned by the Victorian Government in Brighton, Flemington and Prahran, with other developments in Hampton East, Port Melbourne and South Yarra as part of a ground lease model (CHL, sub. 5, p. 14, Victorian Government, sub. 97, p. 10).

Flatau et al. (2021, p. 165) claimed that the new social housing dwellings announced recently by State Governments 'is of an historic magnitude and is a fundamental part of an end homelessness agenda'. However, others argued that the planned increases are inadequate. For example:

The Victorian government's \$5.3 billion commitment to build social and affordable housing is a significant investment that will go a long way in addressing Victoria's housing challenges and unblocking the homelessness system. The planned increase in housing stock however, represents less than 10% of the estimated shortfall in social and affordable housing in Victoria. (Melbourne City Mission, sub. 23, p. 4)

While more social housing will help ease pressure, boosting the supply of social housing will be expensive. Based on recurrent expenditure on public housing (net of rent revenue), the operating cost of social housing is estimated to be about \$10 000 per dwelling each year, with the cost of capital (the opportunity cost of

owning the asset) about \$30 000 per dwelling each year (SCRGSP 2022a). Government recurrent expenditure on community housing is slightly lower cost (about \$9000 per dwelling each year). Other estimates of the cost to government⁷ of additional social housing dwellings range from \$10 000 to \$17 000, or an upfront capital contribution of between \$240 000 to \$330 000 (The Grattan Institute, sub. 70; Believe Housing Australia, sub. 31; Troy, van den Nouwelant and Randolph 2019a).

Building more social housing can lock providers into long lived assets with high maintenance costs, the need for which can change over time. Building more social housing may not increase the overall supply of housing (box 8.5). Investment in new social housing may displace market developments because in the short term, construction of social housing competes for the same finite pool of land, finance, construction materials and workers as private development.

More social housing properties would make affordable housing accessible to more people who may otherwise be homeless or renting privately and in housing stress. It could also give applicants and tenants greater choice, which could reduce underutilisation and overcrowding. But it would not address many of the underlying shortcomings identified earlier. And social housing can only play a limited role in improving affordability. It alone cannot meet the needs of a growing population of households unable to afford to rent in the private market. As the Grattan Institute said:

An unprecedented boost to the social housing stock — such as an extra 100,000 dwellings — would make a big difference to people who are homeless if it were tightly targeted towards them, but more than two-thirds of low-income Australians would still remain in the private rental market. (sub. 70, p. 13)

Targets for more social housing?

Some participants called for targets for social housing (see, for example, Infrastructure Victoria, sub. 14, Neami National, sub. 34, ACT Shelter & ACTCOSS, sub. 65). The Community Housing Industry Association said ‘the NHHA should be aiming for 8-9 per cent of Australia’s total housing stock to be social housing’ (sub. 74, p. 4).

There are many estimates of the number of additional social housing dwellings required to house people on waiting lists or people eligible for social housing but who may have been discouraged from applying (box 7.13). However, these estimates do not provide a useful benchmark for building new social housing because:

- waiting lists are poor indicators of the need for social housing
- some eligible households could have their housing needs met in the private market with some financial support at lower cost than through social housing
- they do not take into account that support is or can be provided in other ways that may be lower cost, better targeted and have better outcomes for recipients.

⁷ Noting that some of the cost of social housing is met by tenant rent and CRA for community housing tenants.

Box 7.13 – Estimates of the shortage of social housing

There are a number of estimates of the shortage of social and affordable housing. For example:

- Lawson et al. (2018) calculated that over the 20 years from 2016, Australia would require an additional 727 400 social housing dwellings to meet existing and projected need. The majority of these dwellings (433 400) were to accommodate people who are homeless and households in the lowest income quintile and in housing stress. The cost to government of providing the subsidy gap was estimated to be about \$9-10 billion each year over 20 years (total about \$200 billion)
- Troy, van den Nouwelant and Randolph (2019b) estimated an additional need of 728 600 social housing dwellings and a cost to government of between \$4-5 billion per year for 20 years (total \$80-100 billion)
- the Review of the National Housing Investment and Finance Corporation in 2021 found that for Australia to close the current and projected shortfall in social and affordable housing dwellings, an investment of \$290 billion over the next twenty years would be required (The Treasury 2021, p. 18). This estimate is based on the cost of building the 730 000 additional dwellings as estimated by Lawson et al. (2018).

Comparing the proportion of social housing stock with historical levels, with other countries⁸ and across Australian jurisdictions, or estimating housing need based on the number of people on social housing waiting list, provides little insight into the amount of social housing there should be.

While how much social housing to provide (including compared with rental assistance) is hotly debated, there is no benchmark for the 'right' level of social housing. The amount of social housing depends on a number of factors and local conditions, including:

- the level of income support provided
- how well private rental markets work for low-income people and people experiencing vulnerability
- the existing level of social and affordable housing in each community
- the demand for social and affordable housing in that community, which will in part depend on the opportunities for social and economic participation that are available in or close to that community (PC 2017b).

Given the cost of social housing, and the shortcomings discussed above, new investment should be based on assisting people who are experiencing, or at risk of, long-term homelessness and people who are unable to access or sustain housing in the private rental market.

⁸ The size of the social housing sector varies across OECD countries. There are a few countries with large or moderately sized sectors (above 10 per cent of the housing stock), with most countries having small to very small sectors. Countries with large social housing sectors reduced their stock between 2010 and 2020 (OECD 2020b).



Finding 7.2

Social housing waiting lists are not a useful basis for new social housing investment decisions

New social housing investment decisions should prioritise meeting the housing needs of people experiencing, or at risk of, long-term homelessness and people who are unable to access or sustain housing in the private rental market, not on the numbers of people on social housing waiting lists and others eligible for social housing.

Funding social housing

Funding for social housing comes from various sources, including rental income, and direct and indirect government funding. New South Wales, Victoria and Queensland have set up social housing investment funds (box 7.14). The advantage of an investment fund is that it provides dedicated funds for housing assistance. The legislation establishing these funds usually ensure the proceeds are spent according to the funds' rules, which puts investment decisions at arm's length from governments and allows providers to plan for new development.

Box 7.14 – Social housing investment funds

New South Wales, Victoria and Queensland have social housing investment funds that are capitalised at about \$1 billion.

- In New South Wales, the Social and Affordable Housing Fund (SAHF) funds are invested in markets by the NSW Treasury Corporation and provided to the Department of Communities and Justice, which procures services packages. SAHF contracts deliver services packages that include access to quality, well-located dwellings, property and tenancy management, access to support tailored to individual resident's needs, and performance and data reporting. Services are designed to empower residents in SAHF homes to lead more independent lives including moving to private market housing where that is feasible. Providers must make at least 70 per cent of the dwellings available for eligible social housing applicants/tenants over the term of the agreement, with the balance provided for eligible affordable housing applicants/tenants. Funds can be used for new development, refurbishment or leasehold arrangements in new or existing dwellings (DCJ (NSW) 2021d).
 - The NSW Department of Communities and Justice has awarded nine contracts, mostly to community housing providers, for over 3400 additional social and affordable housing dwellings using funds from the SAHF (NSW Government, sub. 69, p. 48). The program is expected to deliver 3486 additional social and affordable homes across the state by the end of 2024, with a target of 30 per cent of all homes to be delivered in regional New South Wales.
- In Victoria, the Social Housing Growth Fund supports a pipeline of new social housing. It provides an ongoing mechanism for community housing providers to build and operate new social housing developments for Victorians in need of housing support. Community housing organisations will receive \$1.38 billion to develop 4200 new social housing homes from capital grants for proposals that meet the aims of the Big Housing Build (CHIA 2022a). It also includes funding to lease new dwellings from the private sector to increase the availability of social housing rental stock and facilitate investment in new social housing for the rental market — the New Rental Developments Program (Homes Victoria 2022).

Box 7.14 – Social housing investment funds

- In Queensland, the Housing Investment Fund (HIF) supports four housing supply priorities to increase: social housing and affordable housing; homelessness and rough sleeping; diverse rental supply; housing choices for seniors; and homes for large households (Queensland Government nd). The HIF will enable strategic partnerships between the Queensland Government and community housing providers to deliver more social housing and affordable housing by enabling community housing providers to access financing opportunities (sub. 27, p. 7).

The Housing Australia Future Fund and the next Agreement

The Australian Government has committed to establishing the \$10 billion Housing Australia Future Fund (HAFF) (Collins 2022c). The Commission recommends that the HAFF returns (along with all other forms of direct housing assistance) be brought into the scope of the next Agreement (chapter 5). This could include:

- having the criteria for allocating HAFF returns as a schedule to the next Agreement, which is agreed during the negotiation of the Agreement and/or be integrated into the announced National Housing and Homelessness Plan
- a requirement for Housing Australia to publicly report on the projects it is funding so there is visibility of where the funds are being spent
- reflecting agreed principles for how housing assistance should be provided (recommendation 5.1).

Debt forgiveness — a source of funding for social housing?

In 2018 the Australian and Tasmanian Governments negotiated a waiver of historic debt, including Commonwealth-State Housing Agreement debt and Loan Council housing nominations. Repayments and interest on this debt were required to be spent on increasing access to social housing, reducing homelessness and improving housing supply in Tasmania (Sukkar and Jaensch 2019). The Tasmanian Government commented that:

Since the release of Tasmania’s Affordable Housing Strategy 2015–2025, the Tasmanian Government has supported 3310 additional households to access affordable housing. This has included 234 households assisted through the Commonwealth State Housing Agreement (CSHA) debt waiver. (sub. 100, p. 4)

The NSW Government (sub. 69), the Queensland Government (sub. 27), the Western Australian Government (sub. 99) and the ACT Government (sub. 95) sought similar treatment of their historic debt. The NSW Government, for example, suggested redirecting a portion of the total principal and interest payments to a social housing supply program, noting this could form part of a bilateral agreement under the next NHHA, or be a discrete agreement (sub. 69, p. 23).

The Salvation Army also noted that debt forgiveness created a disparity between States and Territories and highlighted the potential for the waiving of debt to increase funding for social housing:

Another inconsistency between states has been the forgiveness of housing debt. In the case of Tasmania, debt forgiveness has led to an otherwise unavailable pipeline of funding for new social housing supply. With the correct terms established between the Commonwealth and other states, inroads could also be made into social housing shortfalls across the rest of Australia.

While this is not the only solution to the long-term funding needs for social housing, the waiving of states' housing debt to the Commonwealth would represent a significant new social housing pipeline and would provide parity among the states. (sub. 42, p. 8-9)

However, the Commission does not support historic debt waiver as a means of States and Territories accessing new funds from the Australian Government.

- Debt forgiveness can influence future borrowing and debt repayment behaviour, creating incentives to borrow more and repay more slowly.
- It would not be fair to jurisdictions that have reduced or eliminated their debt and the distribution of the benefits of debt forgiveness would not reflect need. Victoria has no historic housing debt because it was repaid during the 1990s, which would mean it would not receive any new funds from a debt waiver. And other jurisdictions have different levels of historic debt depending on initial borrowing, repayments and other relief.⁹ New funds would be based on this stock of debt, an historic artifact, rather than need.

7.6 Reforms for a better social housing system

State and Territory Governments have made changes to improve the effectiveness of their social housing systems. This includes improving the social housing allocation process so it is better targeted to people most in need and supporting people in the private rental market.

Changes to improve targeting ...

Some jurisdictions have reviewed their social housing eligibility criteria and intake assessment processes to better target social housing to people who are most in need. The Queensland Government, for example, has improved its intake and assessment approach to better understand people's circumstances, matching people with more targeted solutions to their immediate and long-term housing needs and better targeting housing allocations to households with higher and more complex needs ahead of people with lower, less complex needs (sub. 27, p. 6).

While social housing has become more targeted, eligibility criteria are applied at entry and households can remain in social housing even when their circumstances (income, number of household members) change. Some States and Territories have introduced measures to encourage tenants to move out of social housing when their circumstances improve so places are available for tenants who need them more. Fixed term leases and periodic eligibility reviews are two tools being used. For example, in New South Wales most new social housing tenancy agreements are for a fixed term of twelve months, or two, five or ten years. The length of the lease depends on the circumstances of the client and any specific conditions attached to the particular offer of housing. Tenancy reviews towards the end of the lease determine if the tenant is still eligible, and options for an extension or a plan for transition put in place (DCJ (NSW) 2018b).

However, in practice these tools are not easy to implement. While fixed term leases are in place in some States, as discussed earlier, exits from social housing remain low. And the evidence suggests that a major

⁹ South Australia negotiated partial debt relief with the Commonwealth in 2012-13 and 2013-14, reducing its historic housing debt.

barrier to exits is the lack of affordable housing alternatives (Wiesel et al. 2014; Wiesel and Pawson 2015). As the OECD said:

To guarantee an efficient throughfare in the social housing sector, there is a need to ensure that tenants whose situation improves have a viable, affordable housing alternative. This calls for increased access to affordable housing *outside* the social housing sector. (OECD 2020b, p. 16)

The residualisation of social housing also means that many social housing tenants are unlikely to improve their economic circumstances. Analysis undertaken in 2020 by the Department of Communities and Justice in New South Wales, found that about 57 per cent of people aged 16 and over in public housing were unlikely to ever be able to improve their economic status by working (typically because of age and/or physical or psychosocial disability status) and would require social housing for an extended period (sub. 69).

... and matching of tenants to properties

Given the imbalance between the supply and demand for social housing, it is important that providers make the best use of social housing (underutilisation reduces the capacity to help other people in need and can result in longer waits for social housing). However, there are challenges matching social housing tenants to appropriate properties. Needs change over time and the housing stock ages, but relocating tenants, who may have strong links to their community and emotional attachment to their home, can be difficult and costly.

Moving can be hard, and for some people it can be really difficult to think about leaving a family home that has been the place where memories have been made and families have grown up. (The Canberra Times 2022)

The ACT Government plans to improve the use of its public housing properties by working with tenants to move into more appropriately sized homes as their circumstances change (ACT Government 2019b). And in New South Wales there is a vacant bedroom charge that is applied to households under occupying their homes (DCJ (NSW) 2018c).

Supporting people in the private rental market

To help reduce the demand for social housing, State and Territory Governments also provide a range of support to help people in the private market, either as an alternative to social housing or to exit social housing. For example, some States and Territories provide bond loans, one-off rental grants, tenancy support services, and short-term private rental subsidies (box 7.15, chapter 9).

In New South Wales, Rent Choice provides financial support for people to rent in the private market. Rent Choice is available for young people who are homeless or at risk of homelessness, families affected by domestic or family violence, veterans and households experiencing major financial setbacks in some locations, and has higher rates for households in high cost locations. The NSW Government reported that 66 per cent of clients who were approved for Rent Choice from July 2016 to June 2020 went on to establish a private rental tenancy (sub. 69, p. 34).

Evaluations of these programs need to be undertaken to determine what works and for whom. Where trials and programs are found to work well (and are cost-effective) they should be scaled up.

Box 7.15 – Examples of State Government support in private rental markets

Private rental assistance

The NSW Department of Communities and Justice supported 6786 households in 2020-21 at a cost of \$63 million to access and maintain tenancies through its Rent Choice program (DCJ (NSW) 2021a, p. 45). Rent Choice is a targeted, time limited, tapered private rental subsidy for up to three years to help people access support to services, including training and employment opportunities. A 'deeper subsidy' is available for eligible Rent Choice clients who require accommodation in high cost locations (including Sydney, Central Coast, Nepean Blue Mountains, Illawarra Shoalhaven, Southern NSW, Mid North Coast, Northern NSW and Hunter New England). The subsidy for Rent Choice ranges from about \$4000 to \$18 000 each year (or an average of about \$9200 each year) depending on the size of the household and location of the home.

Queensland provides a Rental Security Subsidy, which supports people facing temporary financial hardship to sustain their tenancy, with a subsidy for up to six months, paid to the landlord (Queensland Government 2021g).

In 2017 the Western Australian Government commenced the Assisted Rental Pathways Pilot (the Pilot), which has supported over 301 social housing tenants and waitlist applicants by placing them in private rental properties for a period of up to four years. The Pilot provides participants with a decreasing rental subsidy, and access to support services, to enable them to build their capacity and financial independence so they can transition independently into the private rental market at the end of the Pilot (Government of Western Australia nd).

Tasmania also provides rental assistance to people on low to moderate incomes to access and maintain affordable private rentals (Tasmanian Government, sub. 100). At July 2022 this program had supported about 140 households in the previous 12 months (Department of Communities (Tasmania) 2022).

Headleasing

Headleasing is another option for supporting people in the private rental market. A headleased property is one that is owned by private individuals or corporations, and leased to a social housing provider. The social housing provider then selects a tenant and enters into a separate lease with them. With a headlease, the private landlord is generally responsible for routine property maintenance, and the social housing provider is responsible for tenancy management (such as collecting the rent and passing on any maintenance requests).

Both public housing authorities and community housing providers headlease properties from the private market, although it is more common in the community housing sector. In 2021 there were about 12 600 properties headleased by community housing providers nationally, or about 12 per cent of all community housing properties.

- New South Wales makes the most use of headleasing, for example, in 2021, New South Wales had about 6500 headleased dwellings, more than half of all headleased dwellings nationally (AIHW unpublished).
- The Victorian Social Housing Growth Fund has a New Rental Developments Program, which is recurrent funding to lease new dwellings from the private sector to increase the availability of social housing rental stock and facilitate investment in new social housing for the rental market (Andrews 2019).

Headleasing has a number of benefits. It provides flexibility to suit the needs of the tenants, does not lock providers into long-term assets and can provide housing for people experiencing vulnerability when social housing options are not available (Neami National, sub. 34, p. 4). However, it does not provide the

Box 7.15 – Examples of State Government support in private rental markets

same stability as social housing. Bridge Housing said ‘tenants in headleased properties generally have to move more frequently than those housed in capital properties’ (sub. 50, p. 6). Governments may also need to pay a premium for private landlords to offer their properties for a long-term lease and rely on there being an adequate supply of private rental properties. Bridge Housing also noted that when there is not an adequate supply of properties, headleasing can ‘place extra strain on the private rental market, which may place pressure on low-income households seeking affordable housing and in some markets potentially drive rent increases’ (sub. 50, p. 6).

Leveraging the benefits of community housing

Transferring management and ownership of public housing stock to community housing providers is another way that State and Territory Governments have sought to make better use of the existing social housing stock. Community housing tenants are eligible to receive CRA, and this income is paid to the community housing provider as rent, and improves the financial viability¹⁰ of these providers (box 7.2).

State and Territory Governments have taken different approaches to transferring management of social housing to community housing providers. For example, Tasmania has transferred management of nearly half of its social housing stock to community housing providers.

AHURI, commenting on the growth in scale and profile of the community housing sector, said:

A significant proportion of community housing growth has been driven by stock transfer from public housing. Stock transfer in Australia has been generally limited to management transfer rather than ownership transfer (Pawson et al. 2016). Increasingly, new stock is developed through partnerships involving commercial developers, state governments, or both. To achieve greater growth in social and affordable housing supply, AHURI research indicates that a holistic national housing strategy is needed, integrating different settings across subsidies and grants and policy levers across a continuum of needs (Gurran et al. 2018). (sub. 52, p. 19)

Community Information & Support Victoria commented that community housing providers may cater to a different demographic cohort than public housing authorities:

While public housing provides the cheapest rent, capped at 25 per cent of income, it also provides housing for people in the most disadvantaged circumstances. Community housing organisations vary in purpose and the make-up of tenants and they can screen for those who are not able to access the private rental market but who are also not eligible for public housing. Importantly, they have the capacity to ‘cherry pick’ tenants who need less support to maintain their tenancy. In many cases this might be consistent with their ‘business model’, requiring a reliable revenue stream from tenants that is attractive to banks and loaning institutions. (sub. 33, pp. 2-3)

¹⁰ Community housing providers are required to demonstrate that they are financially viable on application for registration, and once registered, demonstrate ongoing financial viability. Financial viability is ‘the ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow for growth, while maintaining service levels’ (NRSCH 2020, p. 3).

Portable rental assistance would address many problems with social housing

While the changes discussed above are aimed at improving the effectiveness of the social housing system, they do not address the structural problems in the system. However, rental assistance that is portable across social and private rental housing would address many of the problems with the social housing system. Portable rental assistance involves a shift away from providing assistance according to whether a person lives in public, community or private housing towards a system of financial assistance that can be accessed regardless of the type of housing a person lives in. It allows households to choose where they live based on their preferences, rather than the type of financial assistance available for different types of housing.

Financial assistance that is portable across housing tenure types is not a new idea. Its earliest origins in Australia can be traced to a proposal in 1946 and a pilot study by the Australian Government Department of Environment, Housing and Community Development in 1976 (Albon 1977). Between 2010 and 2019 a number of reviews recommended or considered options to change the way housing assistance was delivered to low-income people (DPMC 2015; Henry et al. 2009; National Commission of Audit 2014; Reference Group on Welfare Reform 2015). It was also recommended in the Commission's Human Services inquiry (PC 2017b).

Portable rental assistance has some important benefits. It would:

- address the inequities in the social housing system that arise from the 'in kind' subsidies that vary depending on the type of property that a tenant has been allocated compared with people renting in private rental markets (this aligns with the principle that people in similar circumstances should receive similar levels of financial assistance, chapter 5)
- make housing assistance more integrated with income support arrangements
- make the amount of assistance provided more transparent which in turn could help decisions by governments about the best way to spend limited housing assistance dollars
- provide additional funds to public housing authorities, putting them on a more sustainable financial footing. The additional revenue from CRA and market rents may mean public housing authorities can address maintenance backlogs, adequately provide for depreciation and may even allow surpluses to be generated. These surpluses could be used for equity investment that can leverage private or sovereign debt to build or renew more social housing
- create a price incentive for tenants to choose the property that best suits their needs (including location, size, amenity, proximity to labour markets, social networks and services) whether that is in the private market or the social housing system
- provide greater choice for new and existing tenants about where they live, which in turn should improve outcomes for tenants (including by allowing them to locate closer to family or services they need) and the responsiveness of the social housing system (by increasing competition between housing providers). Greater choice between social and private rental housing could also take some pressure off the social housing system
- help address underutilisation as tenants are less likely to stay in homes that are bigger than they need and state governments would have a greater incentive to fill unoccupied properties and stay on top of repairs and maintenance
- be more responsive to changes in people's circumstances. For some people this means providing support more quickly, without having to wait until social housing stock is available. This includes rapidly housing people experiencing homelessness (Housing First approaches). For other people it means reducing assistance as needs reduce, without having to move.

The Western Australian Government highlighted the benefits of portable housing assistance, noting that low-income households who rent privately or from a community housing provider are eligible for CRA whereas public housing tenants are not:

These settings create a ‘two-tiered’ system with inherent inequities that could be addressed by introducing financial assistance for renters that is portable across private, community, and public rental housing. ... Enabling a portable rent assistance model would help to bridge the gap between social and private rental markets as the price difference between the two models continues to widen. (sub. 99, p. 8)

Portable rental assistance was also supported by the Action for More Independence and Dignity in Accommodation (sub. 67) and McAuley Community Services for Women (sub. 24). And the NSW Government said CRA for public housing tenants should be considered (sub. 69, p. 25).

Establishing a portable rental assistance model requires the Australian, State and Territory Governments together making changes so assistance can be provided as a package.

- The Australian Government would need to extend CRA to public housing tenants so it is available for all eligible tenants in social housing properties. This would provide a baseline level of support based on the existing eligibility criteria and payment arrangements for CRA. The Commission’s recommendation on a review of CRA (chapter 9) could include examining the implications of extending eligibility for CRA to public housing tenants.
- State and Territory Governments would need to charge new and transferring social housing tenants market rent. Social housing providers already have arrangements in place for determining the market rent to facilitate the cap on rent at market rates as income increases. Income-based rents could be grandfathered for existing tenants, unless they opt-in to the new approach.
- Some households would require an additional payment to access appropriate housing that meets their needs. Under the Commission’s proposed approach, State and Territory Governments would provide an additional needs-based subsidy for low-income renters. The subsidy should be portable across social and private rental housing, and would respond to changes in household need over time. Each State and Territory would determine the eligibility for and level (or levels) of the additional subsidy based on their demographics and housing market.

Implementing portable rental assistance is a significant change. It will require careful management to avoid higher costs or problems for new and existing tenants. There are also likely to be higher costs for governments (at least in the short term) before the benefits of the new model flow through and it may need to be implemented on a staged basis. A trial or a staged approach would allow governments time to build evidence before proceeding to a full roll out, and implement enabling reforms and safeguards for tenants that will increase the benefits of implementing the new model.

It would also be expected that market rent to community housing providers would displace other assistance from governments. This may involve fewer ongoing grants to community housing providers, for example, for tenancy management and other services, and withdrawal of the GST exemption, or a dividend from community housing providers. Negotiating these changes with a large number of community housing providers (there are about 700 nationally) would be complicated, especially for providers that have built their business models, and made significant capital investment, around the existing arrangements.

The Commission’s Human Services Inquiry report (PC 2017b) outlines in more detail the practical considerations for moving to portable rental assistance.

Some of the enabling reforms and safeguards for renters that would improve the effectiveness of portable rental assistance include:

- reforms to State and Territory tenancy laws to improve tenure security for private renters and provide safeguards against above-market rent increases and without-grounds evictions (chapter 9)
- creating an expectation that public housing authorities become self-funding (most have operated in deficit over the past 20 years) and generate a surplus for new development (although new development could continue to be funded in other ways if it became a budget priority)
- competitive neutrality (tax, debt and regulatory) between providers (public, community and private). This would include separating public housing authorities from State and Territory Government departments (IC 1994) and making them subject to the same regulatory arrangements as community housing providers
- regulatory reform, including requirements for improved financial and tenant outcomes data, would also provide private investors with greater confidence in the sector and may attract more debt and equity investment
- access to tenancy support services for private renters to access and sustain private rental tenancies
- choice-based letting in social housing (box 7.16)
- exceptions for locations where there is no effective market for rental housing and therefore constraints on setting market rents, for example, homes in remote Aboriginal and Torres Strait Islander communities.

Box 7.16 – Choice-based letting

Choice-based letting is one option to increase a person's choice over the home they are allocated. This has been implemented in several countries, including the United Kingdom and the Netherlands. It allows social housing applicants and existing tenants to apply for properties that meet their needs, rather than indicating preferences for a narrow range of features and waiting to be allocated suitable properties.

In 2017, the Commission recommended improving choice for social housing tenants and applicants by introducing choice-based letting (PC 2017b). A review by the NSW Independent Pricing and Regulatory Tribunal (IPART) into social housing rental models in 2017 also recommended allowing eligible households to express interest in suitable properties as they become available (IPART 2017). However, rationing of high demand properties will still be a feature of the system, and success tends to be greater in countries with large and diverse social housing stock (PC 2017b).

Over time portable rental assistance should lead to more social housing properties coming available as some social housing tenants will move into the private rental market and applicants who have applied for social housing solely for affordability reasons are likely to remain in the private rental market. This will allow States and Territories to target social housing to people who are unable to access or sustain housing in the private rental market.

Funding implications

Portable rental assistance based on need would likely require additional funding. As in 2017 when the Commission recommended this approach, it is not possible to estimate the cost of the additional needs-based subsidies from the States and Territories without information on the design, how tightly each government would target it and the market rent that the housing stock in that jurisdiction would generate.

Extending CRA to public housing tenants would cost the Australian Government about \$1.4 billion each year.¹¹ This would be paid directly to public housing tenants, who would use it to supplement their income, out of which market rent would be paid to public housing authorities. The costs to State and Territory Governments of rental subsidies would depend on the design and, in particular, how narrowly the assistance is targeted.

One option is to replace NHHA funding to the States and Territories with CRA for public housing tenants. Potter commented that a portable housing assistance model should improve State Government incentives and accountability:

... states would be less able to blame the federal government for the problems faced by the sector. Instead, states would have to take greater responsibility for the performance of social housing. (2017, p. 13)

While a national approach is preferred, in the first instance, the Australian Government could negotiate with one State or Territory (through a bilateral agreement) to trial portable rental assistance. Evaluation outcomes should be shared to inform wider take up.



Recommendation 7.1

The Australian, State and Territory Governments should trial portable rental assistance based on need

The Australian, State and Territory Governments should trial tenure-neutral rental assistance that is portable across social and private rental housing. This will involve extending Commonwealth Rent Assistance to public housing tenants, removing income-based rent settings in social housing and designing a high-needs based housing subsidy to ensure housing is affordable and tenancies can be sustained.

In the first instance, the Australian Government could negotiate with one State or Territory (through a bilateral agreement) to trial portable rental assistance, with evaluation outcomes shared to inform wider take up.

... but improved outcomes rely on more supply, and better tenancy laws and support

Housing that is affordable for people on low incomes does not need to be social housing. When housing supply is responsive to changes in price, new supply improves affordability in all parts of the housing market. As discussed in chapter 12, new supply in the higher-cost segments of the housing spectrum flows through to improve housing affordability in lower-cost segments.

The recommendations of this review for reforms to increase housing supply and make it more responsive to price can be expected to improve housing affordability for low-income renters. This includes removing barriers to supply more widely (chapters 12–14), and for governments to level the playing field and review unnecessary barriers to institutional investment (finding 9.1). It may also mean supporting the community housing sector by removing barriers to accessing loans (including from NHFIC) (box 8.2). This will increase choice for renters and reduce the pressure on the social housing system. More housing supply will also make financial support, such as portable rental assistance, more effective at improving housing affordability for low-income renters.

¹¹ Commission estimates based on unpublished Department of Social Services data. The estimate is based on public housing tenants receiving the maximum rate of CRA.

Policies that make the private rental market work better may improve tenants' experiences in private rental markets, including by making renting a more secure and safe option for low-income renters (chapter 9).

Improved data and evaluation will support further reform

The reforms being adopted in some jurisdictions in response to the shortage of social housing provide opportunities to identify improved outcomes that could be trialled more widely and scaled up if they prove successful. However, the current approach to data collection, and expenditure and performance reporting (through the statements of assurance and the Dashboard), does not facilitate comparisons between the costs of different housing assistance approaches, or the outcomes for the recipients of assistance. The next Agreement should encourage more transparency around the full costs and benefits of different housing assistance approaches, including the opportunity cost of owning social housing assets. The Commission is recommending that Australian, State and Territory Governments update the Data Improvement Plan to support data for housing and homelessness research, and policy development and evaluation (recommendation 5.8).

The next Agreement should focus on building the evidence base to allow a comparison of value for money and outcomes for tenants who receive housing assistance across the different approaches to providing housing assistance. This could include developing an outcomes framework so governments can better understand the impacts of different forms of housing assistance on tenants' wellbeing. The framework could cover work and education opportunities, health and wellbeing outcomes, and reducing interactions with the justice system. For example, the NSW Government has developed a framework that sets out the outcomes it seeks to achieve in the delivery of human services that could provide a starting point for other governments (NSW Government nd).

Well-developed performance indicators are important for monitoring progress, driving improvements in outcomes, and understanding whether strategies and programs aimed at improving housing outcomes are effective. As part of this review the Commission has recommended comprehensive public reporting on governments' performance, and a performance monitoring and reporting framework to improve transparency and hold governments to account for their performance (recommendation 5.6).

8. Subsidised affordable rentals

Key points

- * **To address poor private rental market affordability, governments provide a range of subsidies for affordable rental housing. These properties are usually managed by community housing providers (CHPs) and rented at a discounted rate to low- and middle-income households.**
- * **Subsidies for affordable rentals benefit the renters fortunate enough to be chosen for a subsidised property. However, they have a number of shortcomings.**
 - Because assistance is tied to a particular property, renters have limited choice in their housing, and cannot move without losing assistance. Subsidies cannot respond in a timely way to changes in renters' circumstances, and can have lock-in effects, similar to social housing.
 - Subsidies always carry hidden costs, even when there is no cash subsidy. For example, inclusionary zoning initiatives can deter construction by adding costs, delays or complexity to the planning process.
 - 'Affordable housing' schemes are usually poorly targeted — they are open to low- and middle-income households, and there are no mechanisms in place to ensure properties are allocated to people who need assistance most. This creates inequities — some people receive a lot of assistance; others in similar situations receive none.
- * **Going forward, governments should consider other ways to spend limited housing assistance dollars.**
 - Social housing should provide the safety net for people in most need. The Commission's recommendations to reform social housing funding will provide a more transparent and sustainable funding source for social housing, including social housing provided by CHPs.
 - Portable rental subsidies, supply-side and tenancy reforms, and expanding tenancy support services will be more effective and equitable ways to improve affordability and security in the private rental market, over time, than subsidies for affordable rental housing.

The National Housing and Homelessness Agreement (NHHA) defines affordable rental as 'sub-market, usually community housing', occupying the space on the housing spectrum between social housing and the private rental market. This chapter explores the costs and benefits of subsidies for affordable rental housing. Section 8.1 examines key features of the sector, and its place in the NHHA. Section 8.2 outlines the advantages and disadvantages of affordable rental subsidies compared to other forms of housing assistance. Section 8.3 takes a closer look at inclusionary zoning.

8.1 The subsidised affordable rental housing sector

Subsidised affordable rental properties are typically rented to low- and middle-income tenants at a discount to market rent (usually between 74.9 and 80 per cent of market rents) (NHFIC 2022c, p. 113).¹ The difference is made up by Australian, State or Territory Government subsidies, usually paid to property owners to compensate them for accepting lower rent. These properties are sometimes known as ‘affordable housing’. The Commission has avoided using this term because it can also refer to any private rental property priced at a rent that is affordable for people on low incomes (chapter 9).

Subsidised affordable rental properties are often managed by community housing providers (CHPs), and may be owned by either CHPs or private landlords. But the community housing sector is much broader than the subsidised affordable rental housing sector. CHPs manage about 108 500 social housing dwellings (or about a quarter of Australia’s social housing stock) (chapter 7; AIHW 2022c). Although there is no comprehensive data on the scale of ‘affordable housing’, it is clear that it is dwarfed by CHPs’ social housing activities. For example, the NSW Registrar of Community Housing (2019, p. 8) reported that there were 6348 affordable housing properties managed by CHPs in NSW as at 30 June 2018, compared to 27 248 social housing properties — indicating that affordable housing made up about 20 per cent of CHPs’ total stock. Similarly, the Community Housing Industry Association (2022b, p. 4) estimated that at least three-quarters of community housing dwellings were social housing.

Subsidised affordable rental properties share some similarities with social housing but differ in their target population and level of assistance (table 8.1).

Table 8.1 – Comparison of social housing and subsidised affordable rental housing

	Social housing	Subsidised affordable rental housing
Target population	Safety net for people on low incomes who cannot access housing in the private market. Tenants often have complex needs	Varies by scheme — generally low- and middle-income households
Allocation process	Access to properties is managed by waiting list. Most are allocated to priority applicants in greatest need. Eligibility and priority criteria are set by State and Territory Governments	No systematic allocation process — properties are advertised when available
Providers	Public housing authorities and community housing providers	Community housing providers and some private investors
Rent setting	Linked to tenant income — typically 25 per cent of income	Linked to market rent — tenant pays fixed proportion of market rent
Funding	Australian, State and Territory Government funding, including via the NHHA, amounting to \$6.6 billion in 2020-21	Various Australian, State and Territory government subsidies (see below); much smaller scale than social housing

Source: CHIA, sub. 74, p. 12; Hayward, Holst and Cousins (2021, pp. 60–62); NSW Registrar of Community Housing (2019, p. 7) PC (2017b, p. 173); SCRGSP (2022a).

¹ Community housing providers usually charge affordable housing rents of less than 75 per cent of market rent so that the housing supply can be classified as ‘charitable supply’, which is exempt from GST (ATO 2020a).

Subsidised affordable rental housing is mentioned several times in the NHHA.

- The stock of affordable rental housing relative to the population is a national performance indicator.
- ‘Affordable housing’, including stock transfers and incentives to increase supply, is one of the national housing priority policy areas in the Agreement.²
- Inclusionary zoning, often used to incentivise the development of subsidised affordable rental housing (section 8.3), is identified as a priority policy area under planning and zoning reform.

Subsidised affordable rental programs also feature in States’ and Territories’ bilateral agreements and housing strategies under the Agreement (box 8.1).

Box 8.1 – Affordable housing in jurisdictions’ bilateral agreements and housing strategies

Each jurisdiction has programs in place to subsidise affordable rental housing. For example:

- The **New South Wales** Government has several programs to develop affordable housing, including Communities Plus and the Social and Affordable Housing Fund.
- The **Victorian** Government has inclusionary zoning policies and measures to support community housing providers to construct affordable housing.
- The **Queensland** Government directly funds affordable housing through several programs, including the Housing Construction Jobs Program and Housing Investment Fund.
- **Western Australia’s** Housing Strategy aims to harness private and institutional investment for social and affordable housing, and reform the planning and approvals system to encourage housing diversity.
- The **South Australian** Government has several initiatives to deliver affordable housing, including a 15% inclusionary zoning requirement.
- **Tasmania’s** Affordable Housing Action Plan commits to releasing new land for affordable homes, reviewing planning policies to increase the supply of affordable homes, and subsidising affordable rentals in the private rental market.
- The **Northern Territory’s** housing strategy commits to exploring opportunities to create affordable housing supply through land use and planning processes and the development of build-to-rent models.
- The **Australian Capital Territory** has introduced the Affordable Housing Innovation Fund to test approaches to increase affordable housing.

Source: State and Territory Bilateral Agreements; ACT Government (2018); NSW Government (2016); Northern Territory Government (2019), Queensland Government (2022b); South Australian Government (2019); Tasmanian Government (2019); Victorian Government (2011); Western Australian Government (nd).

Piecemeal subsidies for affordable rentals

As noted above, there is no comprehensive data on the number of affordable rental properties. The NHHA’s national performance indicator on the stock of affordable rental housing relative to the population is not reported on, nor is it included in the Data Improvement Plan for data development (chapter 4). The lack of

² NHHA, para. 16. Stock transfers occur when the management and/or ownership of social housing properties is transferred from public housing authorities to CHPs (chapter 7). Incentives to increase supply can cover a range of forms of subsidy, as outlined below.

data partly reflects the piecemeal nature of subsidies for affordable rental housing. The Australian, State and Territory Governments provide a range of subsidies (Pawson, Milligan and Yates 2020, p. 269).³

- **Capital subsidies** lower the cost of developing affordable housing through capital or land grants.
 - For example, a government may sell land to a developer at a discount to the market value, with a requirement that some houses be sold (at a discounted price) to a CHP to be managed as affordable housing.
- **Revenue subsidies** involve ongoing payments or tax exemptions for owners of affordable rental properties.
 - For example, the National Rental Affordability Scheme (NRAS) provides regular incentive payments to investors who build new dwellings and rent them to low- and middle-income households at 80 per cent of market rents for ten years (discussed below). As at June 2022, 27 012 properties are subsidised under the scheme (DSS 2022c). The Australian Government funds three-quarters of the payments, and States and Territories fund the remainder. NRAS closed to new applications in 2014.
 - Similarly, the Tasmanian Private Rental Incentive Program provides payments to property owners who lease their properties through a community housing provider at 70–75 per cent of median regional rents (DoC (Tas) 2021), while the ACT Government exempts property owners from paying land tax if a property is rented through a CHP at no more than 75 per cent of market rent (ACT RO 2020).
- **Credit subsidies** lower financing costs for property owners, reducing the rental return required to service loans.
 - For example, the Australian Government established and provided a credit guarantee for the National Housing Finance and Investment Corporation’s affordable housing bond aggregator, which lowers the cost of debt for CHPs (box 8.2).
- **Inclusionary zoning schemes** mandate or incentivise the construction of subsidised affordable housing in new developments (section 8.3).
 - For example, a planning authority may permit a higher-density development if developers include affordable housing units.

³ Other potential sources of funding for affordable rentals include donations or cross-subsidies from CHPs’ market-rate development activities.

Box 8.2 – The National Housing Finance and Investment Corporation

The National Housing Finance and Investment Corporation (NHFIC) was established in 2018. It has five functions:

- managing the National Housing Infrastructure Facility (chapter 13)
- operating the Affordable Housing Bond Aggregator (AHBA), which offers low-cost, long-term loans to community housing providers (CHPs)
- administering the First Home Loan Deposit Scheme (chapter 10)
- researching the supply, demand and affordability of the Australian housing market
- building the financial and management capabilities of registered CHPs (ANAO 2021).

Affordable Housing Bond Aggregator

The AHBA helps registered CHPs access loans for social and affordable housing by issuing Australian Government-guaranteed bonds in capital markets and lending funds to CHPs. This allows CHPs to access lower-cost and longer-tenor loans than they would otherwise be able to obtain from commercial lenders (ANAO 2021).

Since its inception, the AHBA has approved \$2.5 billion of loans, and NHFIC estimates that it has provided over \$420 million in anticipated future savings to CHPs (NHFIC 2021d, pp. 14–17). There are currently 13 CHPs, all tier 1^a providers, accessing loans.

Between 2018 and 2020, 60 per cent of AHBA loans were for refinancing existing loans, but the 2020-21 pipeline focused more on new supply, with 63 per cent of approvals relating to construction or project finance (ANAO 2021, p. 60; NHFIC 2021d, p. 18). NHFIC reported that the AHBA loan portfolio is supporting the delivery of 4675 new and 8394 existing dwellings as at June 2021 (NHFIC 2021d, p. 17). However, an audit report found NHFIC needed to more clearly demonstrate how it has created better housing outcomes, and recommended that it better measure and assess additionality (that is, how many genuinely new dwellings the AHBA supports) (ANAO 2021, p. 56).

The Australian Government provided operating funding to NHFIC for three years to establish the AHBA and the National Housing Infrastructure Facility, and provides ongoing operating funding for its other functions (NHFIC 2021d, p. 87).

a. Tier 1 CHPs are large and sophisticated housing providers that conduct ongoing development activities (NRSCH 2022a).

Who rents subsidised affordable rental properties?

Subsidised affordable housing is usually reserved for low- and middle-income households. For example, to be eligible for NRAS (the largest affordable housing scheme currently operating) in 2022, households must not have income greater than:

- \$54 643 for a single adult
- \$75 548 for a couple
- \$75 601 for a sole parent with one child
- \$111 802 for a couple with two children (DSS 2022d).

The median income of households renting NRAS properties sits between \$40 000 and \$50 000, and 15 per cent of households have income above \$70 000 (figure 8.1).

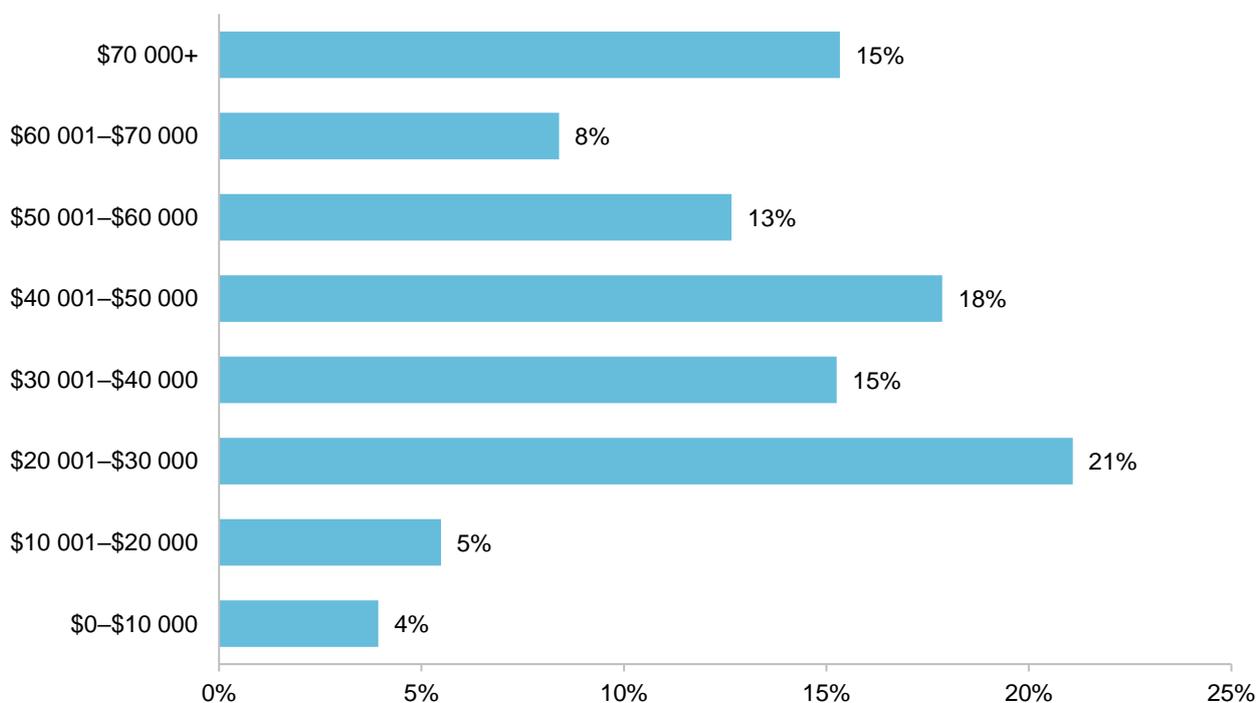
Renters of subsidised affordable properties generally have greater need than the Australian population, but less than social housing renters (chapter 7; Grattan Institute, sub. 70, pp. 13–14). For example, 51 per cent

of NRAS tenants' main source of income is government pensions or allowances, compared to 87 per cent of social housing households and 18 per cent of the Australian population (AIHW 2022d; DSS 2021b).⁴

Unlike for social housing, governments do not set community-wide criteria for eligibility or priority access for affordable rental housing — meaning that assistance is less targeted to people with multiple and complex needs. The Queensland Government reported that about 60 per cent of NRAS tenants would be eligible for social housing and classified as having a high and complex need for assistance (sub. 27, p. 13).

Eligibility for some subsidised rental properties is further limited to particular groups. For example, some properties may be designated as 'key worker' housing — available only to essential workers such as police, nurses and cleaners (Collins 2022b; Gilbert, Nasreen and Gurrán 2021).

Figure 8.1 – The median NRAS household earns between \$40 000 and \$50 000
Proportion of NRAS households by household income bracket, April 2021



Source: DSS (2021b, p. 4).

8.2 Are property-based subsidies the best way to help renters?

Many participants called for new subsidies for affordable rental housing. For example, the Victorian Government recommended:

... subsidies/incentives to improve housing outcomes for low- to moderate-income households, particularly as Commonwealth co-funding for the National Rental Affordability Scheme, under which there are 5000 properties in Victoria, is due to expire by 2025. There is a gap in the market

⁴ These statistics are indicative only, and not directly comparable. The data for NRAS tenants are as at 30 April 2021, for social housing residents as at 2020-21 and for the Australian population as at June 2021.

for incentives to grow supply and help to bring the National Housing Finance and Investment Corporation (NHFIC) bond aggregator to scale. (sub. 97, p. 15)

The Community Housing Industry Association argued for a specific target for affordable rental housing.

The NHHA should be aiming for 8-9% of Australia's total housing stock to be social housing and for 3% to be affordable rental housing ... The central role of the next NHHA must be to drive increased net social and affordable rental housing supply. We see this as including supply-side measures to increase social and affordable rental housing supply. (sub. 74, p. 5)

These views reflect wider concerns about private rental market unaffordability and NRAS incentives expiring, and proposals for tax credits or other subsidies for affordable rental housing (Convery 2022; Pollard 2021; The Constellation Project 2021).

The Commission has assessed subsidies for affordable rental housing against its suggested principles for delivering housing assistance, which cover sufficiency, fairness and effectiveness (chapter 5). These subsidies generally do not align well with the principles.

Property-based subsidies are inflexible ...

Housing assistance should respond in a timely way to changes in people's circumstances (chapter 5). But with subsidies tied to properties (such as subsidised affordable rentals), there is no guarantee that a property will be available when a household needs assistance — and if there is, they must move house to access that assistance, which can be costly and disruptive (chapter 9). At the same time, if a household's income increases and they are no longer eligible for assistance, they will be forced to move — a possible deterrent to seeking out additional employment opportunities, similar to the potential lock-in effects in social housing (chapter 7).

Housing assistance should also allow renters to choose the home that works best for them — weighing up location, size, dwelling quality, cost and other factors (Kelly 2011, pp. 9–17). But to receive assistance from a subsidised affordable rental scheme, renters must choose from a limited number of properties, which might not meet their needs. Developers have little incentive to respond to tenant preferences during construction, and typically construct properties to maximise the value of the subsidy relative to cost (Coates and Horder-Geraghty 2019; Ellickson 2010, p. 998; Lang 2015).

Renters' preferences for a home change over time as they progress through different stages of life and encounter new opportunities (PC 2014a; Spallek, Haynes and Jones 2014). But property-based subsidies lock renters into a home that might not meet their needs — they cannot move without losing the assistance. In the United States, over half of tenants who transition from property-based assistance to portable rental assistance move, usually to lower-poverty neighbourhoods, suggesting that property-based assistance does not allow them to choose the home that best suits their circumstances (Reina and Winter 2019, p. 2094). This means that subsidised affordable rentals can create distortions and inefficiencies in the housing market.

... and there are no mechanisms in place to ensure they help the people most in need

Subsidies for 'affordable housing' are also often unfair. Australian schemes have usually been poorly targeted to people in most need of assistance (box 8.3). Though eligibility criteria could be tightened, the demand for discounted properties will always be greater than the number available (chapter 7). Subsidised properties must therefore be rationed, often in an unsystematic way across organisations and jurisdictions. While some affordable rental housing may be occupied by people with multiple and complex needs, or who

are at risk of homelessness, the allocation process is ad hoc. Unlike social housing, priorities for new allocations are not managed centrally by governments and transparent to the community (chapter 7).

This can create disparities between people in similar circumstances — some ‘win the lottery’ and receive a rental subsidy in a secure home, while others receive nothing (Keene et al. 2021). AHURI commented that:

The level of subsidy at a household level is significantly greater through affordable housing programs than through CRA. However, there is more demand than supply of affordable housing. Narrowing eligibility and long waiting list times limit the benefit of supply side solutions for many clients, even when eligible in priority categories. (sub. 52, p. 22)

NRAS (box 8.3) and key worker housing (box 8.4) illustrate many of the issues with property-based subsidies.

Box 8.3 – The National Rental Affordability Scheme was not an effective way to deliver housing assistance

Established in 2008, the National Rental Affordability Scheme (NRAS) provides incentive payments for owners of newly-built houses rented (via a community housing provider) to eligible tenants at no more than 80 per cent of market rent for up to 10 years. The Australian Government funds three-quarters of the incentive, with State or Territory Governments funding the remainder. As at June 2022, there were 27 012 subsidised properties.

The scheme was closed to new applications in 2014. Over its life, NRAS will subsidise about 38 000 properties, at a total cost of approximately \$3.5 billion (in 2015 dollars).

Renters are eligible for the scheme if their household income is below a limit set by the Department of Social Services. Once in a subsidised dwelling, they can remain so long as their household income does not exceed the limit by 25 per cent or more in two consecutive years. In Queensland, tenants are also required to register with the Queensland Government’s One Social Housing Register.

NRAS improved housing outcomes for some renters. For tenants ‘fortunate enough to obtain an NRAS tenancy it has the effect of allowing access to a higher quality location and/or reduced housing costs’ (Rowley et al. 2016, p. 57). Many participants in this study called for the scheme to be continued or replicated (for example, Northern Territory Government, sub. 104, p. 5; Queensland Government, sub. 27, p. 3; Shelter WA, sub. 98, p. 17).

But NRAS is not an effective way to deliver housing assistance. It illustrates many of the issues with subsidies tied to properties.

- The subsidy is too high. For example, in 2016, a 20 per cent discount on the median rent reduced rental income by about \$4000, while the value of the subsidy was \$11 084, meaning there was a windfall of over \$7000 to developers or owners. By one estimate, the scheme will provide at least \$1 billion in windfall gains to developers (Coates and Horder-Geraghty 2019). And the amount of the subsidy does not vary with the size or location of the dwelling, incentivising developers to cheaply build small one-bedroom apartments.
- NRAS is poorly targeted. In 2022, the income limit was \$54 643 for a single adult, and up to \$111 802 for a couple with two children. Fifteen per cent of dwellings were allocated to households with income over \$70 000 as of April 2021 (figure 8.1).
- There is no evidence that NRAS stimulated new supply of rental properties — that is, adding new properties to the market rather than just subsidising properties that would have been built anyway. Contrary to its original intent, institutional investors did not invest in the scheme — most investors

Box 8.3 – The National Rental Affordability Scheme was not an effective way to deliver housing assistance

were community housing providers. And an audit of the scheme found ‘no processes have been put in place to monitor or evaluate whether the scheme has encouraged large scale investment in affordable housing, the innovative design of affordable housing and/or whether the NRAS has had any flow on effect in the housing market’ (ANAO 2015a, p. 12).

Source: ABS (2022j); AHURI (2020); ANAO (2015a, 2016); Coates and Horder-Geraghty (2019); DSS (2022c, 2022e, 2022d, nd).

Box 8.4 – Key worker housing illustrates many of the issues with subsidised affordable rentals

The COVID-19 pandemic brought the importance of frontline workers’ roles to the fore, leading to calls for housing support for key workers (Bryce and Jankowski 2020; Everybody’s Home 2021). The Australian Government has announced that the Housing Australia Future Fund (chapter 5) will subsidise 10 000 affordable homes for frontline workers like police, nurses and cleaners over five years (Collins 2022b). Several State, Territory and local Governments also support key worker housing (Gilbert, Nasreen and Gurrán 2021, pp. 26–28). For example, the NSW Government has allocated \$174 million for housing for teachers and police officers in regional areas (NSW DPIE 2022).

But key worker housing is not a fair or effective use of housing assistance funds. Key worker housing creates inequities between people doing similar jobs. The definition of ‘key workers’ is arbitrary (Gilbert, Nasreen and Gurrán 2021, p. 20), so schemes will always exclude some equally essential workers — unless the definition is so wide that it captures a large share of workers.^a And it can create disparities within workplaces — unless every employee receives a subsidised home, some will receive higher effective compensation for the same job.

If governments decide that *all* key workers should receive a pay rise, the housing assistance system is not the right way to deliver it. When key workers are public employees, subsidising housing just shifts costs between government agencies — a housing agency partly paying the salaries of public hospital employees, for example. When workers are private employees, key worker housing could be seen as a form of industry assistance — preferential treatment that has the potential to distort resource allocation (PC 2022b, p. 23) and create opportunities for rent seeking.

Key worker housing is not well-targeted to people most in need, because many key workers earn moderate incomes. The benefits from assisting people who are experiencing, or at risk of, homelessness are likely to be greater. For example, Torres Shire Council (sub. 20, p. 4) pointed to the challenges of having housing allocated to government employees but not available to local, predominantly Aboriginal and Torres Strait Islander, people.

Key worker housing also has all the typical downsides of property-based assistance, including discouraging people from moving when it suits them. This can be particularly damaging when housing assistance is tied to employment, because it might deter workers from switching jobs even if another job is a better fit. Losing access to key worker housing could also heighten the financial impact of job loss or retirement.

In short, key worker housing is not a good use of housing assistance funds. There are better ways for governments to spend housing assistance dollars. As part of bringing the Housing Australia Future Fund

Box 8.4 – Key worker housing illustrates many of the issues with subsidised affordable rentals

and subsidies for affordable housing within the scope of the next Agreement (recommendation 5.3), governments should reconsider the allocation of this funding.

a. In different reports, the term ‘key workers’ has included teachers, nurses, police, fire and emergency personnel, child care workers, aged care workers, ICT support professionals, hospitality workers and retail workers (Gilbert, Nasreen and Gurran 2021, p. 20).

Counting the full costs of affordable rental subsidies

Subsidised affordable rental housing always involves government support of some form.⁵ As Bridge Housing said:

The reality is that even with access to incentives and innovative financing mechanisms there is a gap between the cost to deliver and manage social and affordable housing and the income generated through rent. (sub. 50, p. 4)

These costs are incurred by taxpayers even when there is no cash subsidy. For example, governments sometimes provide land to CHPs for affordable rental housing developments (Randolph et al. 2018, pp. 18–19). This contribution can have a high opportunity cost — governments could have used the proceeds from the sale of the land to fund other government services, pay down debt or reduce taxes.

Similarly, land and other resources that fund affordable rental housing are not available for other housing assistance programs, including social housing (chapter 7) and Commonwealth Rent Assistance (chapter 9). AHURI pointed to the risk of subsidised affordable rentals crowding out better-targeted social housing:

... as social housing providers increasingly expand their remit to include affordable housing, within existing constrained resourcing, there is potential risk associated with resources being directed away from housing the most vulnerable. (sub. 52, p. 22)

Some participants argued that supply-side subsidies could boost the supply of low-cost rental housing, alleviating rental affordability pressures (AHURI, sub. 52, p. 23; CFRC, sub. 87, pp. 13–14; SA Housing Authority, sub. 58, p. 32). But subsidised construction often partly replaces private construction of market-rate housing because, in the short term, subsidised developments compete for the same finite pool of land, finance, construction materials and workers as private developments (box 8.5). Newly-built market-rate housing is often relatively low cost, and, even if not, can indirectly benefit low-income renters by adding to overall supply (chapter 12). So a full accounting of the costs of new ‘affordable housing’ must consider both the value of the subsidies provided by governments and the impact of the displaced construction on affordability elsewhere in the market.

In addition, supply-side subsidies often have high administrative costs due to complex financing and governance arrangements, increasing the effective cost per rental subsidy (Kneebone and Reid 2021; Scally, Gold and DuBois 2018, p. 13). For example, in Australia, most subsidised affordable rental housing is delivered by CHPs, rather than private investors (section 8.1). This could add to costs, because CHPs’ small-scale developments and (in some cases) lack of organisational capacity in finance and development may mean that they do not have economies of scale (Randolph et al. 2018, p. 67).

⁵ Except in the small number of cases where subsidies are funded through philanthropy, although even this spending incurs opportunity costs (the lost benefits of a program the philanthropic funds could otherwise have been spent on).

The hidden costs and complex deals that can underpin affordable housing also make the subsidy being provided by governments less transparent. A full assessment of subsidised affordable rental housing must account for these hidden costs, as well as the efficiency and fairness issues discussed above.

Box 8.5 – Subsidised affordable housing construction crowds out market-rate construction

Subsidised developments compete for the same finite pool of land, finance, construction materials and workers as private developments. The increased demand for these resources can increase construction prices and absorb construction industry capacity, meaning that there may be little net increase in the supply of rental housing. This is especially the case if construction is booming and there are barriers to entry in the sector.

International evidence suggests that subsidised affordable housing crowds out market-rate construction to different degrees depending on the circumstances.

- In the United States, it has been estimated that every 100 subsidised affordable rental dwellings built crowds out 20 to 100 private dwellings units (Baum-Snow and Marion 2009; Eriksen and Rosenthal 2010; Freedman and McGavock 2015; Malpezzi and Vandell 2002; Murray 1999; Sinai and Waldfoegel 2005).
- A French study found that the removal of an affordable housing tax credit had no effect on the total number of new dwellings built (suggesting that private construction completely replaced subsidised construction) (Chapelle, Vignolles and Wolf 2018).
- In Norway, it was estimated that every 100 public houses built crowds out about 40 private dwellings (Nordvik 2006).

What role for ‘affordable housing’ in the housing assistance landscape?

Participants argued that ‘affordable housing’ serves several functions in the housing assistance system:

- forming part of the safety net for people in most need, including by cross-subsidising CHPs’ social housing portfolio (box 8.6)
- providing a transition path out of social housing for some tenants (AHURI, sub. 52, p. 22; Wiesel et al. 2014, p. 52)
- helping to address private rental affordability and security issues (CHIA, sub. 74, p. 11; Northern Territory Government, sub. 104, p. 5; Queensland Government, sub. 27, p. 13; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, p. 15; Shelter WA, sub. 98, pp. 6–7)
- assisting low-income renters who are not eligible for other forms of housing assistance (including key workers) (ACT Shelter and ACTCOSS, sub. 65, p. 2; Housing Older Women Movement, sub. 101, p. 12; Western Australian Government, sub. 99, p. 7).

The Commission’s recommendations across social housing (chapter 7), the private rental market (chapter 9) and the supply side of the housing market (chapters 12–14), together, achieve the same aims — without the drawbacks of property-based subsidies.

- Social housing should provide the safety net for people with long-term or complex needs who cannot rent in the private market. Social housing is better targeted than affordable housing to people who need it

most. Governments allocate social housing properties according to community-wide priorities, which is more transparent than the unsystematic processes for allocating affordable housing across CHPs or other 'affordable housing' owners. And subsidies for social housing should cover the full cost of providing that housing — obviating the need for cross-subsidisation (box 8.6).

- Under the Commission's recommended tenure-neutral assistance model (recommendation 7.1), the gulf between social housing and the private rental market would be much smaller. Renters would pay market rents and receive tailored, portable housing assistance that they could use across the public housing, community housing and private rental sectors.
- The Commission's recommendations to address private rental affordability, security and accessibility across the whole market would have much greater impact than subsidies for affordable rental housing. These recommendations include:
 - reviewing Commonwealth Rent Assistance (CRA) with the aim of improving its sufficiency, fairness and effectiveness — including considering expanding eligibility to low-income private renters not receiving income support (recommendation 9.2)
 - expanding tenancy reform and support services (finding 9.3)
 - increasing housing supply, density and diversity (recommendations 13.1–13.4).

The Commission does not envisage subsidies for affordable rental housing playing a significant role in this new landscape. As part of bringing all forms of direct housing assistance into the scope of the next Agreement (recommendation 5.3), governments should consider alternative uses for these housing assistance dollars. For example, in most situations, portable rental subsidies are more aligned with the Commission's suggested principles for housing assistance than property-based subsidies (chapters 5, 7 and 9).

The Commission's recommendations amount to a subtle shift in the role of CHPs (and public housing authorities) from providers of housing to providers of housing services. There would be fewer land and capital grants or direct payments to CHPs to build subsidised affordable or social housing. But CHPs' rent revenue would increase, since tenants would have greater capacity to pay (through CRA and the needs-based housing subsidy (recommendation 7.1)). This would allow CHPs to maintain or grow their housing portfolio, and continue to provide housing services — so long as these offerings met renters' needs.

Box 8.6 – Cross-subsidies for social housing?

Some participants argued that subsidised affordable rental housing is an important part of CHPs' business models. For example, AHURI (sub. 52, p. 22) submitted that '[t]he pattern of social housing providers broadening their portfolio to supply affordable housing improves [their] financial sustainability.'

Similarly, Randolph et al. argued:

Having different rent levels across a continuum of housing outcomes does provide an opportunity to deliver a benefit to the longer term viability of projects and organisations. Including affordable rentals that do not place households in rental stress, therefore, offers the possibility to offset more highly subsidised social housing outcomes. (2018, p. 53)

However, studies of CHPs' business models have reported few cross-subsidies in practice. Lawson et al. (2018, pp. 36, 42) found that cross-subsidies have 'produced very few social rental units' and that relying on cross-subsidies is an 'unsustainable and risky' strategy for CHPs.

Box 8.6 – Cross-subsidies for social housing?

Even cross-subsidies from the sale or rent of market-rate dwellings are not likely to be an important funding source for CHPs. For example, Pawson et al. (2019, p. 100) modelled an ‘ambitious’ scenario of a mixed-tenure development with market and affordable rentals and found that it ‘still falls well short of the target return’. Similarly, Benedict (2020, p. 21) concluded that ‘under the current Australian system there is little if any scope to fund any significant affordable housing from cross-subsidy’.

Ultimately, cross-subsidies, ground lease models (box 7.8), subordinate debt (box 7.12), and other complex arrangements are a symptom of the problems with social housing, not the solution. If the community sees value in social housing provided by CHPs, it should fully and transparently fund that housing. Subsidised affordable housing itself always requires government support to cover the gap between discounted rent and market rent, so the ‘cross-subsidy’ is just a transfer from one housing program to another (or from one level of government to another).

The Commission’s recommendation to move towards portable rental assistance is likely to improve the financial viability of CHPs — obviating the need for complex and opaque funding arrangements.



Recommendation 8.1

Governments should consider alternatives to subsidies for affordable rental properties

Subsidies for affordable rental housing are inflexible, inefficient and often unfair. Going forward, governments should consider other uses for funds that better align with the Commission’s suggested principles for housing assistance (recommendation 5.1).

8.3 A closer look at inclusionary zoning

Inclusionary zoning involves a State, Territory or local government requiring or incentivising developers to set aside some dwellings in a new development as ‘affordable housing’.⁶ In this context, ‘affordable housing’ can include:

- **subsidised affordable rental properties**, as defined in section 8.1. These properties may be sold at a discounted price to a CHP, or to a private investor with a covenant on the property title to maintain the rent below the market rate for a specified period
- **properties for sale below market price** for eligible low- and middle-income buyers selected through a government scheme
- **low-cost market-rate housing** — for example, properties that are built on smaller lots or less desirable locations within a development.

Inclusionary zoning can be voluntary or mandatory. Voluntary inclusionary zoning includes:

- density bonuses and other additional development rights — additional development potential (beyond the level normally permitted under the zoning regime) offered in return for an affordable housing contribution

⁶ Some advocates also called for inclusionary zoning to be used to mandate the construction of social housing (GCYS, sub. 71, p. 10; Shelter WA, sub. 98, p. 18; The Salvation Army, sub. 42, p. 34).

- planning concessions — variations to planning rules for affordable housing developments
- discounts on application fees or infrastructure charges granted by local governments for developments that include affordable housing
- negotiated agreements — subsidised affordable housing contributions negotiated on a case-by-case basis (Gurran et al. 2018a, p. 6).

Mandatory inclusionary zoning regulations require all eligible developments within a designated zone to include affordable (or social) housing. For example, zoning rules may require that 15 per cent of dwellings in all developments above a particular size be affordable rental housing.

Inclusionary zoning in Australia is small in scale, and there is no common definition or approach across jurisdictions (box 8.7).

Box 8.7 – Examples of inclusionary zoning in Australia

Most jurisdictions' planning schemes provide for some form of inclusionary zoning.^a

- In **New South Wales**, the State Environmental Planning Policy (Housing) 2021 provides a state-wide density bonus for infill, residential development types that dedicate at least 20 per cent of gross floor area for affordable rental housing for at least 15 years.
- In **Victoria**, the Planning Provisions streamline the planning process for social and affordable housing by providing an exemption from notice and review, and providing design criteria against which proposals are assessed. Other incentives include additional development rights (such as density bonuses and floor area uplift) which enable developers to propose developments in excess of a mandatory limit (density or height) in exchange for affordable housing.
- In **Queensland**, the Brisbane City Council offers additional development rights for developments that include affordable housing. For example, in Rochedale, the City Plan allows an additional two storeys, five metres of building height and 30 per cent gross floor area where at least 10 per cent of the development's dwellings are affordable housing.
- In **Western Australia**, plot ratio or building height bonuses are offered in exchange for affordable housing, with a requirement that a development demonstrates partnership agreements with an approved housing provider or a recognised not-for-profit organisation.
- **South Australia** has the only state-wide mandatory inclusionary zoning rule. Fifteen per cent of dwellings must be affordable housing for developments that meet certain criteria, such as having at least 20 dwellings. The rules provide concessions for affordable housing, including smaller lot sizes, fewer carparks and 30 per cent extra height, with the aim of increasing densities and producing lower-priced housing stock.
- In **Tasmania**, there is a complying development pathway^b for small (ancillary) dwellings up to 60 square metres. Some standards for carparking and private open space are relaxed for supported accommodation in proximity to public transport.
- The **Northern Territory** does not incorporate inclusionary zoning within the planning system, but many of the principles are applied through affordable housing initiatives. For example, the tender process for development of Crown land sets price objectives for new housing developments and developers offer a range of lot sizes at varying price points.
- The **Australian Capital Territory** does not have inclusionary zoning but sets annual targets for affordable dwellings for purchase through the Affordable Home Purchase Scheme.

Box 8.7 – Examples of inclusionary zoning in Australia

Though there is limited data available, research suggests that the scale of inclusionary zoning is very small. One analysis found that only 2500 affordable dwellings had been produced through the NSW Government's inclusionary zoning regime between 2009-10 and 2020-21, equivalent to 0.01 per cent of total dwellings approved in multi-unit residential developments (Gilbert, Liu and Gurran 2021). And a survey of key inclusionary zoning initiatives across Australia estimated that fewer than 10 000 affordable dwellings had been delivered between 1980 and 2017 (excluding dwellings built under the NSW Government's inclusionary zoning regime) (Gurran et al. 2018a, pp. 29–30).

a. However, only South Australia reported having inclusionary zoning in their jurisdiction in response to the Commission's information request. **b.** Complying development does not require a full development application or approval.

Source: ACT Government, pers. comm., 7 July 2022; ACT Government (2021c); NSW State Environmental Planning Policy (Housing) 2021 (version 1 July 2022); Northern Territory Government, pers. comm., 10 May 2022; Queensland Government, pers. comm., 3 June 2022; SA Government, pers. comm., 7 July 2022; Tasmanian Government, pers. comm., 23 June 2022; Victorian Government, pers. comm., 8 April 2022; Western Australian Government, pers. comm., 9 May 2022.

Inclusionary zoning is not a good way to improve rental affordability

Participants argued that inclusionary zoning should be used to a greater extent (box 8.8), echoing recommendations from other inquiries and reviews (HRSCSPLA 2021b; LCLSIC 2021). And some participants suggested that the NHHA could play a key role in facilitating the development of a national framework and coordinated approach to inclusionary zoning (CHIA, sub. 74, p. 14; Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, p. 5).

However, inclusionary zoning is not a good solution to rental affordability issues, for three key reasons.

- Mandatory inclusionary zoning can add extra costs to developments, potentially worsening overall affordability.
- Voluntary inclusionary zoning can add complexity and inconsistency to the planning system.
- Subsidised affordable housing is not as fair or effective as other forms of housing assistance.

The Commission's recommendations to increase the supply of new dwellings (chapter 13) and review CRA (chapter 9) will tackle rental unaffordability in a fairer and more effective way.

Box 8.8 – Many participants supported inclusionary zoning

The Salvation Army said inclusionary zoning should be used to develop social and affordable housing.

Introduce mandatory inclusionary zoning, which would see developers compelled to include social and/or affordable housing in their projects. This should include a transparency and accountability framework that defines how social and affordable housing will be apportioned in new developments. There are currently few mechanisms in place to engage with developers to ensure a portion of their development is affordable. (sub. 42, p. 34)

The Housing for the Aged Action Group identified a role for the NHHA in inclusionary zoning.

Box 8.8 – Many participants supported inclusionary zoning

Mandatory Inclusionary Zoning has proven to be an effective tool in increasing affordable housing. Although a lever of state and territory governments, this is a policy area that would benefit from national leadership in establishing consistent targets and facilitating regulatory coherence.

Planning system tools for affordable housing supply work best when part of a wider whole-of-government strategy to address the continuum of housing needs. The Federal Government should work with State and Territory governments to significantly expand the current inclusionary zoning policies to meet the emerging housing demand through the next iteration of National Housing and Homelessness Agreement (NHHA) between the Federal government and States and Territories. (sub. 90, pp. 22–23)

The City Futures Research Centre proposed a range of intergovernmental initiatives.

... while IZ is tentatively floated among the NHHA's 'housing policy priority areas', there has been little recent progress towards its wider adoption by state governments ... If the Commonwealth Government was enthusiastic about this, it could incorporate a financial incentive into the Agreement to encourage take-up of IZ. It could, for example, commit to co-funding policy design work, perhaps based on a common base model. More ambitiously, there could be a commitment to match-fund the value of affordable housing development contributions generated in the first (say) three years of a new scheme to help embed the mechanism into development control processes. (sub. 87, pp. 21–22)

Mandatory inclusionary zoning is not costless, or easy

Mandatory inclusionary zoning is not costless, even though there is no cash subsidy from governments. When a developer has purchased land before mandatory inclusionary zoning is announced, it must cross-subsidise the 'affordable housing' with proceeds from other dwellings, or the development may become unviable. In this case, the affordable housing requirement could increase prices and lower the overall supply of new dwellings, worsening overall affordability (Hamilton 2021; Mukhija et al. 2015, p. 230; Rowley et al. 2022, p. 57; Schuetz, Meltzer and Been 2011, p. 301). Several development industry stakeholders pointed to these risks (HIA, sub. 66, p. 14; UDIA National, sub. 35, p. 41).

Inclusionary zoning advocates claim that these effects can be avoided if developers have sufficient warning of inclusionary zoning requirements, so that they can factor the cost into the price they are willing to pay for land (CHIA, sub. 74, p. 15). If the original landholder has received windfall gains from rezoning or infrastructure development, this may be an economically efficient outcome. In this case, inclusionary zoning can be considered a form of value capture (CFRC, sub. 87, p. 21).

But windfall gains are the white whale of public finance — attractive in theory, yet difficult to actually capture (Terrill 2017). Expectations of rezoning can be built into land prices long before the process formally occurs, meaning that it can be hard to identify who benefited. If governments get these judgments wrong, they could hamper the development of new housing supply — which would negatively affect affordability across the market (chapter 12).

Voluntary inclusionary zoning makes the planning system more complex and less consistent

Voluntary inclusionary zoning agreements are often negotiated on a case-by-case basis between developers and local governments. This adds time, complexity and uncertainty to the development approval process, ultimately imposing extra risks and costs (such as holding costs, discussed in chapter 13) on developers (Davison et al. 2012, p. 80). Negotiating agreements is also costly for local governments (Raynor, Palm and Warren-Myers 2021, p. 7).

Differences between jurisdictions' planning rules, including inclusionary zoning, can also add costs to the development process. This can run counter to the broader goal of increasing the supply of new dwellings. As Davison et al. explained:

Profit and NFP [not-for-profit] developers alike ... stated that planning efficiency is more likely to increase affordable housing outputs than density and planning incentives. An expedient planning process provides certainty, and the A-SEPP [NSW's previous inclusionary zoning policy] currently works against that. (2012, p. 81)

Because of the challenges of a piecemeal approach, some participants called for a consistent national framework for inclusionary zoning. Western Homelessness Network said:

Local Councils that have trialled inclusionary zoning policies in Victoria have found these trials to be challenging in the absence of a statewide mandate and consistent expectation amongst housing developers. This mandate could be embedded in a new national agreement. (sub. 41, p. 38)

And Mission Australia argued:

MIZ has not been consistently and coherently applied at a large scale in Australia. The key challenges to implementation of MIZ at scale stem from a lack of consistent vision and alignment. This leads to inconsistent application across multiple contexts, which in turn reduces the ability to create efficiencies. An appropriate time frame is also required to signal changes to the market so that key players, including developers and CHPs, can adapt.

A National Framework for the application of MIZ would bring a level of consistency and clarity to its application not previously seen in Australia. It is important to note that a National Framework does not mean identical implementation in all locations. The Australian planning system is intricate and nuanced across multiple jurisdictions. A National Framework needs to be flexible for regulatory, project and market context. (sub. 88, p. 22)

The least-harm implementation of inclusionary zoning would be to have a clear, consistent framework for planning concessions such as greater density in return for low-cost housing, sold at market rates. But this is still second-best policy. If a development can meet amenity and other planning goals with the concessions, it may indicate that the local planning rules can safely be changed for *all* developments in that area with little impact. Planning and zoning reform that relaxes planning restrictions on lot sizes, maximum heights and so on more broadly would bring about a much greater supply of affordable rental housing in the market than inclusionary zoning measures (chapter 13).

Across-the-board planning and zoning reform is also more transparent. The magnitude of costs and benefits of inclusionary zoning can be difficult to quantify and highly contingent (Warren-Myers et al. 2019). This makes it challenging for local governments to negotiate incentives that offer the same value as the affordable housing contributions — especially since local government staff tend to have less knowledge about development feasibility than developers (Raynor, Palm and Warren-Myers 2021, p. 9). One survey of housing stakeholders in Victoria concluded that 'most respondents referred to deep uncertainty and inconsistency in how incentive

amounts were being devised' (Raynor, Palm and Warren-Myers 2021, p. 8). This opacity makes it hard to ensure the community is getting a fair deal, and creates opportunities for rent seeking.

Inclusionary zoning ties assistance to properties

By design, inclusionary zoning ties housing assistance to properties. As discussed above, this approach does not align with the Commission's principles for housing assistance.

This is particularly the case with 'affordable housing' for purchase. Successful households still need to have saved a deposit and have the financial capacity to service a mortgage — putting these schemes out of reach for people most in need. As with first home buyer assistance, the benefits from assisting people who are experiencing, or at risk of, homelessness are likely to be greater than the benefits from supporting people to buy a home (finding 10.2).

The way these schemes are administered can compound the unfairness. In some build-to-sell affordable housing schemes, there may be no measures in place to ensure the housing is sold to low- and middle-income households, initially or over time (National Shelter 2019, pp. 5, 15). And when there are more eligible applicants than homes available, the properties may be allocated by lottery — meaning some households receive nothing, while others receive a large subsidy.⁷

The Housing Industry Association summed up the challenges of managing inclusionary zoning.

To date in Australia there has been limited use of the inclusionary zoning tool. Early experiences in metropolitan Sydney were fraught with levies collected outside a functioning framework for oversight of the homes to be delivered, the occupants eligible for the homes and the future ownership of the homes. (sub. 66, p. 14)

Social inclusion benefits of inclusionary zoning?

Inclusionary zoning measures may not have the sole goal of improving affordability. Schemes that require affordable housing units to be included in market-rate residential developments ('mixed-income development') may increase social inclusion and reduce the concentration of disadvantage, aligning with the NHHA's objective of supporting social and economic participation.

Australian and international research suggests that location and peers can have large effects on educational achievement, lifetime income, health and other outcomes, especially for children (Chetty and Hendren 2018; Chetty, Hendren and Katz 2016; Deutscher 2020). Mixed-income developments could promote better outcomes by increasing social and economic opportunities for disadvantaged families, reducing stigma associated with social or subsidised affordable housing sites, and improving community services and amenities through pressure from wealthier households (Watson and Johnson 2018). This could benefit governments as well as individuals through, for example, lower income support, health and justice system expenditure (Spiller and Anderson-Oliver 2015).

However, realising these benefits in practice is difficult (Mukhija et al. 2015; Watson and Johnson 2018). The effects of inclusionary zoning differ based on local factors, including how well the subsidised properties are integrated into the broader development. For example, a study of a mixed-income development in Melbourne found little interaction between social housing tenants and private occupants, in part because they used different entrances and car parks, and there were few communal spaces (Arthurson, Levin and Ziersch 2015).

⁷ For example, the ACT Government had 2000 eligible low-to-middle income applicants for the 241 affordable dwellings available through its Affordable Home Purchase Scheme in 2020-21 (ACT Government 2021c, p. 21). It allocated the dwellings by lottery.

The authors noted that ‘most of the public tenants interviewed were not interested in or concerned about whether social mix existed at Carlton estate’ (p. 10).

Planning reforms that encourage greater diversity in the types and costs of housing within suburbs or towns (chapter 13) can also increase inclusion and reduce the concentration of disadvantage, without the costs of inclusionary zoning.

Inclusionary zoning and the NHHA

Inclusionary zoning is included with planning and zoning reforms as a national housing priority policy area in the NHHA. Despite this, it does not appear the NHHA has driven additional uptake of inclusionary zoning, as with planning and zoning reform more broadly (chapter 13). There is no generally accepted definition of inclusionary zoning or ‘affordable’ housing across jurisdictions, no performance indicators in the NHHA and very little public reporting by jurisdictions.

Inclusionary zoning is unlikely to significantly improve affordability, and should not be included in the next Agreement (recommendation 13.4). Governments should focus on addressing the barriers to housing supply (chapters 12–14) and providing assistance directly to renters (chapter 9), rather than fiddling at the margins with inclusionary zoning.

9. The private rental market

Key points

- ✳ **About a quarter of Australians rent in the private market. High rent burdens, low vacancy rates and security and accessibility issues in the private rental market increase demand for the services and assistance funded under the National Housing and Homelessness Agreement (NHHA).**
 - Many low-income private renters face high rent burdens. The median low-income renter household spent 36 per cent of its income on rent in 2019-20. And about 20 per cent of low-income renters spent over half of their income on rent.
 - The rental market has tightened since the COVID-19 pandemic. Low-income renters bear the brunt of low vacancy rates and increasing rents.
- ✳ **Commonwealth Rent Assistance (CRA) provides an income supplement for about 1.35 million renting households receiving an income support payment.**
 - CRA is designed on sound principles, but under current policy settings it is not sufficient or fair. Some recipients experience very high rent burdens (and have little income left after paying rent) while others are relatively well off, and in little danger of rental stress. Better targeting is possible.
 - The Australian Government should comprehensively review CRA, with a view to improving its sufficiency and fairness. The Commission examined some options the review should consider, including ways to maintain the value of CRA over time and changes to maximum rent thresholds.
 - At \$5.3 billion a year, CRA is the single largest housing assistance program. It should be brought within scope of the next Agreement, with reform informed by the Australian Government's review of CRA and the agreed principles for housing assistance (chapter 5).
- ✳ **Reforms that increase the supply of housing will put downward pressure on rents and give renters more bargaining power to enforce their rights under tenancy law.**
 - Greater institutional investment could diversify the supply of rental properties, but could also bring risks. Governments should remove unjustified barriers to investment, but not subsidise these developments.
- ✳ **Some renters face non-financial barriers to accessing safe and sustainable rental properties.**
 - Several States and Territories are considering, or have implemented, changes to tenancy laws aiming to improve the safety and security of the private rental market. Many of these changes have merit, but there is little evidence to weigh up their benefits with potential costs (such as pushing up rents).
 - Tenancy support services that help renters find and sustain private rental tenancies have shown promising results and could be expanded further. But the limited evidence base is a barrier to scaling up.
 - Governance and research arrangements under the next Agreement could help to build, and share, the evidence base for both initiatives.

About a quarter of Australians live in the private rental market, making it a key component of the housing spectrum. The way this market functions is crucial to overall housing affordability, safety and sustainability.

The private rental market includes rental properties owned by individuals and companies, but excludes social housing, which is managed by government agencies or community housing providers. Informal or marginal rentals, including boarding houses or lodgings, short-term rentals (such as holiday lettings), caravan or mobile home sites and student accommodation, are also part of the private rental market.

This chapter outlines the scope of the private rental market and its importance for the NHHA (section 9.1). It assesses the affordability of the private rental market (section 9.2), before looking at ways to improve affordability for renters through supply-side measures (section 9.3) and income support (section 9.4). The chapter also examines tenancy laws and tenancy support services (section 9.5).

9.1 About the private rental market

More Australians are renting, for more of their lives, than in the past (figure 9.1). In 2021, 24 per cent of Australian households rented in the private market, compared with 21 per cent in 2001 (ABS 2002, 2022d).

The private rental market is increasingly a long-term tenure type (figure 9.1, panel b). Fifty-six per cent of people renting privately in 2015 were still renting five years later — compared with 46 per cent of private renters in 2001. And about 39 per cent of those renting privately in 2010 were still renting ten years later.

Renters tend to be younger and have lower incomes than the Australian population (PC 2019b, p. 27). They are more likely to be single parents, unemployed, born overseas or to identify as an Aboriginal or Torres Strait Islander person. But the renter population is diverse. The proportions of older people and middle- and high-income households who rent have all increased in the past 20 years (PC 2019b, p. 28).¹

Some choose to rent because of the flexibility it provides (Rowley and James 2018, p. 14). Renters can move easily for work or other opportunities, or as their housing requirements change. About 14 per cent of private renter households own residential property, suggesting that renting may be a choice.² But surveys suggest that the majority of renters aspire to home ownership and remain in the rental market because they are unable to afford the deposit for a home (chapter 10).

Most rental properties are owned by individual investors, often called ‘mum and dad’ investors — at least 80 per cent of rental properties were owned by individuals in 2015-16 (Pawson, Milligan and Yates 2020, p. 183). Nearly half of these properties were owned by landlords who owned only one property. The remaining 20 per cent of properties were owned by self-managed superannuation funds, employers, institutional investors and other entities.

Rental properties tend to be higher density than average. About half of rental properties are separate houses, 18 per cent are semi-detached properties (such as townhouses) and 30 per cent are apartments.³ In contrast, separate houses make up 71 per cent of Australia’s total dwelling stock. Most private rental properties — about 79 per cent — are managed by real estate agents.⁴

¹ In 1999–2000, 21 per cent of households in the top two quintiles of equivalised disposable household income rented in the private market. In 2019-20, that figure was 25 per cent (Commission estimates using ABS (*Microdata: Income and Housing, Australia, 1999-00 and 2019-20*, Cat. no. 6541.0.30.001)).

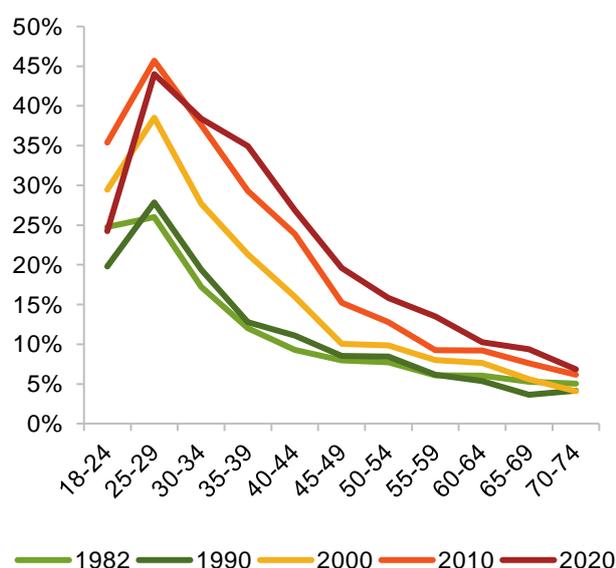
² Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

³ Commission estimates using ABS (*Census of Population and Housing: Housing data summary, 2021*).

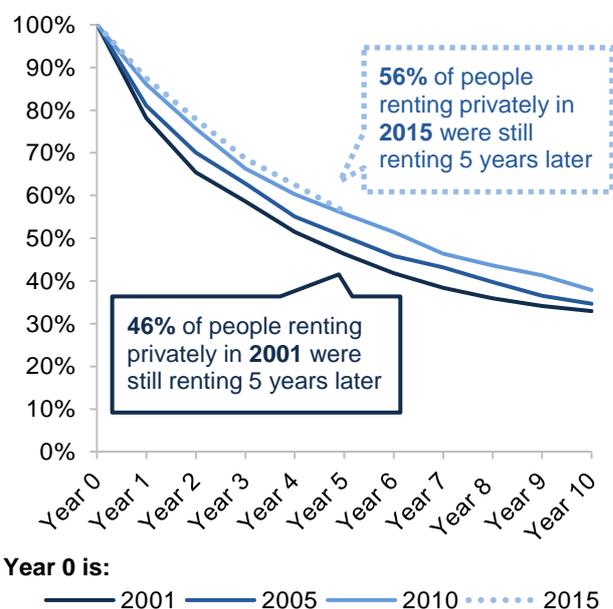
⁴ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Figure 9.1 – More Australians are renting, and renting for longer

a. Proportion of each age bracket renting from private landlord, by year



b. Proportion of people renting privately in year 0 who were still renting in the private market after each year^a



a. Proportion of people who were renting in the private market in every year from Year 0 to the specified year.

Source: Commission estimates using ABS (*Microdata: Household Expenditure, Income and Housing, 2009-10*, Cat. no. 6540.0; *Microdata: Income and Housing Costs and Amenities, Australia, 1990*, Cat. no. 6541.0; *Microdata: Income and Housing, Australia, 1981-82, 1999-00 and 2019-20*, Cat. no. 6541.0.30.001); Melbourne Institute (*Household, Income and Labour Dynamics in Australia (HILDA) Survey*, Release 20).

Government involvement in the private rental market

State and Territory Government legislation regulates residential tenancies (Martin 2020). These laws commonly prescribe the allowed frequency of rent increases, amount and handling of bonds, permissible grounds for eviction, notice periods for ending a tenancy, rights for tenants to modify a property and the minimum quality and safety requirements for rental properties (section 9.5).

Australian, State and Territory Governments provide various forms of financial assistance for low-income private renters. Commonwealth Rent Assistance (CRA) is a fortnightly Australian Government payment to people who receive income support or family benefits and rent in the private rental market or from a community housing provider (section 9.4). The Australian Government spent \$5.3 billion in 2020-21 on CRA (SCRGSP 2022b), and as of June 2022 about 1.35 million households received a payment (DSS 2022a). State and Territory Governments collectively spent a further \$122 million on private rental assistance for 63 000 households in 2020-21, including ongoing rent subsidies, bond loans and grants (AIHW 2022b). They also funded tenancy support services, which help private renters find or sustain tenancies (section 9.5).

The private rental market and the NHHA

The size of the private rental market — and its importance in housing vulnerable Australians (PC 2019b) — means that conditions in the private rental market are critical to achieving the NHHA's objective of

‘contribut[ing] to improving access to affordable, safe and sustainable housing across the housing spectrum ... and to support social and economic participation’.⁵

Several aspects of the NHHA relate to the private rental market.

- The Agreement is intended to contribute to ‘aspirational, overarching national outcomes’, including ‘affordable housing options for people on low-to-moderate incomes’ and ‘a well-functioning housing market that responds to local conditions’ (section 9.2).⁶
- Two national performance indicators relate to the rental market:
 - The stock of affordable rental housing relative to the population (chapter 8).
 - A decrease in the proportion of rental households with household income in the bottom two quintiles that spend more than 30 per cent of their income on rent (section 9.2).⁷
- Tenancy reform that encourages security of tenure in the private rental market is a national housing priority policy area (section 9.5).⁸
- Tenancy legislation and regulation is listed among States and Territories’ additional responsibilities, while the Commonwealth, States and Territories are jointly responsible for support for renters.⁹

The importance of the private rental market for the NHHA extends beyond these discrete references. The private rental market affects all segments of the housing spectrum, including demand for NHHA-funded services such as homelessness services and social housing (box 9.1).

Low vacancy rates and rising rents are catalysts for demand for homelessness services. About 23 per cent of people seeking specialist homelessness services in 2020-21 were renting in the (formal) private market (and may have received assistance to sustain a tenancy or prevent eviction) (AIHW 2021d). Higher rents compound the risk that individual circumstances or life shocks will result in homelessness (chapter 6; Curtis et al. 2013; Johnson et al. 2018). Insecure tenure and evictions can also increase the risk of homelessness (Mowbray 2016; Tennant et al. 2010). And service providers told us that a lack of affordable rental properties hampers their ability to help people experiencing homelessness move out of crisis or transitional accommodation (Launch Housing, sub. 36, p. 4; St Bart’s, sub. 84, p. 7), echoing research findings that high rents make it harder to exit homelessness (Cobb-Clark et al. 2016).

The affordability of the rental market also affects demand for social housing. When market rents are so high that few private rental properties are affordable for low-income earners (Anglicare Australia 2022), renters are more likely to seek social housing as an alternative. And once in social housing, high rents can be a barrier to transitioning to the private rental market (Wiesel et al. 2014, p. 6). This is because the value of social housing assistance increases when market rents are higher — governments make up a larger difference between tenants’ income-based contributions and the market rent, making access to social housing more valuable.

The security and accessibility of the private rental market also affect how attractive renters find social housing. Insecure tenure in the private rental market may ‘prevent tenants from seeing it as an appealing, appropriate or even possible alternative to social housing’ (Powell et al. 2019, p. 47). This is especially the case for people with long-term needs, or who require modifications to their home, such as people with disability (section 9.5).

As well as affecting demand, a lack of affordable and appropriate private rental accommodation options can impact the cost and effectiveness of NHHA-funded services. For example, Neami National, a mental health

⁵ NHHA, para. 14.

⁶ NHHA, para. 15.

⁷ NHHA, para. 31.

⁸ NHHA, schedule A, para. A2.

⁹ NHHA, para. 26, 27.

service provider, noted that one of its pilot Housing First programs for people experiencing homelessness was 'at risk due to the nation-wide increase in the cost of rent' (sub. 34, p. 5). Similarly, rental subsidies and headleased social housing (chapter 7) become more costly and less effective as rents increase. The NSW Government submitted:

NSW has a wide range of supports for people to enter the private rental market so that social housing and homelessness services are reserved for people most in need. These products have become less effective as private market affordability has decreased. (sub. 69, p. 33)

Box 9.1 – Many participants highlighted the link between the private rental market and demand for homelessness services and social housing

Southern Homelessness Services Network quoted people with lived experience of homelessness:

'I'm living with a friend but I have to move because it is too crowded and I am having issues getting approved for a private rental.'

'Becoming homeless due to domestic violence and having no luck getting into private rental again.' (sub. 29, att. 1, p. 15)

St. Vincent de Paul Society National Council of Australia reported that a tight private rental market led to increased demand for social housing in one of their service areas:

This surge in demand has been caused by the dramatic increase in rent and reduction in rental vacancies to below 1% in Wagga Wagga. These lower vacancy rates and higher rents have led more people to seek access to social housing but there is nowhere near enough to meet community need. (sub. 57, p. 2)

NSW Government pointed to the relationship between the private sector and demand for government-funded services:

Rental unaffordability is driving increased demand. A key driver of demand for social housing and homelessness services is the extent to which people can afford suitable accommodation in the private sector. Since 2015, it has become increasingly difficult for statutory income recipients and low-income earners to find an available, affordable rental property. (sub. 69, p. 10)

ACT Government drew attention to the connection between the ACT's rental market and demand for social housing:

By January 2022, the ACT became the most expensive city in Australia to rent in and the second most expensive to buy a house. Financial stress associated with high housing costs increases demand on the social housing sector. These higher costs also limit the ACT government's capacity to provide these services in the quantity needed. (sub. 95, pp. 4–5)

Southern Youth and Family Services drew links between both the affordability and security of the rental market and demand for other housing sectors:

The private rental market can not be relied upon to produce stable, secure, and affordable housing outcomes, especially for young people and people on lower incomes ... Research has indicated that a key way to address this insecurity is by massively increasing public and social housing as well as low-cost rental supply, as well as reducing incentives offered to property investors. (sub. 80, p. 7)

9.2 How affordable is the private rental market?

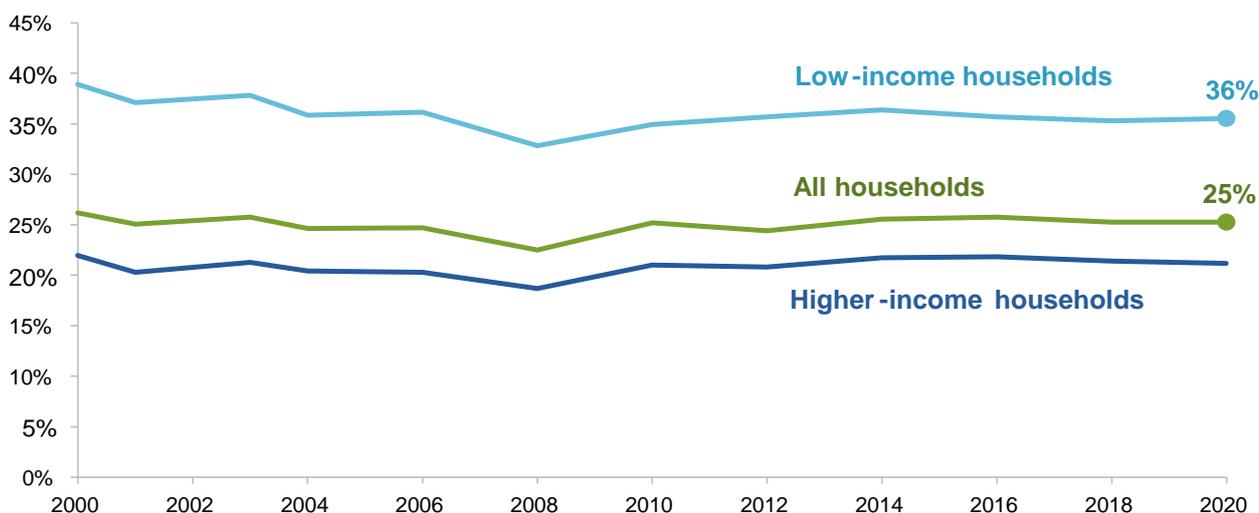
Snapshot of aggregate rental affordability

The median private renter household spends about a quarter of its income on rent. Median rent burdens (the ratio of rent paid to income) have hovered around this rate since 2000 (figure 9.2), reflecting the steady growth of rents, which have largely tracked incomes — unlike property prices, which have increased substantially and are more volatile (chapter 3).

Median rent burdens vary across, and within, States and Territories (figure 9.3). In 2019-20, state-wide median rent burdens were highest in New South Wales (27.1 per cent) and Queensland (26.7 per cent). Private renters in capital cities across the country spent a higher share of their income on rent than their regional counterparts, except for Queensland. The median share of income spent on rent in regional Queensland (29 per cent) was higher than anywhere else in the country, including the greater Sydney area (27 per cent).

Figure 9.2 – Overall rent burdens have been steady^{a,b}

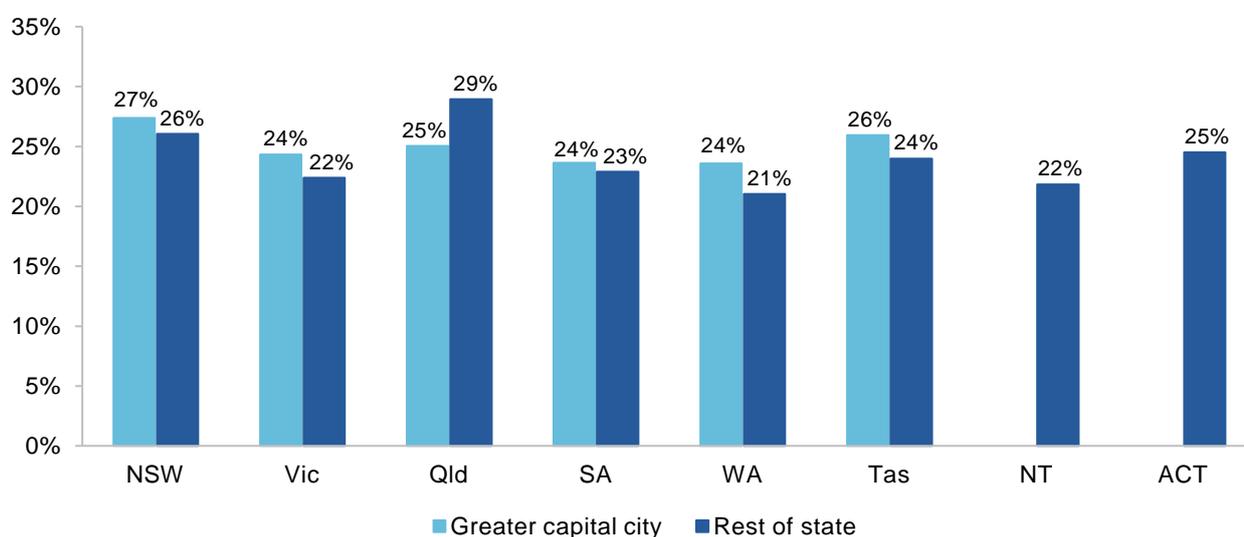
Median proportion of disposable household income spent on rent, private renters



- a.** Low-income households are households in the bottom two quintiles of equivalised disposable household income (see below). Higher-income households are households in the top three quintiles of equivalised disposable household income.
b. The ABS measure of disposable income changed in 2007-08, so estimates from before this year are not directly comparable with later years.

Source: Commission estimates using ABS (*Microdata: Household Expenditure, Income and Housing, 2003-04, 2009-10 and 2015-16*, Cat. no. 6540.0; *Microdata: Income and Housing, Australia, 1999-00, 2000-01, 2002-03, 2005-06, 2007-08, 2011-12, 2013-14, 2017-18 and 2019-20*, Cat. no. 6541.0.30.001).

Figure 9.3 – Rent burdens vary across, and within, states^a
Median proportion of disposable household income spent on rent, private renter households, 2019-20



a. Estimates for Northern Territory and ACT apply to the whole of each territory; breakdowns are not available for capital city and rest of state.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Leading indicators point to a tightening rental market, especially in regional areas

Rental prices can be reported in two ways: actual rents and advertised rents.¹⁰ Actual rents reflect rents paid in both new and existing tenancies, whereas advertised rents reflect the prices of new tenancies only. The latest national data on actual rents paid across the whole rental market is from 2019-20. Some indicators of advertised rents suggest that the rental market has tightened since then, although these indicators may not reflect conditions across the whole market — they are correlated with actual rents, but tend to be more volatile (RBA 2019).

Rents dipped slightly at the beginning of the COVID-19 pandemic. Across capital cities, quality-consistent rents declined about 1.5 per cent from March 2020 to their lowest point (in September 2020) and only recovered to pre-pandemic levels in June 2022.¹¹ But indexes of advertised rents suggest strong growth in rental prices and very low vacancy rates in 2021 and 2022. Nationally, advertised rents were 9.5 per cent higher in June 2022 than a year before, and the vacancy rate was 1.2 per cent (compared with 2.2 per cent a year before) (CoreLogic 2022).

Rents in regional areas have grown strongly since the start of the COVID-19 pandemic. This was highlighted by the NSW Government:

The broad-ranging socio-economic effects of COVID-19 have increased housing insecurity, which now extends to regional areas and higher income earners Given the recent increases in housing values and rents, and decreases in vacancy rates, it has become increasingly difficult for

¹⁰ All data quoted in this chapter are actual rents, except where otherwise specified.

¹¹ Commission estimates using ABS (*Consumer Price Index, Australia, June 2022*, Cat. no. 6401.0). The ABS measure includes both private rents and public housing rents, and is based on repeated sampling of the same set of properties each quarter (ABS 2019a). No adjustment is made for the deteriorating quality of dwellings.

people to either buy or rent a home. Rather than being a problem predominantly affecting metropolitan areas, there are also emerging housing pressures in regional NSW, which show no signs of abating (sub. 69, pp. 15–16)

The gap between advertised regional and capital city rents narrowed between December 2019 and December 2021, especially in New South Wales, Queensland, Victoria and Tasmania (NHFIC 2022c, p. 83). Advertised rents in regional areas increased 11 per cent in the year to June 2022, compared with 9 per cent growth in capital cities (CoreLogic 2022c). And some regional areas have very low vacancy rates — for example, vacancy rates in several regions of New South Wales, including New England and the Riverina, were below 1 per cent in July 2022 (Real Estate Institute of NSW 2022).

The increase in rents in regional areas may reflect higher net migration to regional areas (NSW Government, sub. 69, p. 17; Regional Australia Institute 2022), or from inner-urban to outer-urban areas, especially in Sydney and Melbourne (NHFIC 2022c, p. 87). Mission Australia said:

Rental affordability remains low, and affordability for low-income households has worsened in many of the capital cities and in the regional areas of every state, driven by outward migrating city residents as a result of COVID. (sub. 88, p. 10)

Preferences for housing size and quality may also have shifted due to the pandemic (NHFIC 2022c, pp. 46–47), which could increase the average rent paid. It is too early to tell whether these shifts will be permanent.

Rental affordability for low-income renters

Many stakeholders highlighted the prevalence of low vacancy rates, rental stress and the lack of properties available at rents affordable for people on low incomes (for example McAuley Community Services for Women, sub. 24, p. 8; Queensland Government, sub. 27, p. 6; Tenants' Union of Tasmania, sub. 79, p. 2; The Salvation Army, sub. 42, p. 36; Victorian Government, sub. 97, p. 5).

Measures of rental stress are not very informative

Rental affordability is often expressed in terms of 'rental stress'. In Australia, households are typically considered to be in rental stress if they spend more than 30 per cent of their income on rent and are in the bottom two quintiles (40 per cent) of the income distribution — the '30/40 rule'. Rental stress is one of the NHHA's national performance indicators and forms the basis for other affordability measures (chapter 3). According to the measure of rental stress that was agreed by the Housing and Homelessness Data Working Group, rental stress has increased slightly over the past decade (figure 9.4).

Rental stress is not a very informative measure of rental affordability. It is a poor predictor of households' actual experiences of financial stress and deprivation (Daniel, Baker and Lester 2018; Rowley and Ong 2012; Tenants' Union of NSW, sub. 81, p. 6). In 2020, 49 per cent of low-income private renters classified as 'in rental stress' according to the 30/40 measure rated their financial position as prosperous, very comfortable or reasonably comfortable (figure 9.5).

There are several reasons why rental stress is not strongly associated with actual experiences of financial stress and deprivation.

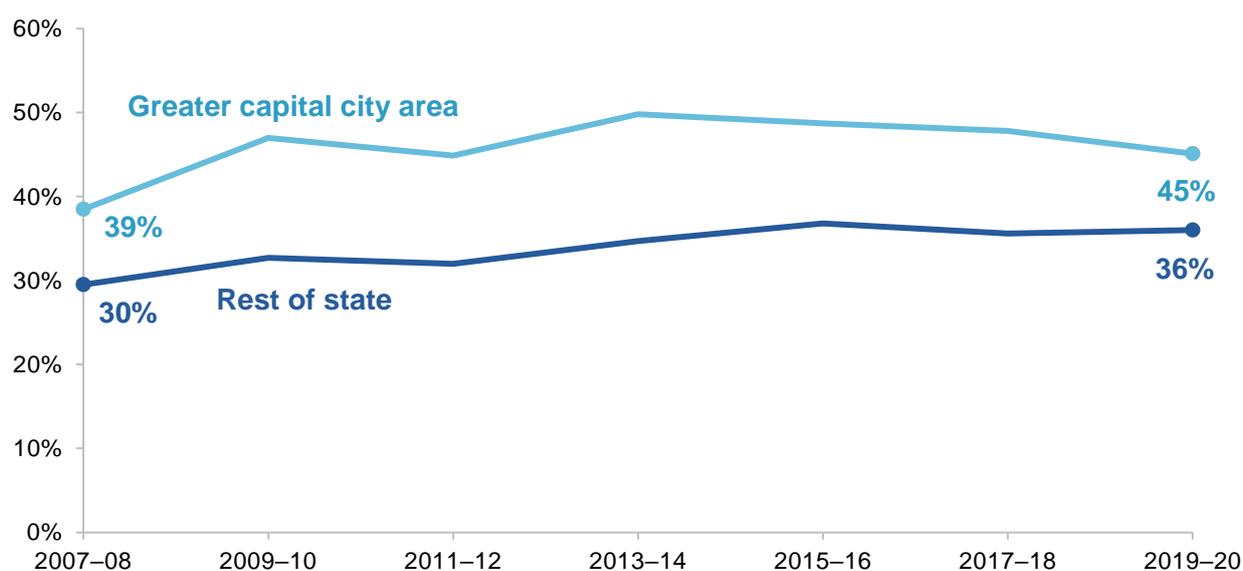
- Thirty per cent is an arbitrary and binary benchmark. It does not distinguish between households experiencing mild and deep rental stress, who are likely to have different outcomes (Rowley and Ong 2012, pp. 59–62).
- For many households, rental stress is temporary (Borrowman, Kazakevitch and Frost 2017). In the short term, they may be able to draw on savings and other resources (Stone et al. 2015), and most quickly

escape rental stress (Wood, Ong and Cigdem 2014). But people who do not escape within the first year become increasingly likely to remain in rental stress, and may be at greater risk of adverse outcomes (Borrowman, Kazakevitch and Frost 2017; Rowley and Ong 2012, pp. 74–75). There is some evidence that the persistence of rental stress is increasing over time (PC 2019b, pp. 73–74).

- Rental stress measures do not capture the many financial and non-financial costs and benefits that households weigh up when choosing a rental property (chapter 3). For example, households can trade off between travel time (and travel costs) and rent (Dodson et al. 2020; ERA and WPI, sub. 32, p. 10; Saberi et al. 2017). And people who enter housing stress often do so after moving to better neighbourhoods, suggesting that the benefits of living in a preferred neighbourhood might more than make up for the higher rent (Rowley and Ong 2012, p. 68). On the other hand, people renting in the marginal or informal rental sector may not be in rental stress, but their accommodation may be unsafe or poor quality (discussed below).
- Estimates of rental stress are sensitive to measurement choices, and small differences in definition can lead to very different estimates of the prevalence of rental stress (box 9.2).

Figure 9.4 – Rental stress has increased since 2007-08^a

Proportion of low-income renter households paying more than 30 per cent of income on housing costs



a. This measure of rental stress subtracts the value of CRA from rent and is reported for all renter households (including social housing renters). These measurement choices were agreed by the Housing and Homelessness Data Working Group (ABS 2022h). Rates of rental stress are reported differently elsewhere in this chapter (box 9.2).

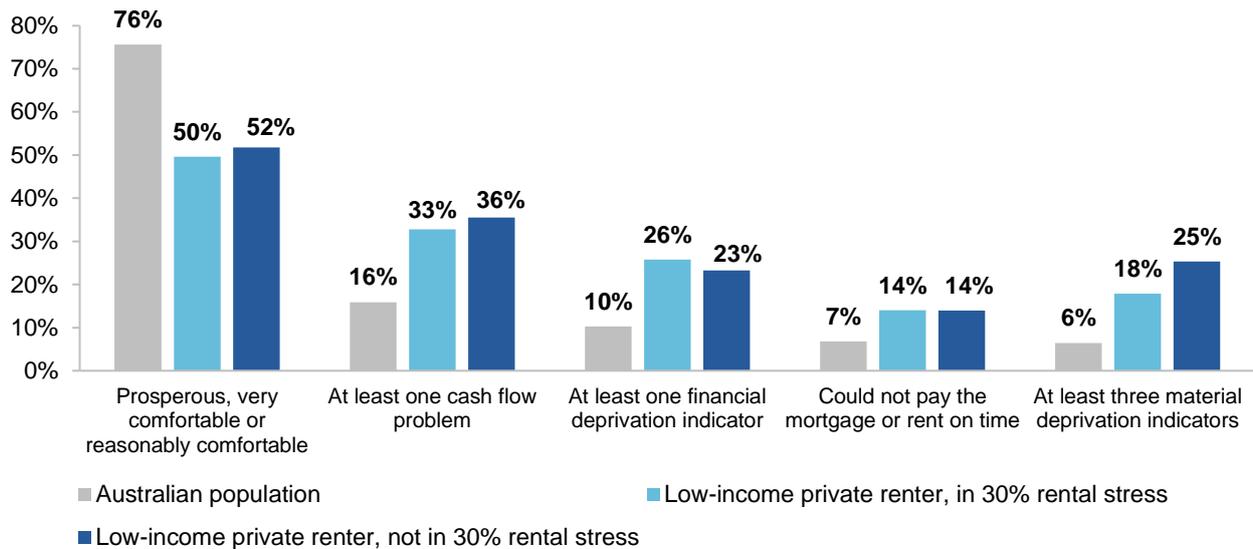
Source: ABS (*Housing Occupancy and Costs, 2019-20*, Cat. no. 4130.0, table 13.1).

A range of other measures can be used to assess rental affordability (chapter 3). Measures of residual incomes, and the depth, distribution and duration of rent burdens can, together, provide a richer understanding of rental affordability. When validated against other measures of household wellbeing, these measures can provide a stronger basis for policy development than point-in-time rental stress. Governments should develop new measures and move away from rental stress as part of the development of a new performance monitoring and reporting framework (recommendation 9.1).

This chapter uses a range of measures to assess rental affordability for people on lower incomes, including the distribution of rent burdens (the ratio of rent paid to income) and income left after paying rent. We also looked at evidence from submissions and consultations.

Figure 9.5 – Rental stress is not clearly associated with other wellbeing indicators among low-income renters^{a,b}

Share of specified population experiencing each measure



a. Cash flow problems are: could not pay electricity, gas or telephone bills on time; could not pay the mortgage or rent on time; asked for financial help from friends or family. Financial deprivation indicators are: pawned or sold something; went without meals; was unable to heat home; asked for help from welfare/community organisations. **b.** Material deprivation indicators measure whether ‘people do not have and cannot afford to buy items or undertake activities that are widely regarded in society as things that everyone should have’ (Wilkins et al. 2020, p. 51). There are 25 items (including ‘medical treatment when needed’, ‘a washing machine’ and ‘a home with doors and windows that are secure’). Material deprivation is reported for 2018 (the latest year for which data are available); all other indicators use 2020 data.

Source: Melbourne Institute (Household, Income and Labour Dynamics in Australia (HILDA) Survey, Release 20).

Box 9.2 – For rental stress, measurement choices matter

Measurement choices make a difference to estimates of rental stress.

One important choice is the way CRA is included in the calculations. In some reports, CRA is subtracted from rent (for example, this is the way that the Housing and Homelessness Data Working Group agreed to treat CRA for the NHA rental stress performance indicator) (ABS 2022h). Elsewhere, CRA is treated as household income because in practice, CRA acts as an income supplement, not a rent subsidy (discussed below; Burke, Stone and Ralston 2011; Tanton and Phillips 2013).

Another key choice is the renter population. Rental stress can be reported for either *all* low-income ^a renter households (including social housing renters) or just low-income *private* renter households. Both are valid, but they cannot be directly compared. Changes in rental stress for all renter households may reflect shifts in the ratio of private to social renters, rather than changes in private rental market affordability (PC 2019b, p. 65).

Box 9.2 – For rental stress, measurement choices matter

Finally, rental stress can be calculated based on gross (pre-tax) or disposable (post-tax) income. Disposable income refers to a household's income after taxes, and 'better represents the economic resources available to meet the needs of households' (ABS 2022h). Where available, disposable income is considered a more appropriate income measure, although Nepal, Tanton and Harding (2010) argue that the choice matters less when analysis is limited to low-income households.

Together, these measurement choices have a material impact. The table below illustrates how estimates of rental stress can differ according to the combination of definitions chosen. In this chapter, estimates of rental stress are calculated using disposable income for the private renter population, with CRA counted as income (the first row of the table).

CRA counted as income or subtracted from rent?	All renters or private renters?	Gross or disposable income?	Estimate of rental stress using the specified parameters (30/40 rule)
CRA counted as income	Private renters	Disposable	66%
CRA counted as income	All renters	Disposable	51%
CRA counted as income	Private renters	Gross	60%
CRA counted as income	All renters	Gross	47%
CRA subtracted from rent	All renters	Gross	39%

a. Low-income households are defined as households in the bottom two quintiles of the equivalised disposable household income (EDHI) distribution. In this report, the bottom two percentiles are excluded, because these households may have temporarily low incomes or accumulated wealth (ABS 2022h; Rowley and Ong 2012). EDHI is a measure of income that adjusts for differences in household size and composition, allowing relative economic wellbeing to be compared (ABS 2022h). For a lone person household, EDHI is equal to actual disposable income. For other households, EDHI reports the income for a lone person household that would deliver an equivalent level of economic wellbeing as the larger household's income. In this report, as in ABS and NHHHA publications, the modified OECD equivalence scale is used, though other equivalence scales can produce different results (Pulliam and Reeves 2019).



Recommendation 9.1 Developing new measures of rental affordability

The next Agreement should move away from rental stress as the headline measure of rental affordability. Governments should develop a suite of new rental affordability measures as part of a new performance monitoring and reporting framework (recommendation 5.6).

Many low-income renters face heavy rent burdens ...

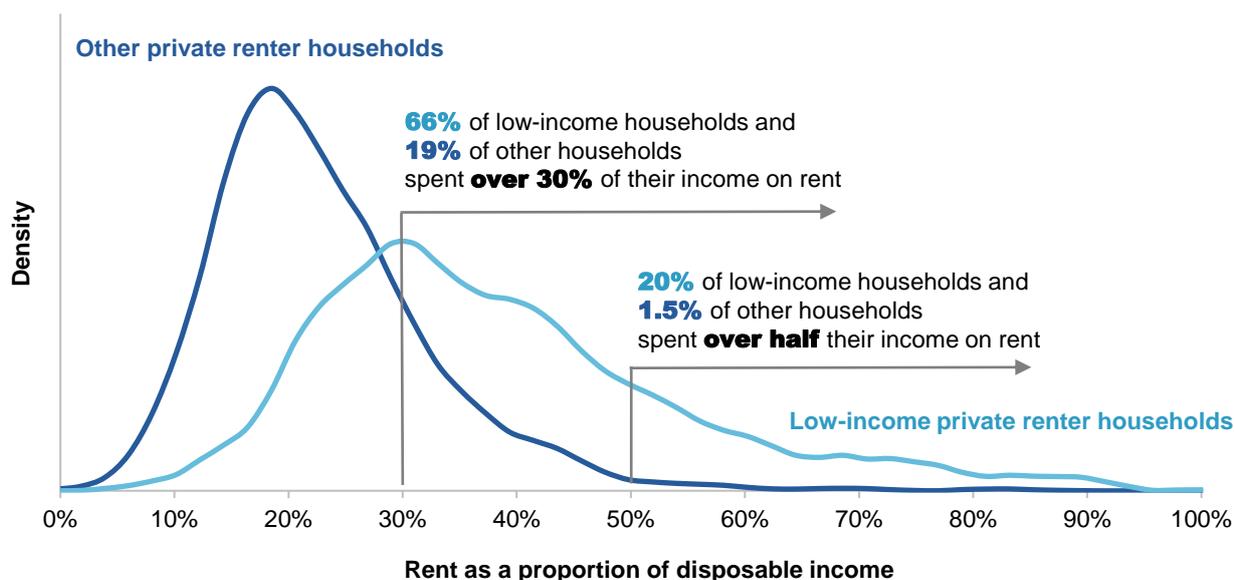
Low-income households spend a higher proportion of disposable income on rent than other households. The median rent burden for those in the first quintile of equivalised disposable household income (with income up to \$543 per week, in 2019-20 dollars) was 43 per cent in 2019-20, while for households in the second quintile (with income up to \$794 per week, in 2019-20 dollars) it was 32 per cent.

Median values can hide very different experiences of rental affordability. Figure 9.6 shows the distribution of rent as a share of disposable income in 2019-20. The majority (66 per cent) of private renters with low incomes spent over 30 per cent of their income on rent in 2019-20, while 20 per cent spent over half their income on rent.

Figure 9.7 shows that many low-income households have little income left after paying rent (chapter 3 discusses residual income measures in more detail). About 22 per cent had less than \$250 left, in equivalised terms, each week.

Figure 9.6 – Many low-income private renters spend far more than 30 per cent of their income on rent^a

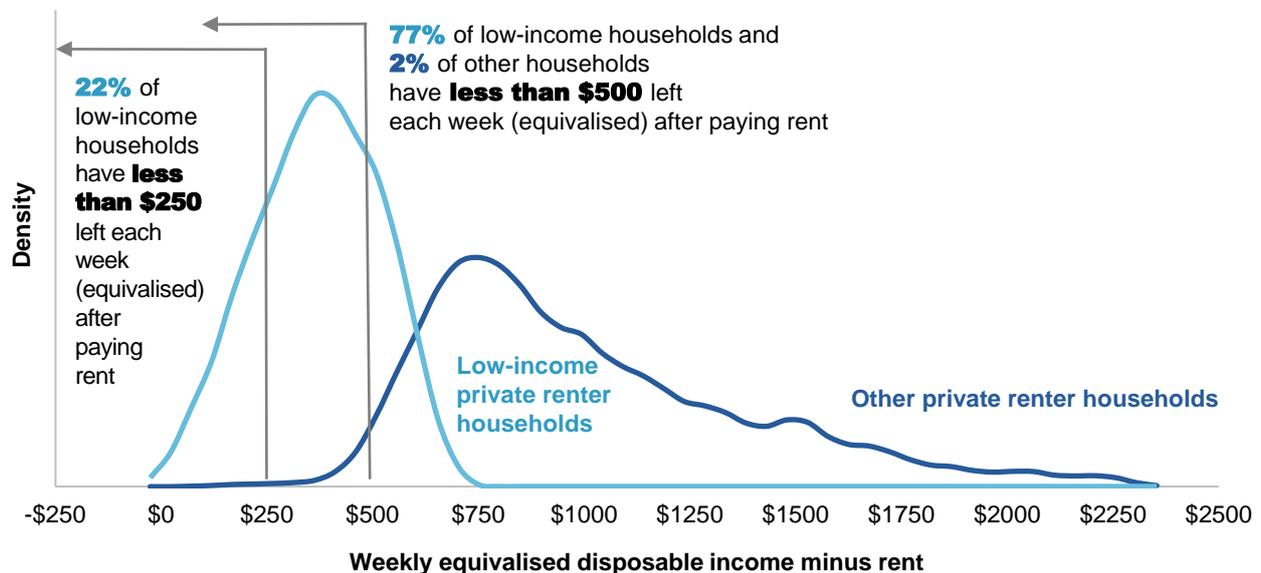
Distribution of rent as a proportion of disposable household income, private renters, 2019-20



a. Density charts show the distribution of a population — the higher the density value, the larger the share of the population falling around that point. For example, the ‘other private renter households’ line peaks at about 20 per cent, indicating that many households pay about 20 per cent of income on rent. The line reaches zero density at about 60 per cent, indicating that very few households pay more than 60 per cent of their income on rent.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Figure 9.7 – Some low-income households have little income left after paying rent^a
Distribution of weekly disposable income minus rent, equivalised values, 2019-20



a. Only the 1st to 95th percentiles of equivalised residual incomes are shown. Residual income (disposable income minus rent) is equivalised using the modified OECD scale (box 9.2).

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Rent burdens are not evenly distributed across the population. For example, private renters who are unemployed, older or sole parents tend to spend a larger proportion of their income on rent (table 9.1).

In submissions, participants reported the lived experience of these affordability pressures. One renter said:

Although I have a substantial NDIS package, they are unable to assist with housing, which is my greatest source of stress and fear. You see I am living in a private rental which costs 80% of my pension, and my utilities take up the other 20%. My lease is up in August, and my landlord will be raising the rent again, second time in a year. I will not be able to renew my lease ... I very much fear that in August I will become homeless. (cited in Housing Older Women Movement, sub. 101, p. 12)

Tenants Victoria highlighted an anonymised case study from a case worker in western Melbourne:

‘Grace’ is in her late 40s, a single mother with five children and a victim–survivor family violence. After separating from her husband, she had been initially renting with all her children. Reliant on income support payments, Grace and her family have had to often choose between food and paying the rent...

In 2021, Grace was then able to secure another rented home from her real estate agent. This property included a defective toilet and other substandard [features] which precipitated two of her older teenage children leaving the house to live with family friends. She subsequently could not afford to pay the rent on this home because she had not been regularly working. She was evicted again, and the family became homeless. The family are now ‘couch surfing’ in Melbourne, and unable so far to secure another home. (sub. 47, p. 2)

Table 9.1 – Rent burdens for different households, 2019-20

	Median rent as share of disposable income	Spending more than 30% of disposable income on rent	Spending more than 50% of disposable income on rent
All private renter households	25%	35%	8%
Low-income private renter households	36%	66%	20%
Household head or spouse unemployed	30%	50%	19%
One-parent household	29%	46%	9%
Someone in household has a disability	27%	40%	9%
Household head or spouse aged over 65 years	36%	62%	21%

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Participants pointed to the impacts of poor rental affordability for communities and individuals (AHURI, sub. 52, p. 24; ALGA, sub. 30, p. 2). Poor rental housing affordability can affect renters' health and wellbeing (chapter 3). For example, the National Aboriginal Community Controlled Health Organisation (sub. 56, p. 6) highlighted the effects of rental stress on health and wellbeing for Aboriginal and Torres Strait Islander people. And Safe and Equal (sub. 19, p. 5) and Western Homelessness Network (sub. 41, p. 37) said that a lack of affordable rental options can lead some victim-survivors of family and domestic violence to return to violent relationships.

... and bear the brunt of a tightening rental market

Low-income renters' experiences of rental affordability pressures may have worsened since 2019-20, when the last comprehensive data are available. As discussed above, data on vacancy rates and asking rents indicate that the rental market has tightened.

Low-income renters bear the brunt of a tightening rental market. When rents across the market increase, high-income renters can move into cheaper accommodation to economise (Hulse et al. 2019; Liu, Cheshire and Wadley 2016; Weller and Van Hulten 2012). But low-income renters already occupying lower-cost properties have few places to go. There are reports of people moving into informal or marginal rental properties (box 9.3) because the formal private rental market has become too expensive (Convery 2022; Goerling 2022; O'Flaherty 2022). At the extreme, high rents increase the risk that life shocks lead to homelessness (chapter 6; Curtis et al. 2013; Johnson et al. 2018).

Some participants told us about recent experiences in the private rental market.¹²

I had to move during COVID (early 2021) and was shocked to see the huge numbers of people at open homes for private rentals, many of whom were from interstate and were openly offering agents more than the indicated rent to secure the home. To them, Brisbane rents were 'cheap' whilst to me they had already become too expensive. (Housing Older Women Movement, sub. 101, pp. 13–14)

... rental vacancies have decreased while rent has gone up resulting sometimes in bidding wars between people desperate to secure somewhere to live. People who have otherwise been able to

¹² Also CCCLMS (sub. 53, p. 18); KWILS (sub. 85, p. 8).

live a reasonable working class life until recently are now having to live in their vans and cars. (Adelaide Day Centre for Homeless Persons, sub. 13, p. 1)

Box 9.3 – Informal and marginal rental properties

Informal and marginal rental housing includes arrangements such as boarding houses, renting individual rooms within a property, renting a hotel or motel room on a permanent or semi-permanent basis, and renting a site within a caravan park. Informal housing refers to ‘accommodation provided beyond the ‘formal’ regulations governing residential production (e.g. planning/zoning and building controls) and the housing market (such as property or tenure laws)’ (Gurran, Maalsen and Shrestha 2022, p. 11), while marginal housing is ‘highly managed or controlled housing, with fewer occupancy rights for tenants than in other forms of private rental and social housing, and some degree of shared facilities and spaces’ (AHURI 2014b, p. 1). Some forms of informal and marginal housing fall within the definition of homelessness in Australia (chapter 6).

There is no comprehensive data on the scale of informal and marginal rental housing, partly because of the illegal or exploitative nature of some arrangements (Goodman et al. 2013, p. 88; Gurran, Maalsen and Shrestha 2022; UNSW Human Rights Clinic 2019). The ABS reported estimates of the number of people living in some forms of informal and marginal rental housing using 2016 Census data. There were about 10 700 people marginally housed in caravan parks and about 17 500 people who were living in boarding houses and classified as homeless (ABS 2018a).

Poor affordability and other barriers to the formal private rental market drive demand for informal and marginal rental housing (Gurran et al. 2019, pp. 19–20). For example, people who lack rental references — such as newly arrived migrants or older people entering the rental market for the first time — may have few options other than informal or marginal rental accommodation (Parkinson, James and Liu 2018, p. 59).

Informal rental options are an important part of low-cost rental supply (Gurran, Maalsen and Shrestha 2022). But they may still be unaffordable for residents, and can have safety, security and amenity issues. Rooming house residents described their experiences in one study:

You’ve got to use a fan because the room is so friggin’ small and you don’t get much air turbulence and people that do open the windows open themselves to getting broken into.

... the bed was so smelly and yucky and mouldy and everything that I put it up against the wall and I’ve slept on the couch ever since.

... as a result of his alcoholism, he’d be running through the hallway saying, ‘get out of my face ... get out of my head’. And, I mean, this was three o’clock in the morning, bellowing. (Goodman et al. 2013, pp. 29–30, 35)

Affordability is a function of both rents and renters’ incomes

Rental affordability is a relative concept — a very high level of rent can be affordable for someone with a high enough income, while for a household with a very low income, almost no level of rent will be affordable (chapter 3). Several participants in this review pointed to the importance of considering both of these factors. For example, NSW Government said:

Rental affordability is a combination of the level of the rent and the tenant's capacity to pay. All tiers of government control the levers that help low-income citizens to be able to afford suitable housing. (sub. 69, p. 10)

Similarly, Tenants' Union of NSW argued that:

Consideration of housing affordability cannot be separated from income. For some renters, on their current levels of income there is no level of rent that is affordable. (sub. 81, p. 7)

The next two sections discuss drivers of rents (section 9.3) and renters' incomes (section 9.4) and key policies to address both, including supply-side reforms and changes to CRA.

These policy actions on their own would improve rental affordability, but they will be even more effective if implemented together. Reforms that increase the level and responsiveness of housing supply would help to lift vacancy rates and lower rents (chapter 12) and reduce the risk that any increase to CRA would pass into rents (section 9.4). And increases to low-income renters' incomes and purchasing power could provide builders with the impetus to tailor new construction to low-income renters' needs and preferences (Henry et al. 2009, p. 611; Sinai and Waldfoegel 2005).

The next Agreement is an opportunity for all levels of government to work together to improve rental affordability. The Australian, State and Territory and local Governments all control key policy levers and all share in the benefits of improved private rental affordability. The Commission recommends that the next Agreement acknowledge the importance of housing supply for affordability (recommendation 13.4) and include reform areas relating to CRA (recommendation 9.3).

9.3 Addressing barriers to the supply of rental properties will alleviate pressure on rents

Rental prices in the short run are driven by vacancy rates¹³, which are determined by the relative strength of supply and demand for rental properties. As the supply of rental properties increases (for example, because there is a surge in construction completions), or the demand for rental properties decreases (for example, due to a decrease in migration), there are fewer potential renters for each available property. This leads to higher vacancy rates, putting pressure on landlords (who lose potential rent revenue holding vacant properties) to compete for tenants by lowering rents. These dynamics were evident in Melbourne in 2020 and 2021 (box 9.4).

Box 9.4 – Melbourne's rental market in 2020 and 2021

Rents in inner-city Melbourne fell in 2020 and 2021, due to the interaction of supply and demand factors.

Demand for inner-city rental properties fell due to the COVID-19 pandemic. Immigration decreased significantly because of border restrictions, reducing rental demand from international students and workers. Inner-city Melbournians moved to outer suburbs and regional areas, especially during the 2020 and 2021 lockdowns. About 32 200 people moved out of the greater Melbourne area (to either regional Victoria or another state) between June 2020 and June 2021.

¹³ Vacancy rates measure the share of rental properties in a given area that are listed as available to rent at a particular time.

Box 9.4 – Melbourne’s rental market in 2020 and 2021

At the same time, there was an increase in supply of new apartments. About 14 500 apartments were completed in 2020, and 12 100 in 2021. And many apartments that had been used for short-term holiday rentals were added to the long-term rental market, because COVID-19 travel restrictions reduced demand for holiday rentals.

These two factors combined meant that Melbourne city vacancy rates increased from 3 per cent in March 2020 to 9.4 per cent in October 2020, moderating to 5.3 per cent by October 2021 (SQM Research 2022a). Asking rents for units in Melbourne city fell from \$528 per week in March 2020 to \$400 in October 2021, a 24 per cent decline (SQM Research 2022b). But the reduction was not permanent. Rental listings declined in response to the low vacancy rates and, as COVID-19 restrictions eased, rents increased again.

Source: ABS (*Regional internal migration estimates, provisional, March 2021*, Cat. no. 3412.0.55.005); Evans, Rosewall and Wong (2020); NHFIC (2022c); Schlesinger (2022); Zigomanis and Temlett (2022).

In time, demand and supply of rental properties adjust to changes in rental prices. Higher rents may lead renters to choose smaller properties or delay household formation (chapters 2 and 12), reducing demand for rental properties. At the same time, higher rental prices should lead to construction of new rental properties — or the re-purposing of existing properties, such as vacant properties¹⁴ or short-term holiday rentals (box 9.5) — which increases supply and dampens rental prices.

The next section examines factors affecting the supply of rental properties in Australia.

Box 9.5 – Short-term rentals

Online platforms such as Airbnb, booking.com and Stayz have made it easier for people to offer their properties as short-term accommodation. Between July 2016 and February 2019 the number of Australian listings on Airbnb grew on average 2.4 per cent each month, mostly because of growth in listings for homes and apartments (Panczak and Sigler 2020). In some tourism destinations, Airbnb listings now make up significant fractions of the rental housing stock. For example, Airbnb listings accounted for 12 per cent of private rental stock in Hobart in 2020 and 48 per cent of the rental housing stock in Byron Bay in 2017 (Buckle and Phibbs 2021, p. 143; Gurrán et al. 2018b, p. 7).

The rise of short-term rentals has affected the number of properties available in the long-term private rental market, which both Australian and international evidence suggests could put upward pressure on rents (LGAQ, sub. 63, p. 12; Franco and Santos 2021; Horn and Merante 2017; Koster, Van Ommeren and Volkhausen 2021; Phibbs and Ely 2022; SYFS, sub. 80, pp. 5-6). This trend was reversed temporarily when COVID-19 restrictions curtailed tourism. Some short-term rental properties entered the long-term rental market, which may have reduced rents in areas with particularly high Airbnb activity (Buckle and Phibbs 2021; Thackway and Pettit 2021).

¹⁴ About 10 per cent of dwellings were unoccupied on Census night in 2021 (ABS 2022f). But not all vacant properties are available for occupation. Some dwellings may be vacant because of temporary resident absence; others because they are listed for sale or rent, recently built or undergoing renovation (SGS 2017).

Box 9.5 – Short-term rentals

Some advocates and researchers argue for restrictions on the short-term rental sector, and some governments have taken steps to regulate the market (Crommelin et al. 2018; Nally 2022; Phibbs and Ely 2022). But constraining the short-term rental sector could have negative economic consequences. Cheaper and more accessible tourist accommodation benefits travellers and increases tourism activity, providing employment opportunities and extra income for residents (Dogru et al. 2020; Fang, Ye and Law 2016; Farronato and Fradkin 2022; Grimmer, Massey and Vorobjovas-Pinta 2018).

Well-functioning housing markets will respond to heightened demand for short- and long-term rental properties with more supply. The effect of Airbnb on rents and house prices is likely to be smaller when supply is more elastic (Farhoodi, Khazra and Christensen 2021; Farronato and Fradkin 2022).

Addressing the structural barriers to the supply of rental properties should be a key part of governments' response to the rise of short-term rentals.

Characterising the supply of rental properties

Australia's private rental market is dominated by individual investors ('mum and dad' investors). Individual investors (most of whom only owned one or two properties) owned 80 per cent of rental properties in 2015-16 (Morris, Hulse and Pawson 2021, p. 54). The remaining 20 per cent of properties were owned by self-managed superannuation funds, employers, institutional investors and other entities (many of which ultimately benefit individual Australians).

More homes, cheaper rents

Increasing the supply of housing will lead to an increase in the supply of rental properties. Though most newly-constructed properties are bought by owner-occupiers, about a third of mortgages for the purchase of new dwellings in June 2022 were for investors, most of whom will likely lease the properties in the rental market.¹⁵ And, in 2019-20, about 45 per cent of new homes were bought by first home buyers, probably reducing demand for rental properties.¹⁶

Even when newly built housing does not immediately come on the rental market, it can still moderate rents. International evidence shows that new construction reduces rental prices throughout the residential property market (chapter 12). In Australia, many low-cost rental properties are occupied by high-income renters, reducing the effective availability of affordable rental properties for low-income private renters (Hulse et al. 2019; NHFIC 2022c). Additional construction can provide more opportunities for high-income renters to purchase homes or move to more attractive rental properties, reducing demand for the lower-cost rental stock.

Addressing barriers to the supply of new housing is the most important factor in increasing the supply of rental housing. These barriers can result in the supply of rental properties being slow to adjust to price signals and low vacancy rates. For example, vacancy rates in Hobart remained low for several years between 2017 and 2020 and advertised rents grew significantly (De Vries et al. 2021). Building approvals responded, but there was a lag

¹⁵ Commission estimates using ABS (*Lending indicators, June 2022*, Cat. no. 5601.0). Loans for 'construction of new dwellings' or 'purchase of newly erected dwellings'.

¹⁶ Commission estimates using ABS (*Housing Occupancy and Costs, 2019-20*, Cat. no. 4130.0, table 9.1).

between approvals and commencements (perhaps due to problems accessing skilled labour and finance), dampening the effect on total supply (Eccleston et al. 2018; Jacobs et al. 2019, pp. 7–8).

The Commission is recommending that governments commit to actions that will reduce barriers to new supply, including:

- reporting annual progress against land supply targets (recommendation 13.1)
- revising planning and zoning regulations to promote greater housing diversity and density (recommendation 13.2)
- setting housing targets and working with local governments to meet the targets (recommendation 13.3)
- commissioning an independent review of construction industry productivity (recommendation 14.1).

Governments should avoid policies that artificially depress rents and curtail the supply of new properties (box 9.6).

Box 9.6 – Rent control is not an effective way to improve affordability for renters

Some participants called for direct regulation of rental prices (or ‘rent control’) to help address rental affordability (Adelaide Day Centre for Homeless Persons, sub. 13, p. 1; Housing Older Women Movement, sub. 101, pp. 7, 13; Tenants’ Union of Tasmania, sub. 79, p. 5).

Rent control involves government regulation of rental prices, either fixing rents for the duration of a tenancy or imposing a rent limit across all tenancies. Australian jurisdictions have not imposed rent controls widely. One exception is the ACT, where, for the duration of a tenancy, rents cannot increase by more than 10 per cent above the increase in the rents component of the Consumer Price Index for Canberra (ACAT 2021).

Rent control benefits incumbent renters in the short term but harms all renters in the long term. International evidence shows that rent control policies reduce the stock of rental properties and drive up market rents (Diamond, McQuade and Qian 2019). These impacts are felt by all renters — especially those, like young people, who join the rental market after the policy is introduced.

Rent control can create other rental market inefficiencies. Landlords might neglect maintenance because they have little incentive to provide a positive experience for renters. Rent control can also create mismatches between renters and their properties (they may be in a wrong-sized property, or too far from work), because the people benefiting from rent control cannot move without losing access to cheaper rent (Glaeser and Luttmer 2003).

The bottom line is that rent control is not an effective way to improve affordability for renters.

A role for institutional investors?

Some stakeholders argued that institutional investors should play a larger role in the supply of rental properties. These investors either purchase existing properties to rent out or invest in the construction of new rental properties (the latter is known as ‘build-to-rent’). They generally employ professional property managers (‘corporate landlords’) to oversee operations.

Participants argued that more institutional investment in the rental market could increase the overall supply of rental properties (Master Builders Australia, sub. 64, p. 17; REA Group, sub. 48, p. 3). And some have suggested that corporate landlords could provide more secure tenure (because they hold properties for long periods) or higher construction and management standards (Pawson et al. 2019, pp. 9–10).

Institutional investors attract a lot of attention but represent only a small part of the Australian rental market. In 2017, corporate landlords made up about 8 per cent of the market (Yanotti 2017) though more projects are underway. It was estimated that in 2021 there were about 15 000 units in 40 build-to-rent projects under development (Nethercote 2021).

This low share might reflect barriers to institutional investment in Australia, including low rental yields and uneven tax settings (box 9.7). Several stakeholders argued that tax and policy settings should be reviewed to promote institutional investment (Master Builders Australia, sub. 64, p. 17; UDIA National, sub. 35, p. 41). And some States have already done so. For example, the New South Wales and Victorian Governments have introduced a 50 per cent land tax discount for eligible built-to-rent projects (DPIE (NSW) 2021a; State Revenue Office (Victoria) 2020).

There is a case for governments to level the playing field and review unnecessary barriers to investment. This could marginally increase the supply of rental housing, although the extent to which build-to-rent construction just replaces other construction is contested and has not been empirically studied (HIA, sub. 66, p. 7; PC 2019b, p. 108; Whitehead and Scanlon 2017, pp. 40–45).

But governments should not try to tip the scales in favour of institutional investment, nor subsidise ‘affordable build-to-rent’ developments, as some stakeholders suggested. These subsidies do not align with the Commission’s principles for housing assistance (chapter 5) as they are tied to properties; they are poorly targeted (most tenants are middle-to-high income); and they offer little additionality. Institutional investment might also bring new risks. In some areas with large corporate landlords, concerns have been raised about high eviction rates and poor landlord behaviour (AHURI, sub. 52, p. 25; Gomory 2022; Immergluck et al. 2020; Raymond et al. 2016; Whiting 2022).

Issues with rental affordability and security of tenure are better addressed by removing barriers to supply more widely (chapters 12–14), providing targeted income support for low-income renters (section 9.4) and reforming tenancy regulation (section 9.5).

Box 9.7 – Barriers to institutional investment in Australian residential property

Low yields reflect high property prices

The primary barrier to institutional investment in the residential property market is low yields (Milligan et al. 2015; Newell, Lee and Kupke 2015). Australian residential property yields are low compared with Australian commercial property, Australian shares and overseas residential property (PC 2019b, p. 103). These low yields reflect high property prices, which are influenced by a range of policy settings, including taxation (chapter 2; Daley and Wood 2016; Pawson et al. 2019, p. 73; Varela, Breunig and Sobeck 2020, p. 38).

Reflecting this, individual Australian investors are primarily motivated by capital gains rather than rental income (Seelig et al. 2009).^a In 2019-20, 53 per cent of rental property interests reported by individuals made a net rental loss — that is, expenses exceeded rental income (ATO 2022c).

Other taxes apply unevenly

Australian, State and Territory and local government taxes apply unevenly for different types of investment, affecting incentives for institutional investment. For example:

- most States and Territories have progressive land tax regimes. This means that the rate of land tax is higher for entities with larger property holdings, imposing a greater tax burden on institutional investors

Box 9.7 – Barriers to institutional investment in Australian residential property

with large holdings than individual investors with one or two properties. This lowers the net yield for investors (PC 2019b, pp. 104–105)

- build-to-sell developers can claim credits for GST paid on development inputs, whereas build-to-rent developers cannot (Pawson et al. 2019) (Pawson et al. 2019, p. 80)
- managed investment trusts that invest in residential property face a withholding tax rate of 30 per cent on distributions to foreign residents, a higher rate than applicable to domestic investors or for other property investments. The withholding tax rate is reduced to 15 per cent for affordable residential property developments (The Treasury 2017).

Other barriers to investment

Surveys of investment firms suggest that other barriers include a lack of structured investment vehicles, fragmented investment opportunities, government policy uncertainty and lack of management expertise (Milligan et al. 2015; Newell, Lee and Kupke 2015).

a. Individual investors' decisions are also shaped by non-financial incentives and beliefs, including familiarity, perceived stability and the ability to directly manage property (Seelig et al. 2009; Wright and Yanotti 2019).

**Finding 9.1****Addressing system-wide barriers is the most effective way to increase the supply of rental properties**

Addressing barriers to the supply of housing is the best way to increase the supply of rental properties and moderate rents. Removing distortionary barriers to institutional investment could marginally increase supply, but governments should not tip the scales in favour of this investment.

9.4 Income support for renters

Removing barriers to the supply of rental properties would help to ease rents — but rents are only one side of the affordability equation. Boosting renters' incomes would also help to improve rental affordability and facilitate social and economic participation.

Many participants highlighted the importance of income for renters. cohealth, a community health organisation, observed that low-income renters made trade-offs between rent, food and other necessities:

In the areas cohealth works in across the north and west of Melbourne, very few private rental properties are affordable to people on the lowest of incomes, meaning that the poorest Australians pay a large proportion of their income on rent, and are subsequently unable to afford other essentials of life, such as food, medication, health care and utilities. (sub. 37, pp. 1–2)

Similarly, Southern Homelessness Services Network said:

The current rate for Jobseeker allowance is not sufficient to cover housing costs (even with Commonwealth Rent Assistance), utilities and food, particularly in the private rental market. Jobseeker recipients are constantly forced to make choices that no Australian should have to make for themselves or their children — whether to pay rent or eat? (sub. 29, p. 6)

Participants pointed to a range of factors affecting incomes, including depressed wage growth for low-wage workers, unemployment and underemployment (NSW Government, sub. 69, p. 16; SA Housing Authority, sub. 58, p. 6; The Salvation Army, sub. 42, p. 19; WHN, sub. 41, p. 15). These factors are important, but outside the scope of this review.

Participants also emphasised the importance of CRA and income support for renters, and some argued that these policy levers should be given greater attention in the NHHA (Grattan Institute, sub. 70, p. 14; NSW Government, sub. 69, pp. 23–25; Queensland Government, sub. 27, p. 13; The Salvation Army, sub. 42, p. 7). For example, Anglicare Southern Queensland said that:

...a core problem in the broader environment in which the NHHA operates is income insufficiency. Income support measures such as JobSeeker and Commonwealth Rent Assistance remain inadequate for those in need. (sub. 28, p. 1)

A closer look at Commonwealth Rent Assistance

CRA is a fortnightly payment available to people renting privately or from a community housing provider.¹⁷ It is paid to people who receive a qualifying social security payment, including:

- Age Pension, Carer Payment or Disability Support Pension
- ABSTUDY Living Allowance, Austudy or Youth Allowance
- Widow Allowance
- Partner Allowance or Special Benefit
- Family Tax Benefit (FTB) — Part A at more than the base rate¹⁸
- Parenting Payment (partnered and single)
- JobSeeker Payment or Farm Household Allowance.

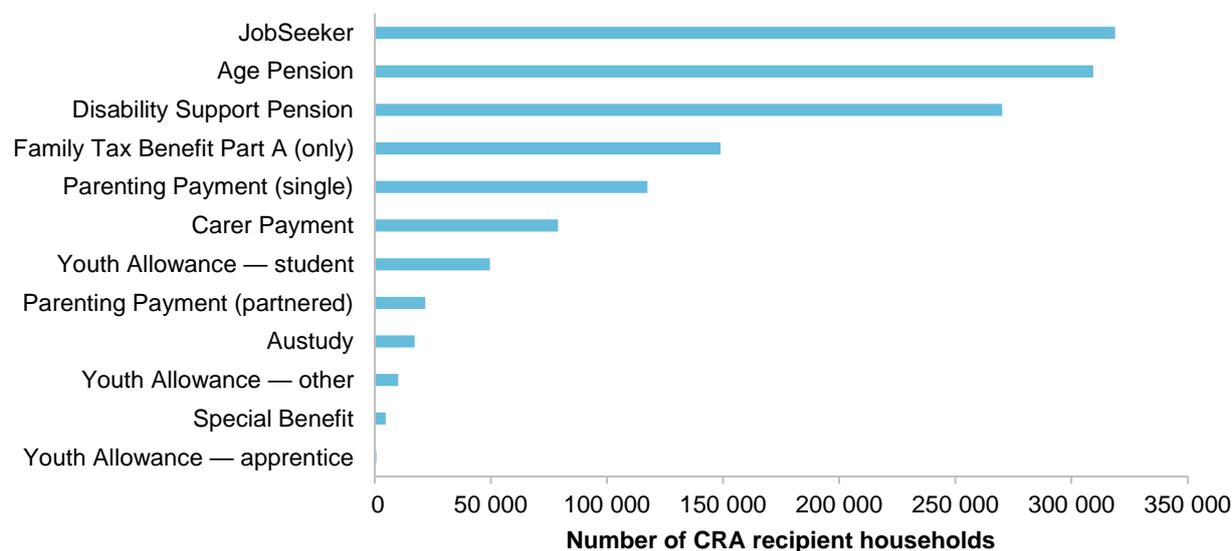
Figure 9.8 shows the most common payment types for CRA recipients.

¹⁷ In some circumstances, renters who live in defence housing, a retirement village, a caravan, a relocatable home or a boat are also eligible.

¹⁸ FTB Part A is a payment that helps eligible families with the direct costs of raising children (Services Australia 2022, p. 2). The amount of the benefit varies according to the number of children in a family and the family's income.

Figure 9.8 – JobSeeker, Age Pension and Disability Support Pension are the most common payments for CRA recipients^a

Primary payment type, CRA recipient households, June 2022



a. Where an income unit receives multiple income support payments, a primary payment is assigned to the income unit based on the following priority order: Disability Support Pension, Carer Payment, Age Pension, Parenting Payment (single), JobSeeker Payment, Youth Allowance — student, Youth Allowance — other, Youth Allowance — apprentice, Austudy, Parenting Payment (partnered), other income support payment, Family Tax Benefit Part A (only).

Source: DSS (2022a).

CRA is paid directly to renters along with their other income support payments — there are no restrictions on how recipients spend the payment. The amount received depends on the recipient's family structure and how much rent they pay (box 9.8).

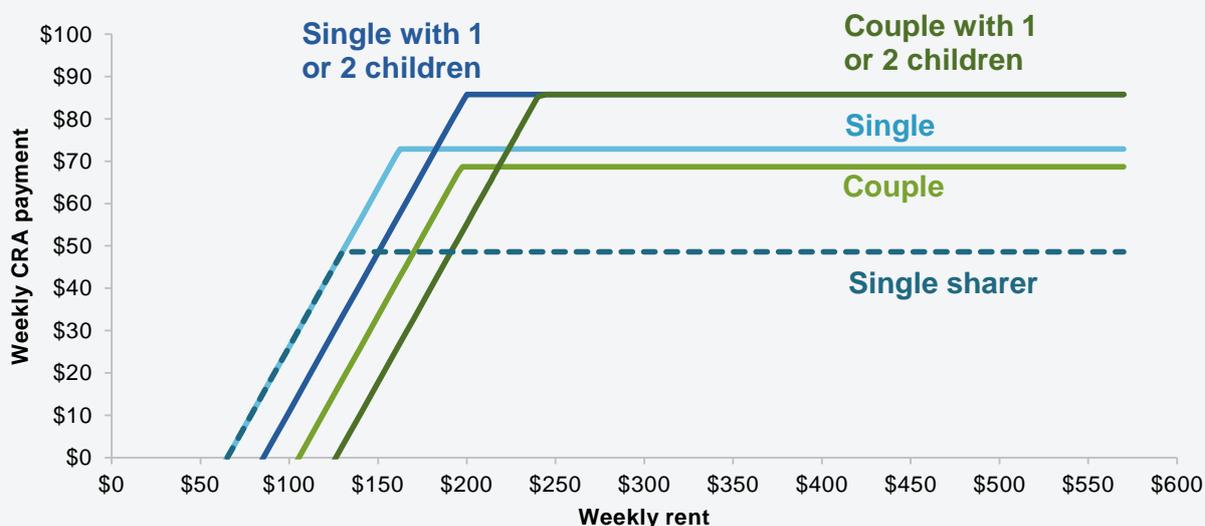
Box 9.8 – How CRA payments are calculated

A household receiving an income support payment is eligible for a CRA payment if their rent exceeds a minimum threshold. The minimum threshold, and the amount they receive, differs according to their rent and household situation. For example, for a single person with no dependent children, the minimum weekly rent threshold in July 2022 was \$65.10 (Services Australia 2022, p. 37). The value of the payment increases at a rate of 75 cents per \$1 increase in rent paid above this threshold, until the total payment reaches a cap. For a single person, this maximum payment was \$72.90 in July 2022, paid when weekly rent was at least \$162.30.

In June 2022, across all recipient households, the average weekly CRA payment was \$63.20 (DSS 2022a). The majority — 79 per cent — of households paid enough rent to receive the maximum payment.

CRA payments are withdrawn after recipients' incomes or assets exceed certain limits.

- For recipients receiving an income support payment, CRA payments are withdrawn according to the same rules as the recipient's primary payment, and after the primary payment has reduced to zero.¹⁹
- For households receiving Family Tax Benefit Part A (and no other income support payment), CRA is withdrawn alongside the maximum rate of assistance as income increases, reaching zero when the base rate of Family Tax Benefit is paid (PC 2015, pp. 11, 52).



Who receives CRA?

Overall, 29 per cent of private renter households, and 57 per cent of low-income private renter households, received CRA in 2019-20.²⁰

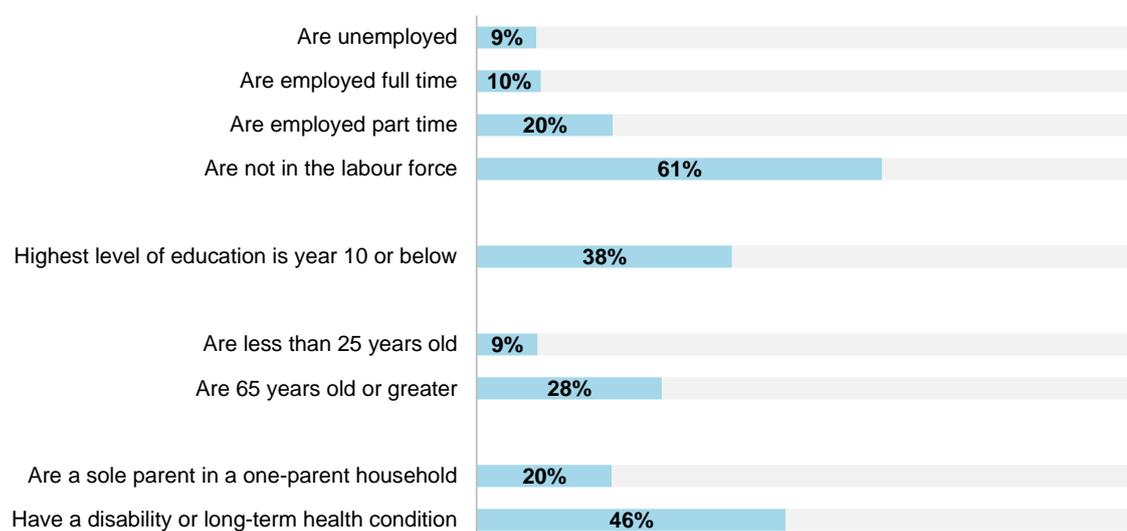
¹⁹ Social Security Act 1991 (Cth), s. 1210.

²⁰ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

The majority of recipients rent in the formal private rental market (75 per cent). Six per cent rent from housing organisations, such as community housing providers. Other recipients pay lodging (8 per cent), board and lodging (6 per cent), site fees (4 per cent) or maintenance fees (1 per cent).²¹

In line with the eligibility criteria for the qualifying social security payments, CRA recipients typically have lower incomes and wealth than other Australians. Overall, households that received CRA had median equivalised wealth of about \$33 500 in 2019-20, compared with \$411 600 for non-recipient households. Their median weekly equivalised household disposable income was \$619, compared with \$987 for non-recipient households.²² Other characteristics of CRA recipients are shown in figure 9.9.

Figure 9.9 – Profile of CRA recipients
Proportion of CRA recipients, 2019-20



Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

CRA plays an important role in the income support system

According to the Department of Social Services (sub. 83, p. 8), the objective of CRA is to ‘assist Australians receiving income support or family assistance payments with the cost of their private rental or community housing’.

There are strong theoretical reasons for paying special attention to housing costs within the income support system (Thalmann 2003).²³ Private renters tend to be more disadvantaged than other Australians, and face relatively high housing costs (Harmer 2009; The Treasury 2020). Housing is a necessity, and often the single largest item in household budgets (chapter 2; Saunders 2017), so high rents can impose a significant burden on low-income households, affecting their ability to afford other necessities (chapter 3; Duncan 2022). Renters also typically have little scope to adjust their spending on housing in the short term if their

²¹ Commission estimates using unpublished DSS administrative data, June 2022. Maintenance fees are fees for a nursing home or retirement village.

²² Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

²³ Even without CRA, the income support system treats people in different housing tenures differently. For example, the Age Pension assets test ‘heavily favours owner-occupiers’ because most of the value of pensioners’ principal home is exempt from the test (Daley and Coates 2018, p. 35).

circumstances change — moving is costly and disruptive, and they may be tied to lease agreements (Griggs and Kemp 2012; Saunders 2017; Whitehead 1991). In this context, CRA helps to limit households' exposure to increases in rents or changes in circumstances that could otherwise significantly impact their wellbeing (chapter 3; Dewilde 2022).

In practice, CRA is an income supplement for renters, not a direct rent subsidy. It is an untied cash transfer, paid directly to recipients with their other social security payments — recipients are not bound to spend the payment on rent. For the majority (79 per cent) of households who pay enough rent to receive the maximum rate of CRA, the payment does not vary with their housing costs (DSS 2022a). There are no conditions on the type or location of housing rented, nor is there a minimum housing standard.

CRA has sound underpinnings, but does not align with principles of sufficiency and fairness

CRA is designed on sound principles. As a payment directly to renters, it aligns with many of the Commission's suggested principles for effective housing assistance (chapter 5).

- CRA is a flexible and portable payment that allows recipients to choose the home that best meets their needs.
- CRA provides timely assistance when people's needs change — there is no waiting list or need to move to obtain assistance — and adjusts as those needs change over time. One study found that there is considerable churn in the population receiving CRA, with many recipients receiving the payment for only short periods of time (Yanotti et al. 2021). This suggests that it may help to smooth short-term fluctuations in income or household situation.
- CRA payments allow renters to stay part of their existing community — they do not have to move to access assistance, and can stay in the same property even if their level of assistance changes. Its effect on effective marginal tax rates is minimal (PC 2015, p. 9). This facilitates social and economic participation.

But, under current policy settings, CRA falls short on the principles of sufficiency and fairness.

Many CRA recipients experience very high rent burdens

There is evidence that the level of CRA is not sufficient to allow recipients to access housing that is affordable, safe and sustainable, nor to have enough income left to cover other essential items.

Even after receiving CRA payments, many recipients experience high rent burdens and rental stress. In June 2022, 63 per cent of CRA recipients paid more than 30 per cent of their income on rent, and 23 per cent paid more than half of their income on rent (table 9.2).²⁴ These figures would have been higher without CRA — before adding CRA to income, 72 per cent of recipients would have paid more than 30 per cent of income on rent, and 31 per cent would have paid more than half. So while CRA does reduce rent burdens, a significant proportion of recipients remain in rental stress.

Some households experience greater rent burdens, after accounting for CRA, than others. Couples, with or without children, tend to have lower rent burdens than single people, especially single people living in shared accommodation (figure 9.10). And households living in capital cities experience higher rent burdens than those living in regional areas: the median rent burden in capital cities in June 2022 was 36 per cent, whereas for regional households it was 33 per cent.

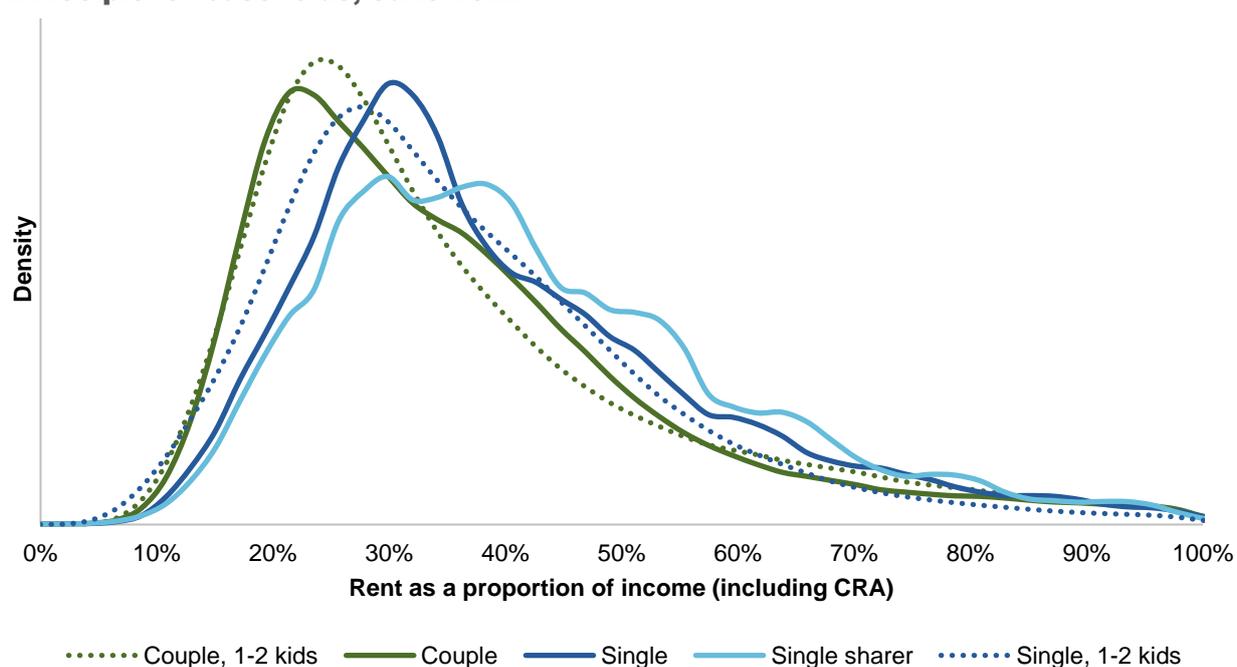
²⁴ Estimates of rental stress reported in this section are calculated with CRA added to income, rather than subtracted from rent (discussed in box 9.2). Estimates are reported for 'households', but the technical definition in the data is income units — that is, a single person (with or without dependent children) or a couple (with or without dependent children).

Table 9.2 – CRA reduces rent burdens, but many recipients still pay large shares of their income on rent^a**June 2022**

Proportion of CRA recipient households paying more than ...	Without CRA	With CRA	
		CRA added to income	CRA subtracted from rent
... 30% of income on rent	72%	63%	44%
... 40% of income on rent	48%	38%	27%
... 50% of income on rent	31%	23%	16%

a. The 'Without CRA' column is calculated as rent divided by income (excluding CRA). The differences between the 'With CRA' columns are discussed in box 9.2.

Source: Commission estimates using unpublished DSS administrative data.

Figure 9.10 – Couples tend to have lower rent burdens than single people
CRA recipient households, June 2022

Source: Commission estimates using unpublished DSS administrative data.

The share of CRA recipients experiencing rental stress was fairly constant before the COVID-19 pandemic (figure 9.11, panel a), and then decreased in 2020, largely due to the coronavirus supplement, an additional payment to some income support recipients (Australian Government 2020).²⁵ The effect of the supplement is clear in panel b, which shows a steep decline in rental stress among JobSeeker recipients (who received the supplement), but little change for Age Pension and FTB recipients (who did not).

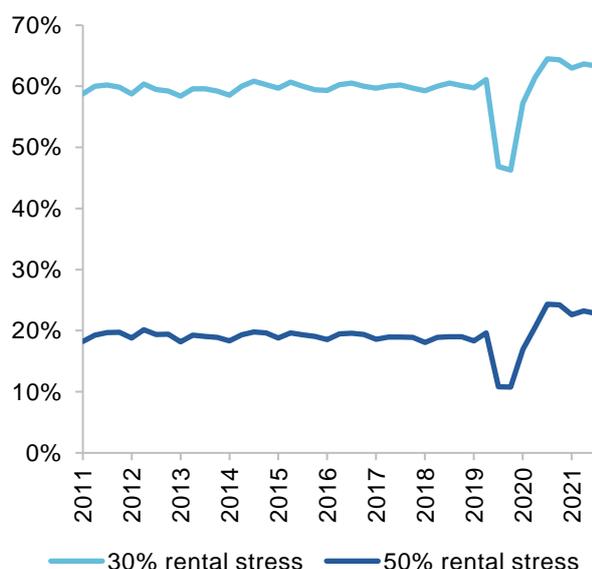
²⁵ The supplement was paid to JobSeeker, Youth Allowance, Parenting Payment (partnered and single), Austudy, ABSTUDY, Farm Household Allowance and Special Benefit recipients.

There has been an increase in rates of rental stress following the COVID-19 pandemic. The coronavirus supplement was wound back over 2020 and 2021, and rates of rental stress increased again, to above pre-pandemic levels.

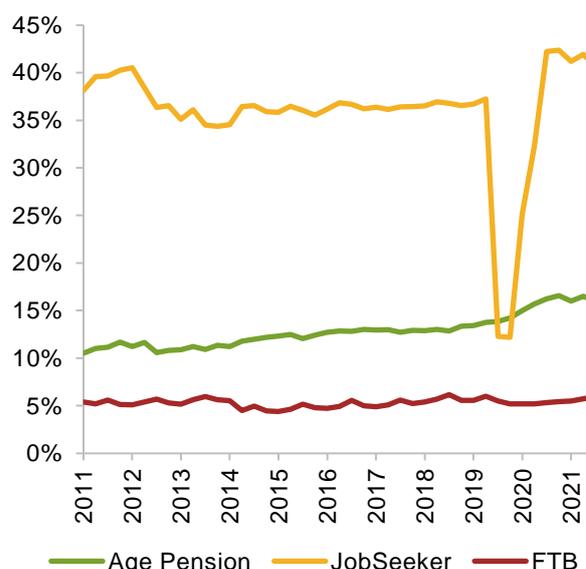
Figure 9.11 – Policy responses to the COVID-19 pandemic affected rates of rental stress among CRA recipients

Rates of rental stress among CRA recipients after accounting for CRA

a. Proportion of CRA recipient households experiencing rental stress



b. Proportion of CRA recipient households spending more than half of income (including CRA) on rent



Source: Commission estimates using unpublished DSS administrative data.

CRA has not kept pace with rents

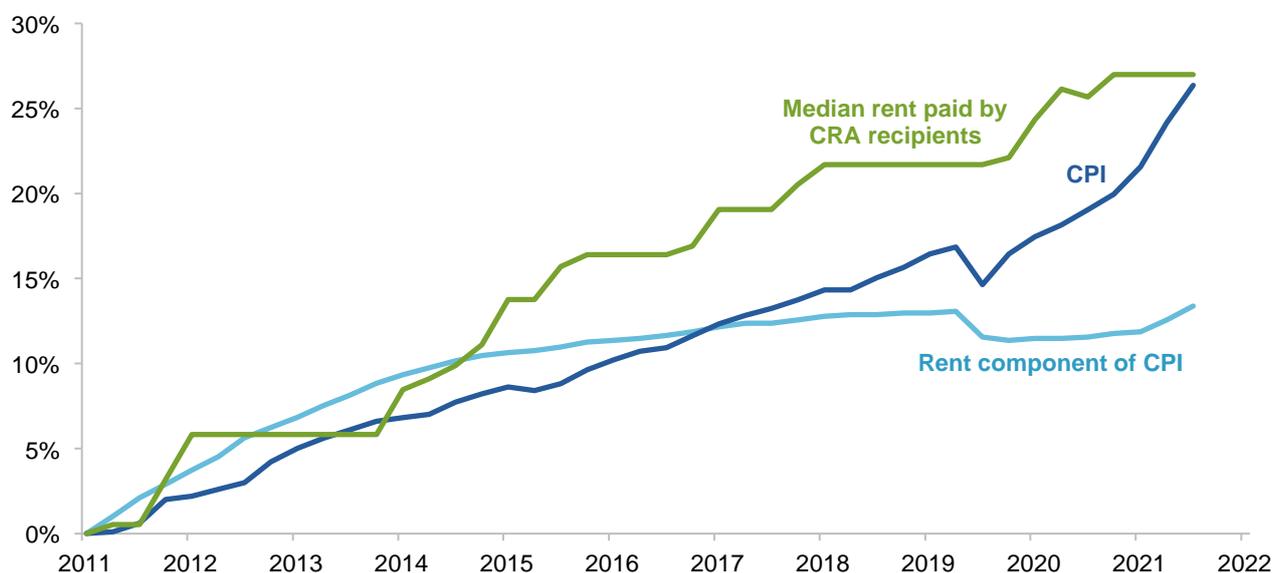
The value of CRA has declined, relative to rents, over time. This is because the minimum and maximum thresholds for CRA payments are indexed to the consumer price index (CPI), which tracks changes in the price of a consistent basket of goods and services, including rent, food, clothing, health and transport services. Since 2011, the CPI has increased more slowly than rents paid by CRA recipients (and the general community) (figure 9.12; PC 2019b, pp. 114–115).

CPI is weighted by spending across all households, meaning that it is more heavily influenced by the spending patterns of higher-income (and higher-spending) households, who are less likely to rent (Harmer 2009, p. 60). Rents make up just 6 per cent of the CPI basket (ABS 2021a), but absorb 35 per cent of the median CRA recipient household’s income.²⁶ Consequently, fluctuations in rents can have a much larger effect on CRA recipients’ cost of living than is captured in CPI.

The proportion of recipients whose rent exceeds the maximum threshold has grown over time. In June 2022, 79 per cent of recipients paid enough rent to receive the maximum rate of assistance, so they see no change in CRA payments if their rent increases (DSS 2022a).

²⁶ Commission estimates using unpublished DSS administrative data, June 2022.

Figure 9.12 – CRA recipients' rents have increased faster than other rent and price indexes^a
Percentage change since December 2011



a. CPI is the Consumer Price Index. The rent component of CPI is calculated by tracking changes in a consistent sample of capital city rental properties. It includes both private rents and public housing rents (ABS 2019a).

Source: Commission estimates using ABS (*Consumer Price Index, Australia, June 2022*, Cat. no. 6401.0) and unpublished DSS administrative data.

CRA payments are not well-targeted

There is also evidence that CRA, as currently designed, is not equitable. Some payments might not be targeted to people in most need of assistance, and people in similar circumstances might be treated differently because of their eligibility (or otherwise) for income support.

Some people receiving CRA appear to be in financially secure positions.

- About 27 per cent of CRA recipients had household income in the top three quintiles of the equivalised disposable income distribution in 2019-20 (including 6 per cent in the top two quintiles).²⁷
- About six per cent had wealth in the top three quintiles of the equivalised wealth distribution. In part, this is because income support recipients remain eligible for the full value of CRA even if their primary payment is reduced because their income or assets exceed the relevant thresholds (box 9.8). For example, part pensioners are eligible for the full value of CRA.²⁸ The median asset value for CRA recipients receiving a pension was \$12 120 in June 2022, but there was a long tail. The 75th percentile of assets was \$59 313, and the 95th percentile was \$302 946.

These households have greater capacity to self insure against fluctuations in rents and are less likely to experience material deprivation and poverty due to their rent payments. About 28 per cent of CRA recipients would not experience rental stress if they did not receive CRA — including 64 per cent of households receiving FTB only.²⁹

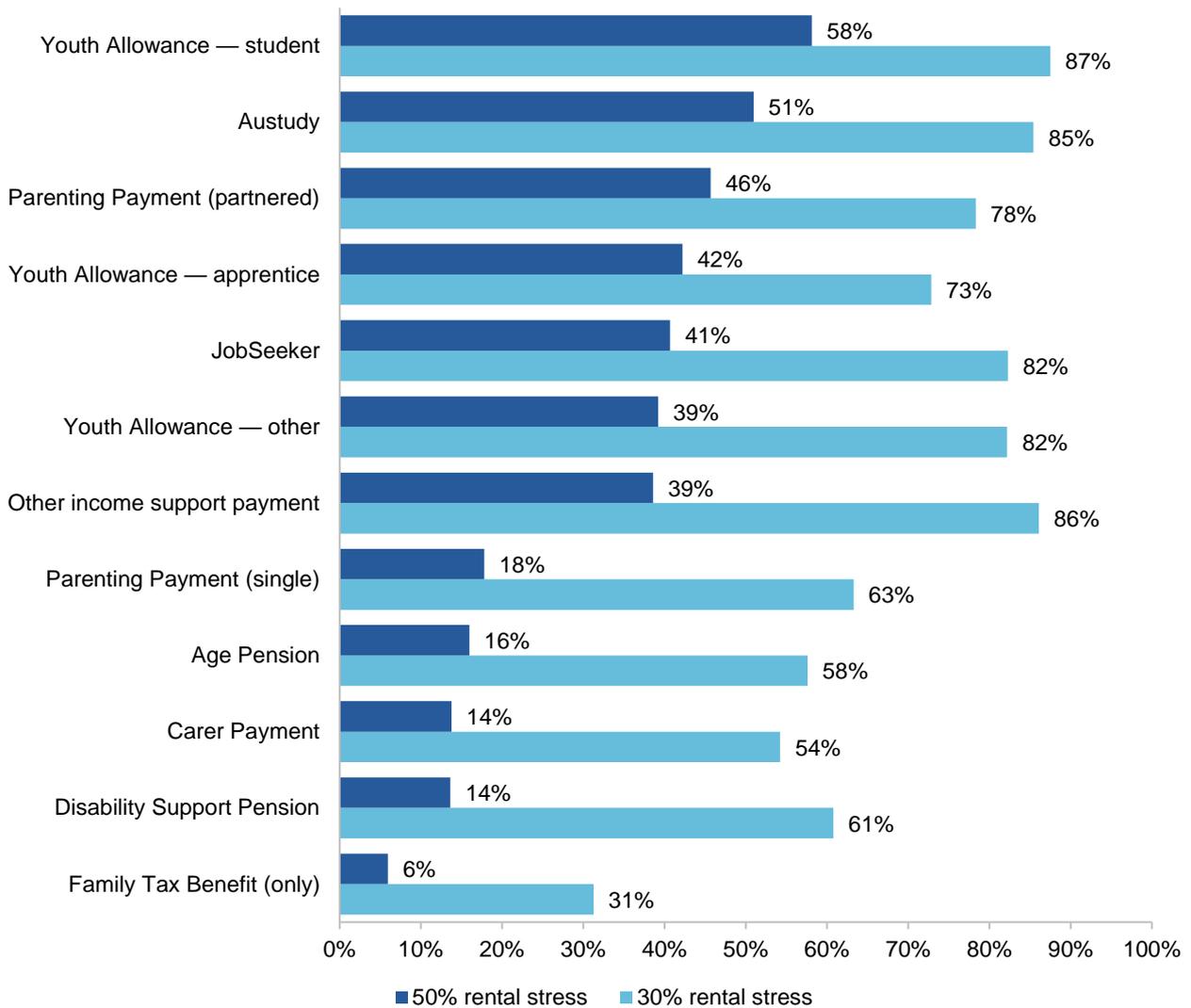
²⁷ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

²⁸ For example, CRA comprised over half of total income support payments for about 2.5 per cent of CRA recipients (about 33 000 households) in June 2022 (suggesting that most of their primary payment had been withdrawn). Payments to this cohort total about \$103 million each year (Commission estimates using unpublished DSS administrative data).

²⁹ Commission estimates using unpublished DSS administrative data, June 2022.

On the other hand, some CRA recipients, particularly recipients of lower-value allowances, such as Youth Allowances, Austudy and JobSeeker, experience very high rent burdens, even after accounting for CRA (figure 9.13). For example, in June 2022, 87 per cent of households whose primary payment was Youth Allowance (student) spent more than 30 per cent of their income (including CRA) on rent, and 58 per cent spent more than half their income on rent. This compares to 16 per cent of Age Pension recipients spending more than half their income on rent, and 6 per cent of FTB recipients.

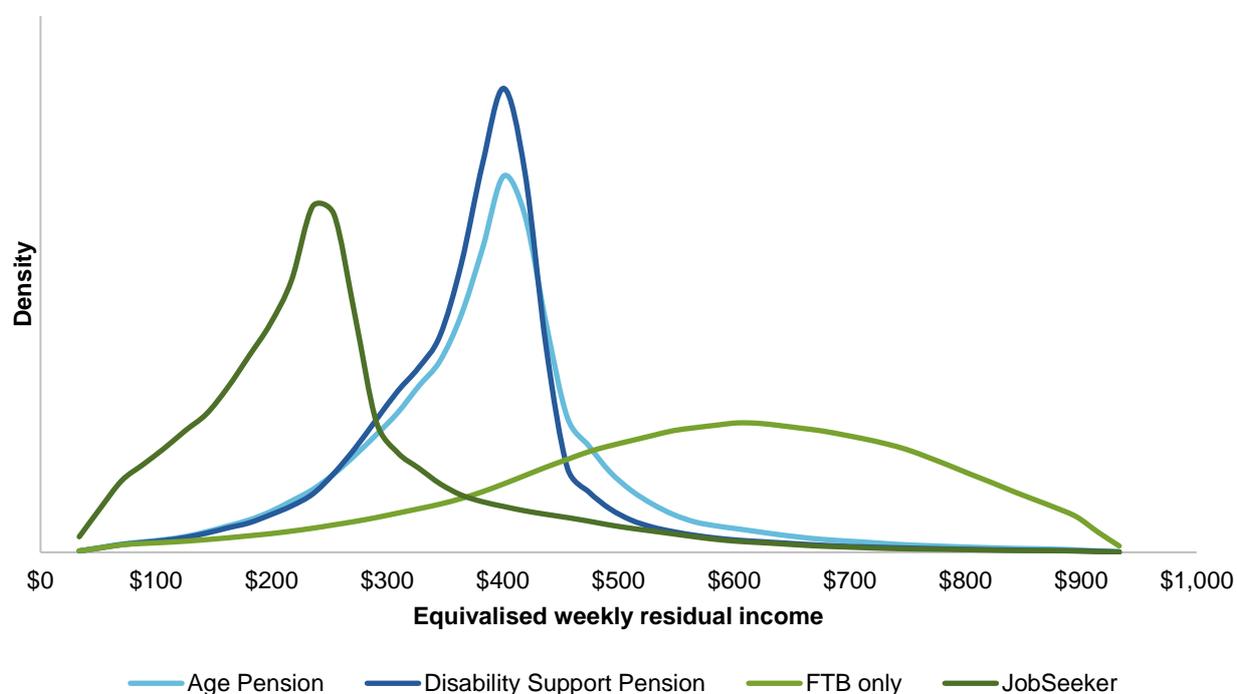
Figure 9.13 – Rates of rental stress vary with underlying payment type
CRA recipient households by primary payment type, June 2022



Source: Commission estimates using unpublished DSS administrative data.

The same pattern is evident for other affordability measures. Households receiving FTB tend to have more income left each week after accounting for CRA and rent than other recipients (figure 9.14). The median CRA recipient household whose primary payment was FTB had \$603 left each week after paying rent (in equivalised terms), compared with \$227 for JobSeeker recipients and \$392 for Age Pension recipients.

Figure 9.14 – Some CRA recipients have very little income left after paying for rent^a
Weekly equivalised residual income, CRA recipient households, June 2022



a. Equivalised weekly residual income is total income plus CRA less rent, equivalised using the modified OECD scale (box 9.2).
 Source: Commission estimates using unpublished DSS administrative data.

There is a strong case for changes to CRA

In light of its limited effectiveness in easing rental stress, inquiries for over a decade have called for CRA to be reformed (Henry et al. 2009; HRSCSPLA 2021b; Reference Group on Welfare Reform 2015; SCARC 2022, p. 107; Senate Economics References Committee 2015). Many participants to this review echoed these calls (for example ACT Government, sub. 95, p. 6; ACT Shelter and ACTCOSS, sub. 65, p. 4; NSW Government, sub. 69, p. 6; Northern Territory Government, sub. 104, p. 4; Queensland Government, sub. 27, p. 3; The Salvation Army, sub. 42, p. 19; Victorian Government, sub. 97, p. 15).

There is a strong case for changes to CRA to address issues with its sufficiency and fairness. As outlined above, some recipients experience very high rent burdens, suggesting that the payment does not adequately recognise some renters' higher housing costs and additional need for assistance. And there may be scope to better target the payments to those most in need of assistance.

To inform what change is needed and how it should be implemented, the Australian Government should review CRA. This review should cover all aspects of the payment design (including minimum and maximum rates, the co-payment rate, indexation, income tapering and eligibility) with the aim of improving the sufficiency, fairness and effectiveness of the payment.

The review should also consider how changes to CRA will affect, and interact with, other housing and social policies of both the Australian and State and Territory Governments. For example, CRA is an important

source of funding for the community housing sector,³⁰ and it provides assistance to many people on social housing waiting lists or receiving other forms of housing assistance (such as tenancy support services). And CRA policy settings will affect the success of the Commission's recommended social housing reforms, including introducing a portable rental assistance model (chapter 7). This makes it particularly important that governments work collaboratively on reforming CRA and achieving the best housing outcomes across the housing spectrum.

Given its direct impact on rental affordability, and the scale of the program, CRA should be brought within scope of the next Agreement.³¹ The outcomes of the Australian Government's review of CRA should be a priority reform area under the next Agreement. CRA should also be reflected in the performance monitoring and reporting framework, with the development of relevant outcomes and measures informed by the review of CRA, as well as the work on new rental affordability measures (recommendation 9.1).



Finding 9.2

There is a strong case for changes to Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is the Australian Government's largest housing assistance measure. It is designed on sound principles — CRA is flexible, portable and responds to changes in renters' circumstances. But issues of sufficiency and fairness need to be addressed.

- Many CRA recipients experience high rent burdens and have little income left to afford other essentials after paying for rent.
- The value of the payment has declined over time, relative to rents, reducing its effectiveness.
- Some relatively well-off households, whose rent payments appear affordable, receive the payment.



Recommendation 9.2

The Australian Government should review Commonwealth Rent Assistance

The Australian Government should review Commonwealth Rent Assistance. It should assess all aspects of the design of the payment (including minimum and maximum rent thresholds, the co-payment rate, indexation, income tapering and eligibility), with the aim of improving the sufficiency, fairness, and effectiveness of Commonwealth Rent Assistance.

³⁰ The total annual value of CRA payments to households renting from 'other housing organisations' (mainly community housing providers) was approximately \$291 million as at June 2022 (Commission estimates using unpublished DSS administrative data).

³¹ CRA is currently outside the scope of the NHHA (para. 5).



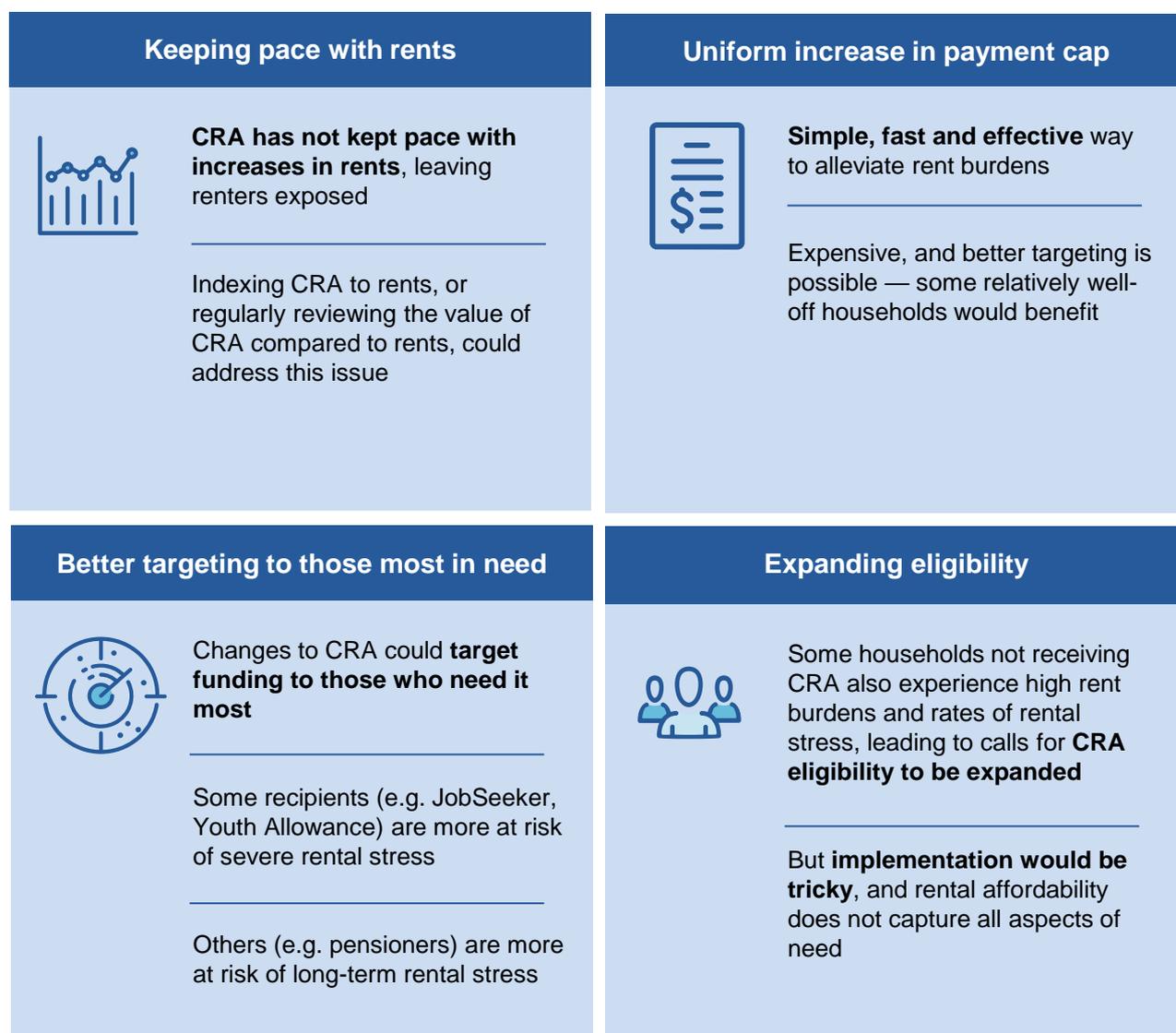
Recommendation 9.3

Commonwealth Rent Assistance should be within the scope of the next Agreement

Commonwealth Rent Assistance (CRA) should be brought into the scope of the next Agreement (recommendation 5.3). Informed by recommendations from the Australian Government's review of CRA (recommendation 9.2), changes to CRA should be a reform area in the next Agreement and CRA should be included in the performance monitoring and reporting framework.

The Commission conducted some preliminary analysis to inform directions for CRA reform. This section examines four proposed reforms (figure 9.15).

Figure 9.15 – Some options for CRA reform



Maintaining the value of CRA, relative to rents, over time

Many study participants highlighted indexing CRA to rents, rather than CPI, as an area for potential reform (Grattan Institute, sub. 70, p. 14; REA Group, sub. 48, p. 3; YWCA Canberra, sub. 18, p. 5). For example, NSW Government said:

CRA currently lacks sufficient depth to be a meaningful subsidy, which is partly due to the method for calculating the rate of CRA (pegging CRA to CPI) instead of linking it to the cost of housing. (sub. 69, p. 23)

Indexing CRA to rents is consistent with an aim of recognising renters' higher housing costs, and limited ability to adjust to rent shocks without sacrificing other necessities (Harmer 2009; Henry et al. 2009). But there is no clear candidate for indexation.

- Indexes of advertised rents would not be a good choice, because they are much more volatile than actual rents paid (section 9.2). And they only reflect new leases, which means that they are a poor reflection of rents paid by CRA recipients, who tend to move less frequently than other private renters.³²
- The rents component of CPI is a poor reflection of actual rents paid by CRA recipients. It is calculated by tracking changes in a consistent sample of capital city rental properties (including public housing properties) (ABS 2019a), so it does not fully capture improvements in the quality of the aggregate housing stock over time, nor conditions in regional rental markets (where 40 per cent of CRA recipients live).³³ In the 10 years to June 2022, the median rent paid by CRA recipients increased 26 per cent, whereas the rents component of CPI increased only 11 per cent (figure 9.12).
- Indexing to rents paid by CRA recipients (based on data collected by Services Australia, which delivers CRA payments) would more accurately reflect recipients' actual housing costs (Grattan Institute, sub. 70, p. 14). But this could increase the risk that CRA would pass into rents (Viren 2013, p. 1515; discussed below). If idiosyncratic factors led to rent inflation in one part of the rental market, CRA would increase, further expanding low-income renters' capacity to pay, potentially leading to higher rents in that submarket.
- Indexing to the 25th percentile of actual rents paid by all households for one and two bedroom dwellings in capital cities (as recommended by Henry et al. (2009)) would strike a balance between the risks of too wide or too narrow a frame. But, at present, the main source for this data is the ABS' Survey of Income and Housing, which is only collected every two years.

The review of CRA should examine these, and other, indexation options. But it should also consider alternative approaches. Regular, scheduled appraisals of the relative value of CRA may be a more tractable alternative than indexation (Harmer 2009). Appraisals could consider a variety of indicators (including actual rents and asking rents), assess the effect that changes in rents have had for the welfare of renters compared with other income support recipients, and recommend adjustments to the maximum rate of CRA. This approach would reduce some of the risks of automatic CRA increases passing into rents and allow a range of data sources to be used. It would be important for the purpose and benchmarks for the appraisals to be specified ahead of time, to ensure that there was transparency and consistency in the approach. The review of CRA could consider data sources and benchmarks for these regular appraisals.

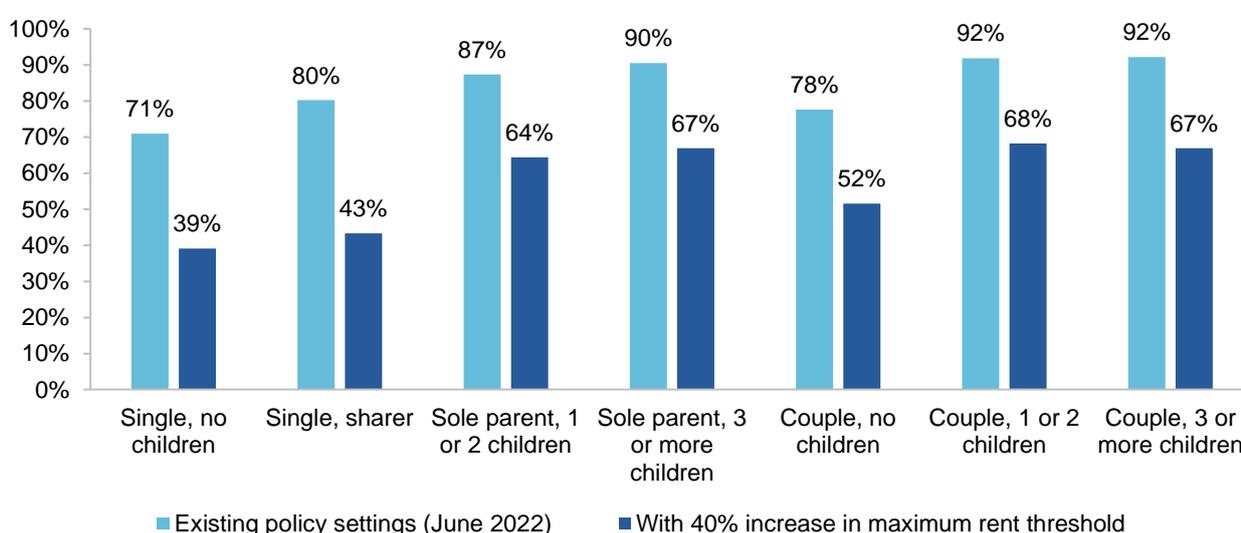
³² In 2019-20, 22 per cent of private renters who received CRA had lived in their current dwelling for less than a year, compared with 33 per cent of non-recipient private renters. Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

³³ Commission estimates using unpublished DSS administrative data, June 2022.

A uniform increase in CRA would alleviate rental stress for many...

Many participants called for an increase in the maximum rate of CRA³⁴ to alleviate affordability pressures for many vulnerable renters. A uniform increase would be a simple, fast and effective way to deliver relief for many renters. For example, figure 9.16 shows the effect that a 40 per cent increase in the maximum rent threshold would have on the maximum payment available for all household types. Under this scenario, about 49 per cent of households would be eligible for the maximum rate of assistance — compared with 79 per cent under existing policy settings.³⁵

Figure 9.16 – A 40 per cent increase in the maximum rent threshold would reduce the number of households receiving the maximum rate of assistance^a
Proportion of CRA recipient households paying enough rent to receive the maximum rate of assistance



a. Assuming rents paid do not change if the maximum rent threshold increases.

Source: Commission estimates using unpublished DSS administrative data, June 2022.

Increasing the maximum threshold only benefits CRA recipients paying relatively high rents, so assistance would be somewhat targeted toward those with relatively high housing costs. But this reform option would be costly. Treasury (2020) estimated that a 40 per cent increase would cost \$1.7 billion in 2019-20.

Past inquiries and research have raised concerns that increases to CRA would pass into higher rents (Ong et al. 2020; PC 2010, p. I.13; Senate Economics References Committee 2015, p. 390; Stone et al. 2016, p. 71).

On balance, this effect is likely to be small (box 9.9). CRA serves as an income supplement, not a rental subsidy, so increases in CRA will not translate one-for-one into increases in housing demand.

³⁴ For example, Anglicare Southern Queensland, sub. 28, p. 7; Grattan Institute, sub. 70, p. 14; Launch Housing, sub. 36, p. 4; McAuley Community Services for Women, sub. 24, p. 2; Mind Australia, sub. 103, p. 3; Shelter WA, sub. 98, p. 17; Yfoundations, sub. 94, p. 15; YWCA Canberra, sub. 18, p. 5.

³⁵ The proportion of recipients actually receiving the maximum payment would be smaller than this, because CRA payments are tapered as recipients' incomes exceeds certain thresholds (box 9.8).

Box 9.9 – Will increases in CRA increase market rents?

Theoretically, an increase in CRA could increase rents across the market.^a Because the supply of low-cost dwellings in Australia is relatively slow to respond to changes in demand (due to inelastic supply (chapter 12)), an increase in CRA could just lead to more dollars chasing the same number of housing units, pushing up rents. On the other hand, if an increase in CRA lowers the chance that tenants fall into rental arrears, it could dampen rents as landlords would have less need to build in a buffer against non-payment of rent (Desmond and Wilmers 2019; Harrison et al. 2021). There is limited evidence to assess the magnitude of these effects.

On balance, the impact of an increase in CRA on rents is likely to be small. As CRA mainly serves as an income supplement, rather than a rent subsidy (discussed above), the key question is how much of an extra dollar of income recipients will spend on housing. This has been estimated to be between 30 and 40 cents in Australia (Costello et al. 2019; Selvanathan et al. 2021; Wong, Selvanathan and Selvanathan 2017). But there are several factors that might distinguish CRA from other income.

- CRA recipients have lower incomes than the average Australian, which might affect their propensity to spend a marginal dollar on housing. The literature is inconclusive on this point. Early Australian work suggested that low-income households were likely to spend extra dollars on non-housing consumption — maybe because they had scrimped on other spending to afford an acceptable level of shelter (Baker et al. 2013; Burke et al. 2007; Foard 1995). But some international studies suggest that low-income households might have higher housing income elasticities than average (Zheng et al. 2018).
- Many households receive CRA for short spells of less than a year (Yanotti et al. 2021). Moving house is costly and disruptive, and rents adjust infrequently once a tenancy has commenced (Bentley 2021). These factors may dampen the effect of changes to CRA on housing demand and rents.
- Some research suggests that households' decisions can be affected by the label on a transfer payment ('rent assistance' in this case). Households tend to spend more of the payment on the labelled good than they would if it were unlabelled — so recipients may spend more of an extra CRA dollar on rent than they would other income (Abeler and Marklein 2017; Beatty et al. 2014).

If housing demand does increase, it could manifest in two ways (or a combination of the two).^b

1. Renters could consume better-located, less-crowded or better-quality housing. There is some evidence that rental subsidies have this effect overseas (Eriksen and Ross 2015; Hyslop and Rea 2019; Ross, Shlay and Picon 2012).
2. Landlords could capture part of the increase in CRA, in a pure price effect. The empirical evidence on the magnitude of this effect is mixed. Several well-designed studies have found that most (70–100 per cent) of the value of changes to rental subsidies stays with renters (Brewer et al. 2019; Eerola and Lyytikäinen 2021; Eriksen and Ross 2015; Sayag and Zussman 2020). But landlords might capture a larger share when rental subsidies are available to a larger share of the population or generous relative to tenants' needs, or when the supply of rental properties is very inelastic (Brewer et al. 2019; Fack 2006; Laferrere and Le Blanc 2004; Viren 2013).

This underscores the importance of supply-side reforms to make rental markets more responsive (section 9.3). More responsive supply will reduce the chance that an increase in CRA passes straight into

Box 9.9 – Will increases in CRA increase market rents?

rents and make it easier to accommodate shifts in demand toward better-quality housing (Brackertz, de Silva and Fotheringham 2015; Colburn 2019; Lens 2013).

The risk of an increase in CRA passing into rents is higher for larger or less-targeted increases. If maximum rent thresholds increased substantially, such that the majority of CRA recipients were no longer receiving a capped maximum payment, housing demand would probably increase more. Recipients under the maximum threshold would only pay 25 cents for each \$1 of additional rent, meaning that the price of extra housing consumption would be cheap relative to other goods and services, potentially bolstering housing demand (Fack 2006; Laferrere and Le Blanc 2004). And renters would have less incentive to negotiate with landlords or seek out the cheapest property, because CRA would cover the majority of any rent increase.

a. The situation is different for CRA recipients renting social or affordable housing from community housing providers. These providers generally receive the full value of their tenants' CRA payments to (partly) offset the difference between market rent and the subsidised rent paid by tenants. So, in these cases, the full value of the CRA increase would generally pass to the landlord — but market rent would not be affected. **b.** The limited Australian empirical work (Ong et al. 2020) does not distinguish between these effects, nor does it fully account for selection bias that might mean CRA recipients' demand for housing differs from non-recipients'.

The risk of CRA increases passing into rents is greater when vacancy rates are very low and supply is relatively inelastic. This means that the risk can be reduced through reforms that increase the responsiveness of supply (chapter 12). CRA changes could also be designed to reduce the chance that increases pass into rents. For example, decreasing minimum rent thresholds (rather than increasing maximum thresholds) would increase the amount of assistance reaching recipients without changing the relative price of housing, minimising potential distortions. But this approach would be less targeted to households with the highest housing costs. The review of CRA should investigate evidence regarding the potential effect of CRA increases on rents to assist in weighing up these conflicting aims.

Even if there is some pass-through into rents, CRA likely remains one of the most effective housing assistance options. It has many advantages compared with spending on other 'affordable housing policies' that tie assistance to properties (chapter 8).

... but better-targeted reform may be possible

Spending on CRA — or a given budget for increased spending on CRA — could be better targeted to private renters most in need of assistance.

Eligibility for FTB recipients?

Past reviews have recommended that CRA recipients receiving only FTB Part A should not be eligible for the payment.³⁶ Henry et al. (2009, p. 604) argued that the FTB payment, rather than CRA, should account for the additional housing costs associated with having children. They also argued that '[r]emoving eligibility for parents whose income exceeds income support cut-offs is consistent with the greater targeting of Rent Assistance to need' (p. 612). This is consistent with the Commission's findings that CRA recipients receiving only FTB Part A generally have higher residual incomes and experience lower rates of rental stress than recipients of other payments.

³⁶ CRA payments to households whose primary payment is FTB Part A comprise 10 per cent of total spending on CRA, or about \$450 million each year (Commission estimates using unpublished DSS administrative data, June 2022).

But rental affordability measures can only guide policy so far. Renting can impose other costs on families, such as the disruptive effect that regular moves can have on children's education (PC 2019b, p. 86), which CRA might partly compensate. And FTB interacts with other income support payments. All income support recipients with children receive the maximum rate of FTB — in June 2022 about 66% of households receiving FTB and CRA received another income support payment as their primary payment.³⁷ Removing CRA eligibility for FTB recipients could increase effective marginal tax rates for people with children moving off income support payments. The workforce participation decisions of parents — especially second income earners, typically mothers — tend to be particularly sensitive to these incentives (Kalb 2017).

A review of CRA should weigh up the potential targeting benefits of removing eligibility for FTB recipients with these other factors, taking into account the interactions between CRA, FTB and the broader income support system.

Non-uniform changes to minimum and maximum rent thresholds?

Another targeting option is differential changes to minimum and maximum rent thresholds according to recipients' primary payment or household type. For example, larger increases in the maximum rent threshold for some cohorts of recipients would target payments toward those cohorts, especially those households paying higher rents. Increasing the minimum rent threshold for other cohorts would take away CRA from people paying relatively low rents (Henry et al. 2009).

Deciding which cohorts to target would not be straightforward. As discussed in section 9.2, there is no single reliable measure of rental affordability. Different affordability metrics might point in different directions.

- Measures that focus on the depth of rent burdens, or residual incomes, might point towards households experiencing the most severe rental stress at a point in time. In June 2022, households receiving lower-value allowances (such as Youth Allowance) were more likely to experience severe rental stress (discussed above).
- Measures that focus on the duration of rental stress might point towards households experiencing more persistent rental stress. Households receiving pensions are more likely to fit this category, because they tend to remain on government payments for longer periods of time (Yanotti et al. 2021, pp. 27, 30).

A review of CRA should examine a range of measures of rental affordability, as well as general measures of financial stress and deprivation (Phillips and Narayanan 2021; Phillips, Webster and Gray 2018), when considering options to better target CRA.

Varying minimum and maximum rent thresholds by payment type would add complexity to the system, especially because rent thresholds also vary by household type. This might make the system less transparent and harder to navigate, and could affect transitions between (or off) payments. For example, if JobSeeker or Parenting Payment rent thresholds were higher than FTB rent thresholds, parents might be discouraged from seeking employment opportunities. On the other hand, stable and secure housing is a precondition for social and economic participation (chapter 3), so too-low CRA could itself be a barrier to employment.

Adjusting rent thresholds by household type alone (as suggested by Ong et al. 2020, pp. 50–51) would avoid some of these issues. For example, a larger increase in the maximum threshold for single people without children would be consistent with the aim of targeting the most severe rental stress, because these households tend to experience higher rent burdens (figure 9.10). But this would be a less granular and

³⁷ Commission estimates using unpublished DSS administrative data. The data do not distinguish between FTB-eligible children and regular care children, so this estimate is indicative only.

targeted approach than varying thresholds by payment type, and the challenge of defining cohorts in most need would remain.

Geographic variation in maximum rent thresholds?

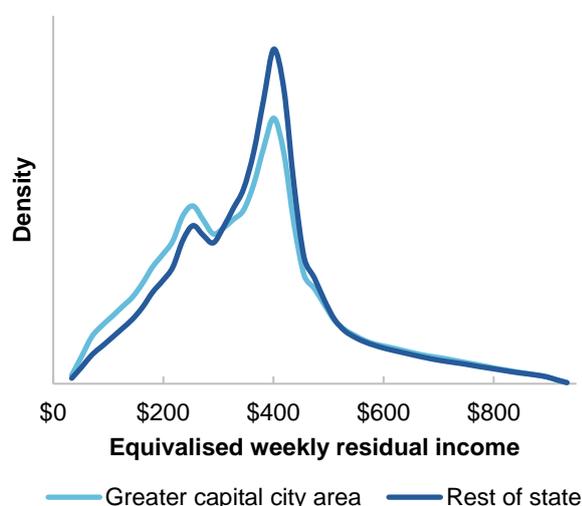
Another option to target CRA is increasing the maximum rent threshold for people living in high-cost locations. Rental prices vary significantly across the country (section 9.2), yet the maximum rate of CRA is uniform. CRA recipients in capital cities tend to have less income left after paying rent (figure 9.17, panel a), and experience higher rates of rental stress, which could be a barrier to geographic labour mobility (PC 2014a).

But unmeasured costs and benefits complicate simple comparisons of housing costs between households in different locations (chapter 3). People living in urban areas enjoy additional benefits such as cheaper transport costs and access to better services (Henry et al. 2009, p. 614; PC 2020g, p. 65).

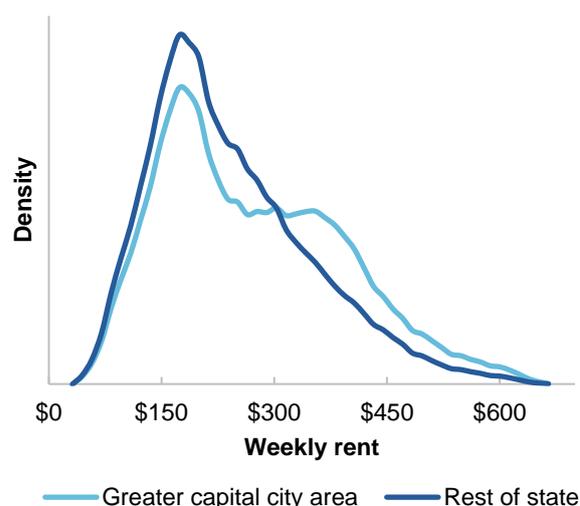
Figure 9.17 – Capital city renters pay higher rents and have less income left after paying rent^a

CRA recipient households, June 2022

a. Distribution of equivalised residual income



b. Distribution of weekly rent paid



a. Equivalised weekly residual income is total income plus CRA less rent, equivalised using the modified OECD scale (box 9.2). Source: Commission estimates using unpublished DSS administrative data.

Both the NSW Government (sub. 69, p. 23) and Victorian Government (sub. 97, p. 15) highlighted variations in housing costs across the country, and the Council of Capital City Lord Mayors observed:

CRA is also paid at an even rate across the country, which means recipients in high rent areas receive the same assistance as those in low rent areas. As a result, recipients living in higher rent areas, such as capital cities are further disadvantaged. (sub. 53, p. 15)

Targeting CRA payments to households in most need is consistent with the Commission's principles for housing assistance (chapter 5). But varying the minimum and maximum rent thresholds by geography would be a crude way to achieve better targeting. Rents vary within regional and urban areas (figure 9.17, panel b), so a simple regional adjustment would poorly reflect differences in rent paid between recipients.

The other CRA reform options discussed, such as an across-the-board increase in the maximum rent threshold, would target CRA expenditure more towards those paying relatively high rents, and so would have

the effect of providing more relief to capital city renters — without disadvantaging regional renters in relatively high-rent areas (McNamara, Tanton and Phillips 2007).

Should eligibility for CRA be expanded to all low-income private renters?

Because CRA eligibility is linked to receipt of an income support payment, not all low-income private renters receive CRA.³⁸ For example, people in Australia on temporary visas are excluded from income support payments, and several participants argued that income support should be expanded to these temporary migrants (RANZCP, sub. 12, p. 5; Yfoundations, sub. 94, p. 15). Homelessness NSW submitted that this lack of access 'has likely resulted in increases to homelessness' for these migrants (sub. 40, p. 30).

Low-income workers without children are also generally ineligible for income support and CRA (Ong et al. 2020). 86 per cent of low-income private renter households that do not receive CRA have a household head who is employed, and two-thirds do not have any dependent children.³⁹

Low-income private renters who are not currently eligible for CRA experience high rent burdens. For example, about 64 per cent of households spent more than 30 per cent of disposable income on rent, and about 22 per cent spent more than half their income on rent (figure 9.18). Many participants drew attention to affordability pressures for these renters (ACT Shelter and ACTCOSS, sub. 65, p. 6; AHURI, sub. 52, p. 23; NSW Government, sub. 69, p. 24). For example, The Salvation Army said:

Beyond those experiencing unemployment, housing affordability is a significant concern for many in our client base who are fully, or partially engaged in employment. Those in jobs, particularly in part-time or casual employment whose income may fluctuate from week to week, have become an increased proportion of our service community, particularly throughout the implications of the COVID-19 pandemic. Yet people in this cohort are ineligible for rental assistance. (sub. 42, p. 19)

There have been calls for CRA eligibility to be expanded to recognise the high rent burdens experienced by some low-income workers outside the income support system (Campbell, Parkinson and Wood 2014). For example, Ong et al. (2020) suggested that all households who pay more than 30 per cent of their income on rent could receive CRA, regardless of whether the household received an income support payment. They argued that this would improve the targeting of CRA and reduce the total number of CRA recipients (because those paying less than 30 per cent of income on rent would be excluded), lowering Australian Government expenditure on CRA by \$1.2 billion (in 2017 dollars).

There is no doubt that many low-income workers face rental affordability challenges. But introducing regular fortnightly payments for a sizeable number of working Australians would be a big shift in the scope and goals of the income support system.⁴⁰ Making such a significant change on the basis of rental affordability measures alone would be unwise — as discussed in section 9.2, point-in-time measures of rental stress are not strongly correlated with financial stress or deprivation. And disadvantage is a multidimensional concept, encompassing income, access to opportunities, social inclusion and capabilities (McLachlan, Gilfillan and Gordon 2013). Low-income private renters not receiving CRA generally have higher employment rates than CRA recipients, as well as higher equivalised income, residual income and wealth (figure 9.18).

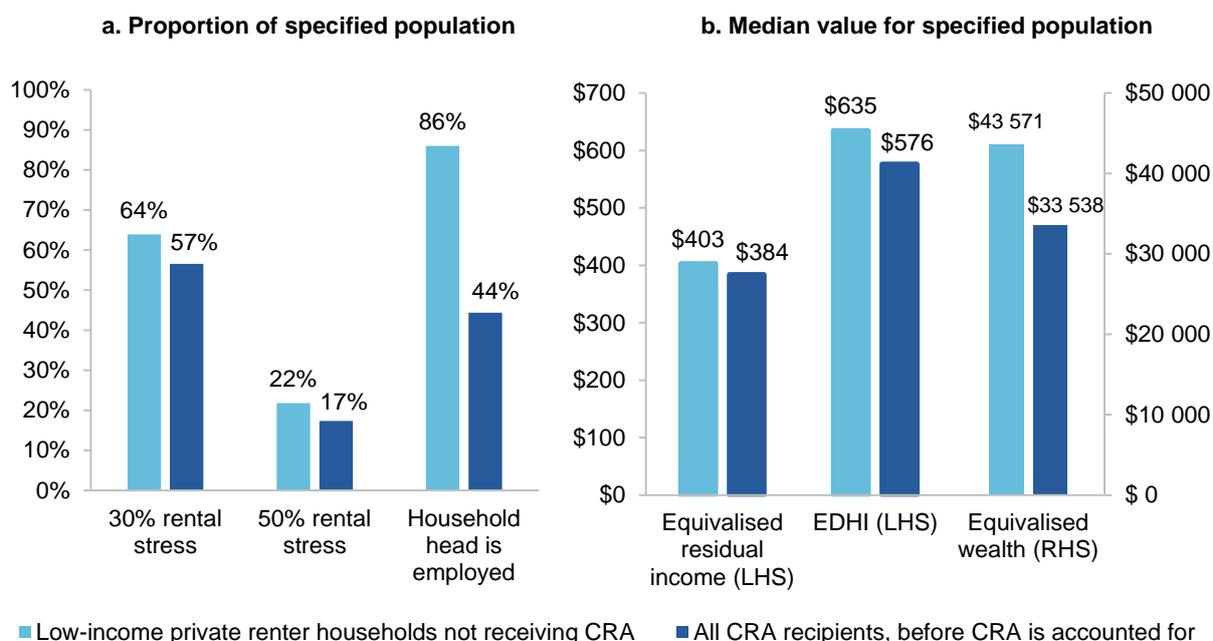
³⁸ Some low-income private renters who do receive an income support payment, and should be eligible for CRA, are not able to claim the payment because they have an 'under the table' rental arrangement in the informal sector (Parkinson, James and Liu 2018, p. 59).

³⁹ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

⁴⁰ About 395 000 households were renting in the private market, in the bottom two quintiles of the equivalised disposable household income distribution and not receiving CRA in 2019-20. Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Figure 9.18 – Comparison of renters eligible and not eligible for CRA, before accounting for CRA^{a,b}

Households, 2019-20



a. CRA payments are excluded from calculations (for example, equivalised disposable household income reflects the equivalised value of disposable income *less* CRA), to allow comparison of households before CRA has been paid (assuming receipt of CRA does not affect behaviour). **b.** Households are classified as low income if they fall in the 3rd to 40th percentile of the equivalised disposable household income (EDHI) distribution.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

A significant expansion of CRA would also likely affect work incentives. Withdrawing the payment once workers pass a particular income threshold (and no longer meet the definition of *low-income* private renters) could create high effective marginal tax rates, potentially discouraging some workers from taking on extra hours of work or promotions. On the other hand, the expansion could lessen the effective marginal tax rates faced by people transitioning from unemployment to employment, because they could retain CRA.

More widespread rent assistance payments would be more likely to inflate rents (box 9.9) and could distort the rental market in other ways. A payment tied to experiencing rental stress would dampen renters' incentives to negotiate rents, downsize, buy a house or otherwise adjust their housing choices as their circumstances changed. And landlords may strategically set rents in response to the program — for example, rental prices could bunch just above 30 per cent of the full-time minimum wage.

Expanding CRA would face other implementation challenges. The Australian Government does not have a clear head of constitutional power to provide regular housing assistance payments that are not attached to other social security payments (Ong et al. 2020). It may need to make grants to State and Territory Governments to implement any expansion, introducing further complexity. And there is no regular data collected on the rents and incomes of all Australians, meaning that (without a significant investment in data collection), eligibility for the payment could not be determined in real time. Other, more general ways of delivering assistance to low-income workers, such as tax credits, would face fewer hurdles.

9.5 Security, quality and accessibility in the private rental market

Security of tenure, the safety and quality of rental properties, and the accessibility of the rental market can make a big difference to renters' experiences. These aspects of the rental market matter for renters' wellbeing (chapter 3). They can also affect how attractive the private rental market is compared with other tenure types. For example, home ownership generally provides more stability and security than renting, which is one reason that many Australians aspire to buy a home (chapter 10). We heard from one renter who said:

I resent the fact that friends who have higher incomes, or partners, are rushing to get into the housing market as quickly as they can just because it's so crappy to rent ... Nobody is making it better for renters because people are looking after themselves, just trying to get out. (pers. comm., 30 March 2022)

What issues do renters experience?

Renters face insecure tenure

Most tenancies in Australia begin with a fixed-term lease (typically 6 or 12 months) and then move to either another fixed-term lease or a periodic tenancy without a fixed end date (Morris, Hulse and Pawson 2021, pp. 34–35).⁴¹

Most private renters' moves are voluntary, but in 2019-20 about 20 per cent of moves were due to a lease being terminated or not renewed.⁴² Some vulnerable renters — including older renters, people with disability or low levels of education are disproportionately likely to face involuntary moves (PC 2019b, p. 81).

Residential tenancy laws and regulations (discussed below) govern the conditions under which renters and landlords can end a tenancy and the notice period that each party must give, which often differ for fixed and periodic tenancies (PC 2019b, p. 122). The reasons that landlords can end periodic tenancies differ slightly from state to state, but generally include:

- breaches of the tenancy agreement, including rental arrears
- for the landlord, or their family, to move into the property
- for major renovations or demolition
- intended sale of the property.⁴³

There is no comprehensive data on why landlords end tenancies (PC 2019b, p. 83), but a New South Wales survey in 2020 found that the most common reasons were the end of a fixed-term or periodic agreement or sale of the premises (figure 9.19).

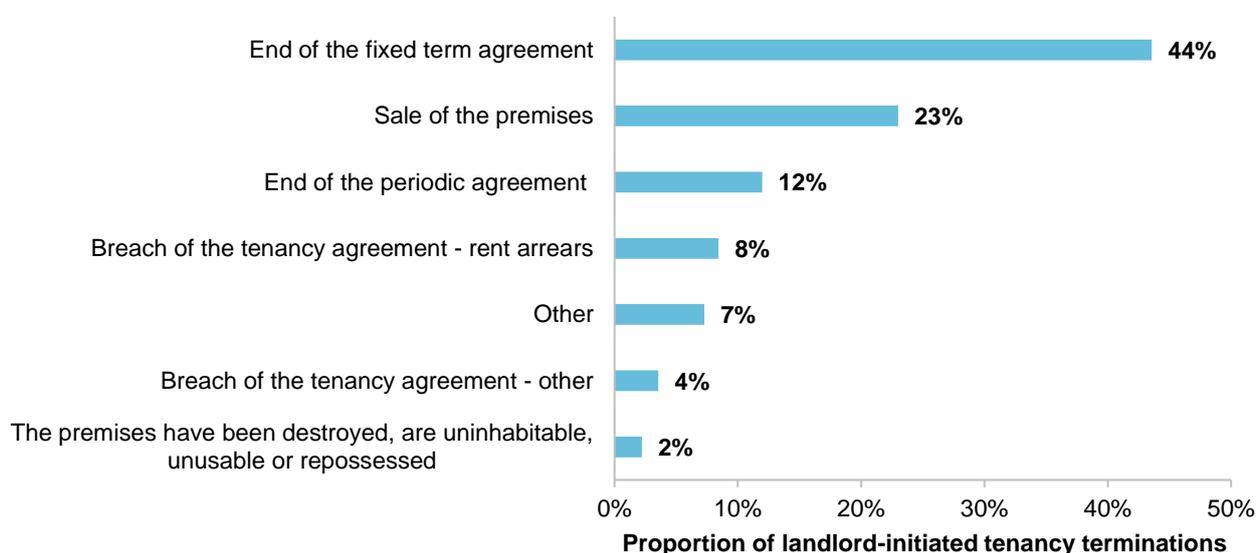
⁴¹ In most states there are no restrictions on the length of fixed-term tenancies. In general, long fixed-term tenancies are not desired by either tenants or landlords as both prefer the greater flexibility afforded by periodic tenancies (CAV 2015, pp. 10, 14).

⁴² Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001). Estimate based on reported main reason for last move, among private renters who also rented in the private market prior to their last move.

⁴³ *Residential Tenancies Act 1987* (WA); *Residential Tenancies Act 1995* (SA); *Residential Tenancies Act 1997* (ACT); *Residential Tenancies Act 1997* (Tas); *Residential Tenancies Act 1997* (Vic); *Residential Tenancies Act 1999* (NT); *Residential Tenancies Act 2010* (NSW); *Residential Tenancies and Rooming Accommodation Act 2008* (Qld).

Figure 9.19 – End of lease agreements and property sale are the most common reasons reported for landlords to end tenancies

Reasons landlord initiated end of tenancy, New South Wales, 2020^a



a. Data from NSW Fair Trading pilot bond exit survey (17 582 responses collected). The survey ran from 2 December 2019 to 30 March 2020 and 27 April to 11 May 2020.

Source: NSW Fair Trading (2021).

Regardless of the cause, the threat of an involuntary move can be a source of stress, particularly for renters without strong economic and social capital to draw on (Morris, Hulse and Pawson 2017; Tenants' Union of New South Wales and Marrickville Legal Centre 2019). One renter told the Commission:

There's no security. Never really feels like a home. You're aware that you're renting somebody's house. If there was a long term option, that would be wonderful. You're at the mercy of the market, and the landlord, and the real estate agents. (pers. comm., 30 March 2022)

Involuntary moves can impose financial costs, dislodge people from their communities and disrupt children's education (Desmond and Shollenberger 2015; Housing Older Women Movement, sub. 101, p. 11; PC 2019b, pp. 85–86; Tenants' Union of New South Wales 2022, p. 30).

The threat of an involuntary move can also discourage renters from asserting their other rights, such as asking for repairs. Tenants' Union of Tasmania argued that '[w]eak security of tenure undermines the operation of the entire protective regime' (sub. 79, p. 5). One renter told the Commission:

The landlord won't tell us until the last possible day whether the 6 monthly lease will be renewed. Every 6 months, we keep quiet, don't make any trouble. The house currently has water damage and is full of mould. We are keeping quiet about that, because the lease is ending in 2 weeks and the landlord hasn't said whether he'll renew it. (pers. comm., 30 March 2022)

Insecure tenure can impose particularly high costs on people with disability. People with disability often find it difficult to find suitable rental properties (discussed below), so search costs — and the risk of not finding a suitable property — are higher (Sharam et al. 2018, p. 31). They may also face higher moving costs

(CHOICE, National Shelter and National Association of Tenant Organisations 2018, p. 19) and disruptions to local support services. One carer of a person with disability told the Commission they were:

Thinking of relocating back up to Sydney because ironically it's cheaper up there now for a unit. This would involve transferring all of his NDIS services, TAFE etc back to Sydney — which would be a huge deal. (pers. comm., 30 March 2022)

Some rental properties are in poor condition or do not meet renters' needs

Overall, most renters are satisfied with their homes. About three-quarters of private renters reported that they were satisfied or very satisfied with their current dwelling in 2019-20.⁴⁴

In general, rental properties are in worse condition than owner-occupied properties, but better than social housing dwellings (Andersen et al. 2018b; Baker et al. 2016b). In 2019-20, 15 per cent of private renters reported that their current dwelling had major structural problems, compared with 9 per cent of owner-occupiers and 21 per cent of public housing renters.⁴⁵ Vulnerable renters (especially people who are unemployed, live with disability or rely on government payments) are particularly likely to live in rental properties that have major structural problems (PC 2019b, pp. 92–93). These issues are much worse in the informal and marginal rental market, where dwellings often violate basic safety standards (Gurran, Maalsen and Shrestha 2022).

A range of other dwelling quality issues can affect renters' health, including indoor mould (Coulburn and Miller 2022, p. 13) and inadequate heating and cooling (Daniel et al. 2021; Dignam and Barrett 2022a, 2022b; NACCHO, sub. 56, p. 8). There is some evidence that these issues also mean that renters pay more in energy costs (Best and Burke 2022).

People with disability face particular challenges finding rental properties that are safe and meet their needs (box 9.10). Accessible housing 'supports independence and social and economic participation' and is a key outcome area under Australia's Disability Strategy (chapter 5; DSS 2021a, p. 10). But few rental properties are accessible, and it can be difficult to secure permission from property owners to make modifications (Wiesel et al. 2015, p. 62).⁴⁶ Insecure tenure can compound these challenges. The National Disability Insurance Scheme generally only funds modifications to a rental property when the renter is likely to remain in the property for the long term, and renters themselves may be reluctant to invest when they are uncertain about how long they will be able to remain in a rental property (Franz et al. 2014, p. 18; Gwynn 2021).

⁴⁴ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

⁴⁵ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Major structural problems include rising damp, major cracks in walls/floors, sinking/moving foundations and a range of other issues.

⁴⁶ Under the *Disability Discrimination Act 1992* (Cth), renters have the right to modify a rental property within reason but must remove the modifications at the end of their tenancy (Franz et al. 2014, p. 18). In practice, this can be costly, and property owners can still be reluctant to permit modifications

Box 9.10 – Experiences of people with disability in the private rental market

Participants in the Commission’s disability consultation told us that people with disability face barriers to modifying rental properties to meet their needs:

We have examples where people with disability have requested modifications in private rentals — landlords can ‘cherry pick’ modifications that add value to the property and refuse [modifications] that are necessary because they do not want them to devalue [or] ‘damage’ the property.

We also have accounts of rents being raised due to modifications being implemented — making these homes that are accessible unaffordable. (pers. comm., 25 May 2022)

Similarly, Darwin Community Legal Service and North Australian Aboriginal Family Legal Service said:

In DCLS’ experience, people with a disability in the NT face considerable challenges in having their rental property modified. These modifications are either rejected because of the poor condition or unsuitability of the property or they are considered too costly or not worthwhile implementing given the fact that the property must be returned to its original state at the end of the tenancy. (sub. 89, p. 9)

We also heard that insecure tenure and poor rental affordability compound the challenges faced by people with disability.

I finally (with the assistance of a housing subsidy) got a private rental approximately four years ago. It was more suitable than couch surfing, but I still could not access the shower. I was there about a year and a half and was evicted as the owner was selling. I found another rental, this one even less suitable than the previous one. I could not access the shower at all, nor most of the house. I was there for a year and a half, and the owner again sold the property. My current property is even worse. Again, no access to a shower, no access to the front door and a very steep driveway I am unable to navigate. (survey respondent cited in Physical Disability Council of NSW, sub. 45, p. 6)

If I’m renting, I can’t make changes... most rentals that are affordable for someone on Jobseeker (Nobody gets DSP anymore) have original conditions inside which usually mean shower over large old bath. (survey respondent cited in Physical Disability Council of NSW, sub. 45, p. 11)

‘There is no equal plane’ — discrimination in the private rental market

Some people experience discrimination in the private rental market. In a recent survey, 4 per cent of private renters indicated that they had been refused rental accommodation in the past five years, and 7 per cent felt that they had been discriminated against in seeking rental accommodation.⁴⁷ And renters can experience discrimination even once they have found a property, for example, in the treatment of property maintenance or evictions (Greenberg, Gershenson and Desmond 2016; Maalsen et al. 2021, pp. 52–53).

Some people face direct discrimination in the private rental market, including in the informal rental market (EOC 2009; Flage 2018; Maalsen et al. 2021; VEOHRC 2012). Discrimination on the basis of age, disability, race, sex or other protected attributes is illegal (Maalsen et al. 2021, pp. 17–18) but can be difficult to prove,

⁴⁷ Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

because the decision-making process of landlords or real estate agents is not transparent. This is particularly the case when vacancy rates are low and there are many applicants for each available property.

Comprehensive data is lacking, but in surveys renters have reported direct discrimination on a range of characteristics, including:

- race (Andersen et al. 2018a; MacDonald et al. 2016; VEOHRC 2012, p. 11).
- disability or mental health (PC 2020e, pp. 969–970; VEOHRC 2012, p. 11)
- family structure (with single parents particularly likely to be refused rental properties) (Rowley and James 2018; VEOHRC 2012, p. 11)
- age (Tenants' Union of NSW and Youth Action 2021, pp. 10–11; VEOHRC 2012, p. 11).

Participants reported similar themes in submissions to this review (box 9.11).

Box 9.11 – Direct discrimination in the private rental market — what participants said

Southern Homelessness Services Network highlighted discrimination against a range of cohorts:

An exacerbating factor reported by SHSN members and consumers is discrimination in the private rental market. Real estate agents and landlords discriminate against low income people, especially those on Centrelink benefits, single parents, people from CALD backgrounds, Aboriginal and Torres Strait Islander people, LGBTIQ people, and people with disabilities and poor health/mental health, despite this being illegal. People who have poor or no rental history or those who have been blacklisted by real estate agents are at higher risk of homelessness. (sub. 29, att. 1, p. 24)

Participants pointed to the prevalence of discrimination against Aboriginal and Torres Strait Islander people (chapter 11; AHCWA, sub. 7, p. 3; ANTaR, sub. 15, p. 4; NACCHO, sub. 56, p. 9). Uncle Tom Slockee, chairperson of the SEARMS Aboriginal Corporation, reflected:

The opportunities for Aboriginal people to find decent housing is hindered by the racist attitudes and behaviour of private landlords and real estate agents. I would ask my Aboriginal friend who has light skin to approach the real estates and ask if they had properties for rent. He would be received favourable, and usually told yes there were homes for rent. However when the Aboriginal family in desperate need would front up to the office, they would be told that the houses were all gone. I experienced this myself when I left the Army and had the resources to rent privately but kept getting negative answers in my search for a place to rent. I eventually moved into a condemned property. (sub. 44, p. 13)

Tenants Victoria reported that people from the South Sudanese community in Melbourne's outer western suburbs experience racism when seeking rental properties:

One renter, a community worker herself, sums up the everyday struggles in Melbourne's West among this cultural cohort thus: 'You have to change your name to even view the rental house. I work full time; I have income and yet I have to change my name... We need help for our housing'.

Another community member told us: 'Real estate agents will not speak to an African girl who dresses well, will not even give her the application form even when she has a full-time job...' (sub. 47, p. 1)

Renters without a secure income, good rental history or understanding of ‘how the system works’ can also be at a disadvantage when navigating the private rental market (Short et al. 2008). This can systematically exclude groups of renters who lack these attributes. One Aboriginal and Torres Strait Islander housing provider noted:

In the private market, there is no equal plane. The winners tend to be people on higher incomes and people that might understand how to navigate the market. In addition, I think many of our clients still face systemic discrimination in markets. To assume that just providing choice means every consumer is on a level playing field is a bit false. (cited in Stone et al. 2016, p. 69)

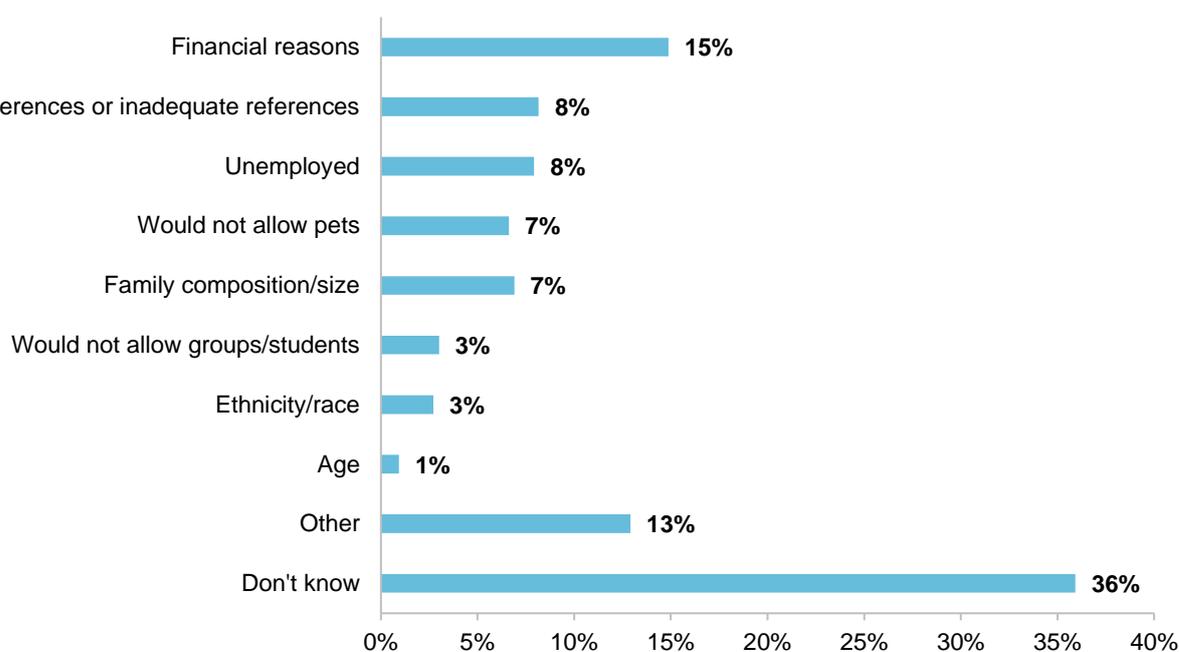
In particular, low-income earners (especially people whose main source of income is government benefits) are often perceived as riskier tenants and more likely to be refused rental accommodation, especially when vacancy rates are low (Blunden and Flanagan 2021; Parkinson, James and Liu 2018, p. 52; Short et al. 2008). In a recent survey, private renters most commonly reported being refused accommodation because of financial reasons (15 per cent), inadequate references (8 per cent) and unemployment (8 per cent; figure 9.20). This reflects the lived experience of renters:

For private rental I get overlooked as I am on a single parent Centrelink pension which cannot compete with a double income working family. (cited in SHSN, sub. 29, att. 1, p. 17)

The market is expensive plus I struggle with looking professional on resume — I am young man on low income competing against 10 others on real estate — it’s hard because you are dealing with families, and higher paid people all going for the same property. (cited in SHSN, sub. 29, att. 1, p. 17)

Figure 9.20 – Financial reasons and lack of references were the most common reasons for being refused rental accommodation^a

Per cent of private renters who reported being refused rental accommodation in the past five years, 2019-20



a. Renters do not have full insight into the decision-making process of real estate agents and landlords, so these are *perceived* reasons for refusal rather than *actual* reasons for refusal.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019-20*, Cat. no. 6541.0.30.001).

Policy responses to improve security, quality and accessibility

Reforming tenancy laws

Tenancy reform that encourages security of tenure in the private rental market is a national housing priority policy area in the NHHA. Several jurisdictions refer to residential tenancy legislation reform processes in their bilateral agreements and housing strategies, and in submissions to this review (ACT Government 2018, p. 39; NSW Government, sub. 69, pp. 4-5; Queensland Government, Schedule E3, p. 7; Victorian Government 2011, p. 28). But there is little evidence that the NHHA was a driver of tenancy reform. In several cases, review processes were underway before the NHHA was signed.

These legislative changes have generally provided for greater security of tenure, renter autonomy and minimum standards for rental dwellings (Martin 2020). Areas of reform include:

- removing or limiting without-grounds evictions (box 9.12)
- increasing minimum notice periods for evictions
- addressing the treatment of renters who experience family and domestic violence
- expanding renters' rights to have pets or make minor alterations to rental properties (such as hanging pictures)
- increasing minimum standards in rental properties.

All States and Territories also temporarily changed tenancy laws during COVID-19, introducing moratoriums on evictions and various forms of rent regulation (Martin 2021).

These changes have costs as well as benefits. Renters benefit from greater security of tenure and safer rental properties. But they also increase costs and risks for landlords, leading to unintended consequences for renters, including higher rents.

- More stringent minimum quality standards may increase rents by requiring landlords to spend more to bring properties up to standard, or causing some noncompliant properties to be removed from the rental market entirely (Bartram 2019). Enforcing minimum standards may therefore reduce renters' choices and ability to trade away nonessential (to them) features in order to save on rent (PC 2019b).
- Similarly, rules that reduce landlords' ability to flexibly manage their properties (such as removing without-grounds evictions or increasing minimum notice periods) may increase the financial costs, and perceived risk, of holding property. This could diminish incentives for investment, reducing the supply of rental properties and increasing rents (Abramson 2022; PC 2019b).
- Similarly, rules that reduce landlords' ability (perceived or actual) to easily evict 'problematic' tenants (ACT Government 2022a) may make landlords less willing to rent to tenants they view as higher risk — potentially increasing tenant screening and discrimination in the rental market (Ambrose and Diop 2021; PC 2020e, p. 982).

A lack of high-quality evidence makes it difficult for jurisdictions considering future reform to make an accurate assessment of these costs and benefits.⁴⁸ The Commission's recommended 'what works' centre (recommendation 5.10) would help to build and share the evidence base across jurisdictions. For example, evaluations of the removal of without-grounds evictions in Victoria or Queensland would provide an opportunity to learn more about the effect of this change on outcomes for renters.

⁴⁸ For example, the effect of proposed reforms to Western Australia's residential tenancy legislation have been contested (REIWA 2022; Shelter WA and Circle Green Community Legal 2022). Without a solid evidence base to draw on, it is more difficult for governments to assess the respective claims.

Box 9.12 – Without-grounds evictions undermine renters’ sense of stability

In most States and Territories, property owners can end a tenancy at the end of a fixed term without needing a specific reason (‘without-grounds’ or ‘no-grounds’ evictions). The exception is Victoria, where owners can only terminate without grounds at the end of the first fixed term of an agreement (CAV 2021).

Rules for ending periodic tenancies ‘without grounds’ vary. Landlords cannot end periodic tenancies without grounds in Tasmania^a, Victoria (since 1 July 2020) and Queensland (from 1 October 2022), but they are generally permitted elsewhere (CAV 2021; PC 2019b, p. 122; Qld DCHDE 2022). Both the ACT and Western Australian Governments are reviewing the rules as at August 2022 (DMIRS 2019; Rattenbury 2022). The NSW Government considered the change in 2016, but did not pursue it (NSW Fair Trading 2016, p. 26).

Even when permitted, without-grounds evictions are uncommon. One consumer survey found that 10 per cent of renters had been evicted ‘without grounds’ at least once (CHOICE, National Shelter and National Association of Tenant Organisations 2018, p. 19). In another survey, four per cent of renters reported having been evicted without grounds, while nine per cent of landlords said they had evicted a tenant in this way (EY Sweeney 2016, pp. 44–45).

But without-grounds evictions can contribute to the uncertainty of tenure faced by renters, and the concomitant stress and costs that they experience. Just the threat of a without-grounds eviction can deter renters from seeking to enforce their other rights under tenancy law (CAV 2015, p. 16; Tenants’ Union of NSW, sub. 81, p. 11; Tenants’ Union of Tasmania, sub. 79, p.5). One survey found that 44 per cent of renters were concerned that a request for repairs could result in eviction (CHOICE, National Shelter and National Association of Tenant Organisations 2018). In another, 75 per cent of renters reported that they had held back from reporting a repair or problem because they feared eviction, and the proportion was higher (84 per cent) for renters who had experienced a ‘no-grounds’ eviction in the past (Tenants’ Union of New South Wales and Marrickville Legal Centre 2019, p. 6).⁴⁹

Property owners argue that without-grounds evictions are important in helping them to manage their property, especially when other tenancy termination provisions are procedurally complicated or they wish to maintain their privacy (ACT Government 2022a; NSW Fair Trading 2016, p. 26).

a. *Residential Tenancy Act 1997* (Tas).

Private rental assistance and tenancy support services can help people who need extra assistance

Some renters need additional support to find and maintain private rental accommodation.

State and Territory Governments provide assistance for private renters, including bond loans and grants for rent in advance, rent arrears or other costs. In 2020-21, 46 464 households received a bond loan, and 23 702 households received a one-off rental grant, at a cost of \$57 million and \$12 million, respectively (AIHW 2022b). NHHA funding supports some of these services (Tasmanian Government, sub. 100, p. 13). Private rental assistance helps renters overcome the upfront costs of renting, although this type of limited, one-off assistance may be less effective when rental markets are very competitive (NSW Government, sub. 69, p. 34).

⁴⁹ Respondents in these surveys were self-selected, so the estimates are probably higher than the true rate across the population.

Tenancy support services, also known as private rental brokerage services, help renters who face challenges finding or sustaining a private rental tenancy. They typically provide assistance searching and applying for properties, one-off grants for moving or other costs, and links to other support services (Tully et al. 2016). They can be provided by government agencies or non-government organisations, and are usually funded, on a small scale, by State and Territory Governments (box 9.13). These services form part of many jurisdictions' housing strategies (for example NSW Government 2016; Tasmanian Government 2015; Victorian Government 2011).

Box 9.13 – Examples of tenancy support services

Victoria's Private Rental Assistance Program (PRAP)

The PRAP provides flexible and tailored support to households experiencing, or at risk of, homelessness, to assist them in establishing or sustaining a tenancy in the private rental market. PRAP includes three elements:

- private rental brokers — brokers find opportunities for clients in the private rental market by establishing links with service agencies to support early intervention and building relationships with the real estate industry and landlords
- private rental assistance brokerage — flexible funds tailored to the household's needs to assist them in sustaining their tenancy. These funds can be used to cover rental subsidies, costs to establish a new tenancy, and life skills training (for example, budgeting and house maintenance)
- PRAP Plus — outreach intervention that provides extra support to establish or sustain a tenancy and aims to address the client's underlying issues that contribute to their risk of losing a tenancy.

South Australia's Private Rental Liaison Program (PRLP)

The PRLP is targeted to people who face difficulties accessing private rentals but could maintain a tenancy if provided with support. Housing SA provides clients with information to help them access private rentals, such as information about open inspections. They may also provide support to maintain the tenancy for the first six months, such as negotiating with real estate agents on the client's behalf.

Source: DHHS (VIC) (2019); LCLSIC (2021); South Australian Government (2020b, 2021).

Tenancy support services can be effective in helping renters obtain and sustain a tenancy (ARTD Consultants 2013; Robyn Kennedy Consultants 2013; Tully et al. 2016). An evaluation of one program in Victoria found that about 80 per cent of clients had maintained their housing and avoided homelessness for two years after engaging with the program (Watson, Johnson and Taylor 2020). Another program that aimed to assist young people experiencing homelessness was successful in providing clients with a rental history, allowing them to secure other rentals in the future (Gill, Ooi and Chiodo 2018).

Expanding these services could help more people find and sustain private rental tenancies and reduce evictions (chapter 6; EHSSA, sub. 22, p. 3; PC 2020e, pp. 980–981). There is evidence of unmet demand for these services. In 2020–21, 15 per cent of clients who presented to a specialist homelessness service provider seeking assistance to sustain housing tenure (either social housing or private rental) were turned away (AIHW 2021d).

Currently, tenancy support services are more common in social housing, so increasing the availability of services in the private rental market would also help to level the playing field between social and private

renters. Combined with portable rental assistance (recommendation 7.1), extending these services would enable more choice and mobility for social housing renters, by allowing them to move to the private rental market without losing access to additional support services (PC 2017b, p. 234).

However, a cautious approach to expansion is warranted. There is little evidence available to assess the long-term success, or cost-effectiveness, of these programs, because evaluations do not always track outcomes over time or compare people receiving assistance with a control group who do not receive support.⁵⁰ Scaling up might be difficult, because the success of existing programs often depends on local factors, such as how well case managers build relationships with real estate agents, other service providers and the broader community (Blunden and Flanagan 2021; Moskos et al. 2022; Tually et al. 2016). And expanding services to a wider group of renters would present new challenges. Existing services typically only provide short-term assistance to clients who are ‘rental ready’, without significant underlying financial, mental health, substance use or other challenges (ARTD Consultants 2013; Gill, Ooi and Chiodo 2018; Tually et al. 2016; Watson, Johnson and Taylor 2020). While there are examples of tenancy support services that target people with more complex needs (chapter 6; PC 2020e, p. 988; Shelter WA, sub. 98, att. 1), these services might require longer-term follow up, a more skilled workforce and greater links to other services.

Given these challenges, tenancy support services should be expanded gradually, with regular evaluation. The next Agreement can help to guide this development process. Under recommendation 5.3, private rental assistance and tenancy support services would be within scope of the next Agreement, and further investment should be assessed against the agreed principles for housing assistance. And the Commission’s recommended ‘what works’ centre (recommendation 5.10) can play a key role in gathering and sharing insights across jurisdictions on tenancy support services.

Policies that improve affordability will also improve security, quality and accessibility

The Commission’s recommendations to improve private rental affordability will also improve the security, quality and accessibility of the private rental market. These policy actions will increase renters’ bargaining power and the effectiveness of support services.

When vacancy rates are low and renters have few options in the private rental market, they have less bargaining power with landlords. This compounds issues of security, safety and accessibility for renters, and can undermine the effectiveness of tenancy reform by reducing renters’ ability to enforce their rights.⁵¹

- The threat of eviction looms larger when vacancy rates are low, as renters have more cause to fear that they will not be easily able to find another home that meets their needs. This increases the costs and stress of insecure tenure, and means that renters may be less willing to enforce rights, such as asking for essential repairs.
- Property owners have less incentive to offer characteristics that renters desire — such as longer leases or improved dwelling quality — when they can easily rent out properties on their own terms (Hinchliffe 2022).
- When vacancy rates are low and there are many applications for every available property, property owners can afford to be selective, and may be less likely to accept low-income renters or other renters

⁵⁰ Though evaluations of similar programs in social housing have found that they are cost-effective (chapter 6; PC 2017b, p. 182; Zaretsky and Flatau 2015).

⁵¹ This is not the only barrier to compliance. We heard that ‘intimidating, inaccessible’ dispute resolution processes, lengthy delays at tribunals and lack of funding for tenants’ advice and legal services were barriers to compliance in many jurisdictions (DCLS and NAAFLS, sub. 89, p. 11; Mills 2021; Tenants’ Union of NSW, sub. 81, p.13).

whom they perceive to be less desirable tenants (Hanson and Hawley 2014; Reosti 2020; Short et al. 2008, p. 3).

The effectiveness of tenancy support services also depends on the availability of affordable rental options (ARTD Consultants 2013, pp. 34–35; Gill, Ooi and Chiodo 2018, pp. 70–71; Tually et al. 2016, pp. 41–42). For example, one service provider reported:

The feedback I've had from the Hope to Home [a tenancy support service] workers is that there's not a lot of affordable housing. A lot of their clients that they work with are on Centrelink allowances and benefits ... their income is not enough for private rental, so, whilst brokerage programs like myself is really helpful to get people set up, the ability for them to maintain a property isn't there, because they don't have the income. (cited in Gill, Ooi and Chiodo 2018, p. 71)

The Commission's recommendations relating to the supply of rental properties (section 9.3) and CRA (section 9.4) will give renters more bargaining power and improve rental affordability.



Finding 9.3

Tenancy reform and support services can improve renters' experiences

Tenancy reform can enhance renters' security of tenure and the safety of rental homes, and tenancy support services can help some renters to find and sustain private rental tenancies.

There is merit in State and Territory Governments exploring further reform options and expansion of support programs, but the limited evidence base is a constraint. The Commission's recommended 'what works' centre (recommendation 5.10) can play a key role in building and sharing this evidence base.

10. Home ownership

Key points

- ✳ **Home ownership has long been part of the Australian psyche.**
 - Most — about two-thirds — of Australians own their own home and aspirations for home ownership among younger people are high.
- ✳ **However, home ownership rates are falling, especially for younger people.**
 - The share of Australians under 35 who own their home has fallen from about 44 per cent in 1997-98 to less than 36 per cent in 2019-20.
 - Home ownership rates at any given age have fallen for successive birth cohorts and there is little evidence of 'catching up' later in life.
- ✳ **The National Housing and Homelessness Agreement is not supporting home ownership, despite home ownership, including support for first home buyers being a 'priority policy area'.**
 - Not much — if any — of the funds available to the States and Territories through the Agreement have been used to fund programs supporting home ownership.
 - The performance indicators in the Agreement do not require reporting on home ownership outcomes, except for reporting the proportion of Aboriginal and Torres Strait Islander people who purchase or own their own home.
- ✳ **In 2020-21, States and Territories spent about \$2.7 billion assisting first home buyers through grants and stamp duty concessions alone (compared with \$1.2 billion on homelessness services and \$6.6 billion on social housing). But the case for public subsidies for home ownership is not strong — the benefits of home ownership are more private than public. Many — if not most — assisted first home buyers would be able to buy a home (albeit later) without assistance. When poorly designed, assistance may even make housing less affordable.**
 - Home buyer assistance — unless targeted at people who experience persistent marginalisation in the housing market and would otherwise be locked out of home ownership — should be redirected towards helping people who are homeless or at risk of homelessness. Widely available first home owner grants and stamp duty concessions should be phased out.
 - If governments decide to continue assisting home buyers, this assistance should be tightly targeted and subject to regular, independent and public evaluation. To avoid duplication and waste, governments should also align their various overlapping programs through the next Agreement.

The National Housing and Homelessness Agreement (NHHA) identifies ‘home ownership, including support for first home buyers’ as a national housing priority policy area. Given the interconnectedness of housing across the spectrum, how easy (or otherwise) it is for people to buy their own home has implications for the demand for other forms of tenure, including social housing and private rentals. The Queensland Government, for example, said:

First home buyers are now facing challenges accessing the market and are committing to exceptional levels of mortgage debt. As fewer people can transition from renting to home ownership, the rental market has become congested, and those on lower incomes are ‘priced out’ of the market ... Whilst home ownership remains an aspiration of many, rising housing affordability pressures continue to drive increased demand for government assistance in the crisis, social housing and rental assistance domains. (sub. 27, p. 6, 32)

A well-functioning market where people can buy homes that meet their needs (and sell homes that no longer do) has benefits across the housing spectrum, although not everyone can afford (or wants) to buy a home.

To the extent that people face barriers buying a home, they are likely to be felt most by aspiring first home owners and/or people on lower incomes. People on high incomes, or people who already own a home (and have accumulated household equity), are less likely to encounter barriers when buying a home.

This chapter explores trends in home ownership, the drivers of these trends, government support for home buyers and the role of the current and a future Agreement. The chapter looks at:

- the home ownership aspirations of Australians (section 10.1)
- trends in — and drivers of — home ownership, with a focus on trends for first home owners (sections 10.2 and 10.3)
- what governments are doing to support people to buy a home (section 10.4)
- whether the NHHA is driving home ownership outcomes (section 10.5)
- how support for first home buyers should fit under the next Agreement (section 10.6).

10.1 The home ownership aspirations of Australians

The ‘Great Australian Dream’ of home ownership has long been part of the Australian psyche and most Australians place a lot of value on owning a home.

In a survey by the Australian National University in 2017, nearly 75 per cent of respondents indicated that they considered owning a home had ‘a lot’ to do with the Australian way of life. An additional 18 per cent thought home ownership was part of the Australian way of life ‘a little’ (Sheppard, Gray and Phillips 2017, p. 5).

Home ownership is easily the main form of tenure in the Australian housing market, with about two-thirds of Australian households owning their own home (either outright or with a mortgage).¹ Data on first home lending show that, each month, many Australians secure finance to buy their first home, with an average of about 8800 new loan commitments each month between July 2002 and April 2022 (figure 10.1). With the exception of clear peaks in early 2009 and in early 2021 (coinciding with the Global Financial Crisis and the start of the COVID-19 pandemic respectively), the monthly uptake of new loan commitments by first home buyers has been relatively stable.

Several surveys (while using different methodologies) find a relatively strong preference for home ownership both among Australians generally (for example, Rowley and James (2018, pp. 26–27); Stone et al. (2020,

¹ ABS (*Housing Occupancy and Costs, 2019-20*, Cat no. 4130.0).

p. 4)) and younger Australians, whose preferences can be expected to have a significant impact on housing demand in the future (box 10.1)).

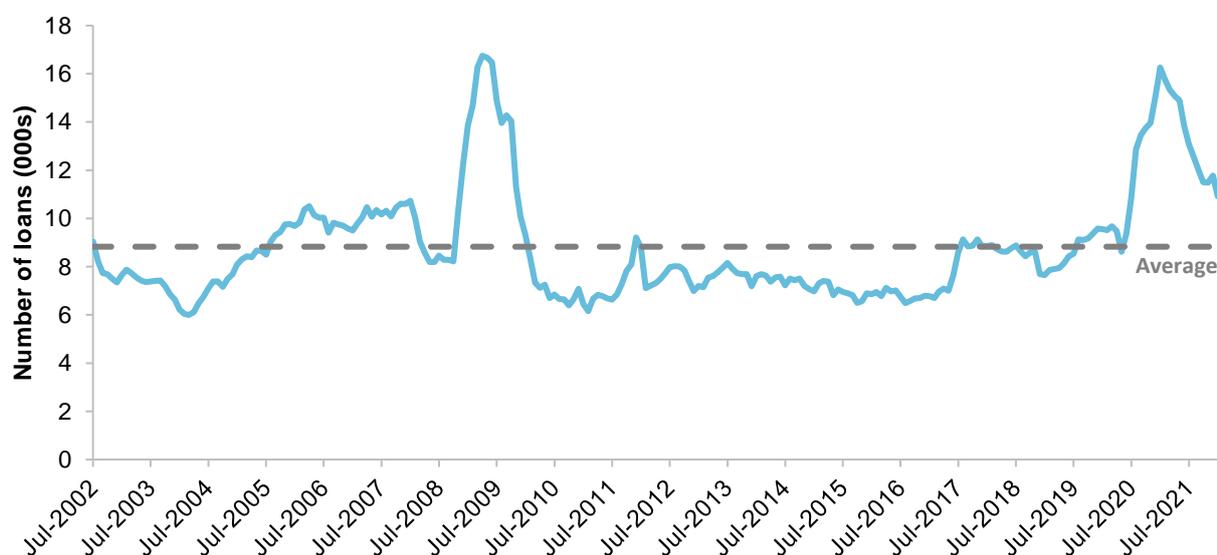
Box 10.1 – Home ownership aspirations of younger Australians

Several studies point to younger Australians having strong ambitions for owning a home.

- A 2018 study found very high aspirations for home ownership among younger renters, with 86 per cent of renters aged 18–24 and 82 per cent of renters aged 25–35 aspiring to own a home.
- A 2019 study found that 60 per cent of ‘emerging adults’ (people aged 18–24 years) considered home ownership to be their ideal tenure type, while 70 per cent of ‘early adults’ (people aged 25–34) aspired to home ownership.
- A 2019 survey of ‘millennials’ (people aged 23–38) found that 94 per cent of respondents considered home ownership to be important and, of these, two-thirds said they considered it to be very important.
- A 2020 survey found that 77 per cent of ‘millennials’ (people born between 1981 and 1996) and 77 per cent of ‘generation Z’ (people born between 1997 and 2009) who did not own a home viewed home ownership as an important goal.

Source: Genworth (2019, pp. 2–3); ING (2020, p. 6); Parkinson et al. (2019, p. 1); Rowley and James (2018, p. 26).

Figure 10.1 – Thousands of first home buyers secure finance every month
Monthly new loan commitments, first home buyers (owner-occupiers), seasonally adjusted



Source: ABS (*Lending Indicators*, April 2022, Cat no. 5601.0, table 24).

Surveys confirm that younger people on lower incomes share aspirations for home ownership. For example:

- a 2019 survey of the aspirations of participants (predominately from Queensland) in the National Rental Affordability Scheme (NRAS) — who must meet relatively low household income thresholds to qualify for the scheme — found the vast majority of younger respondents hoped to buy a home (96 per cent of respondents aged 19–24, 91 per cent aged 25–34 and 77 per cent aged 35–44) (Hawke et al. 2019, p. 14).

- Parkinson et al. — drawing on a 2018 survey — found that nearly three-quarters of early adults (aged 25-34) with low to moderate incomes (and living independently as a couple or family) identified ownership as their ideal form of tenure (2019, p. 66).

Using HILDA (Household, Income and Labour Dynamics in Australia) survey data, Simon and Stone tested the extent that changing preferences contributed to declining home ownership rates since the Global Financial Crisis. They found that shifting aspirations had little impact:

... when we test for a level shift in household behaviour that captures increased risk aversion following the financial crisis, we find that controlling for housing prices accounts for almost all of the change in FHB [first home buyer] ownership since 2008. As such, we conclude that 'generation rent' is a reflection of higher housing prices rather than a shift in preferences — households still have a similar desire to become home owners, however, fewer potential FHBs are actually able to enter the housing market and purchase a home than before (2017, p. 6).

Commonly cited reasons for why people prefer home ownership and/or view it as an important goal include the security and stability home ownership provides and a perception that home ownership is a good investment (Genworth 2019, p. 7; Sheppard, Gray and Phillips 2017, p. 7).

All evidence suggests that home ownership remains the preferred tenure type of most Australians. This does not necessarily mean that these aspirations are fixed. For example, some people may change their preferences over time. For some people, home ownership may never be attained (even if it is desired) because their personal circumstances — such as their income and employment status — means that owning a home is not a realistic prospect. And, more broadly, changes to the availability or desirability of other forms of tenure along the housing spectrum — such as social housing, affordable rental or private rental — are likely to have flow-on effects on the relative attractiveness of home ownership.

10.2 Trends in home ownership

There are concerns that, home ownership is — or will be — out of reach for many ...

While aspirations for home ownership remain strong, many people are concerned that home ownership is becoming an increasingly difficult — if not impossible — goal for many Australians, particularly for young Australians. Survey data suggest that the level of concern is significant and has persisted over many years (box 10.2).

... home ownership is falling, more so for some cohorts than others

It is clear that home ownership rates — particularly for younger Australians — are falling. The share of households owning their own home (with or without a mortgage) fell from 71 per cent in 1997-98 to 66 per cent in 2019-20. This fall has been more significant for some age groups than others.

- The share of households with a reference person aged 25-34 owning their own home fell from 51 per cent to 41 per cent.
- For households with a reference person aged 35-44, ownership rates fell from 70 per cent to 57 per cent.
- For households with a reference person aged 45-54, ownership rates fell from 83 per cent to 72 per cent.

In contrast, ownership rates for older households (with a reference person aged 65 years or older) barely changed (figure 10.2).

Another way to explore trends in home ownership by age is to look at ownership across birth cohorts at different points in their life cycle. Examining home ownership rates this way tests whether differences in ownership rates between cohorts only arise at certain ages or persist across the life cycle.

Looking at home ownership rates this way shows that each successive birth cohort (since 1947) has generally had lower rates of home ownership than cohorts before them at any given age (figure 10.3). This means that gaps in home ownership rates across birth cohorts appear to be persistent — or in other words, younger Australians tend to have lower ownership rates than older Australians did at the same point of their lives and there is limited evidence that enough people buy a home later in life to fully ‘make up’ this gap.

Box 10.2 – Concerns that home ownership is out of reach for young Australians

Several surveys point to concerns about the ability of young Australians to buy homes in the future.

- In over 17 000 responses to the ‘Australia Talks’ survey (conducted by the ABC), 65 per cent of respondents either ‘strongly agreed’ or ‘somewhat agreed’ that for most young Australians, owning a home isn’t really an option anymore.
- In a poll undertaken by Resolve Strategic (conducted for the Sydney Morning Herald and the Age), 60 per cent of respondents ‘strongly agreed’ or ‘agreed’ that younger people in their area will never be able to buy a home if they had not done so already.
- A poll undertaken by Ipsos (conducted for Westpac) found that while ‘six in ten Australians are still holding onto the dream of home ownership’, 72 per cent of respondents agreed that ‘the next generation will never be able to afford to buy their own homes’ and 60 per cent agreed that ‘first home buyers/young people will be renting for the rest of their lives’.
- In a poll conducted by the Australian National University, 88 per cent of respondents were either ‘very concerned’ or ‘somewhat concerned’ about future generations being able to afford to buy a house during their lifetime.

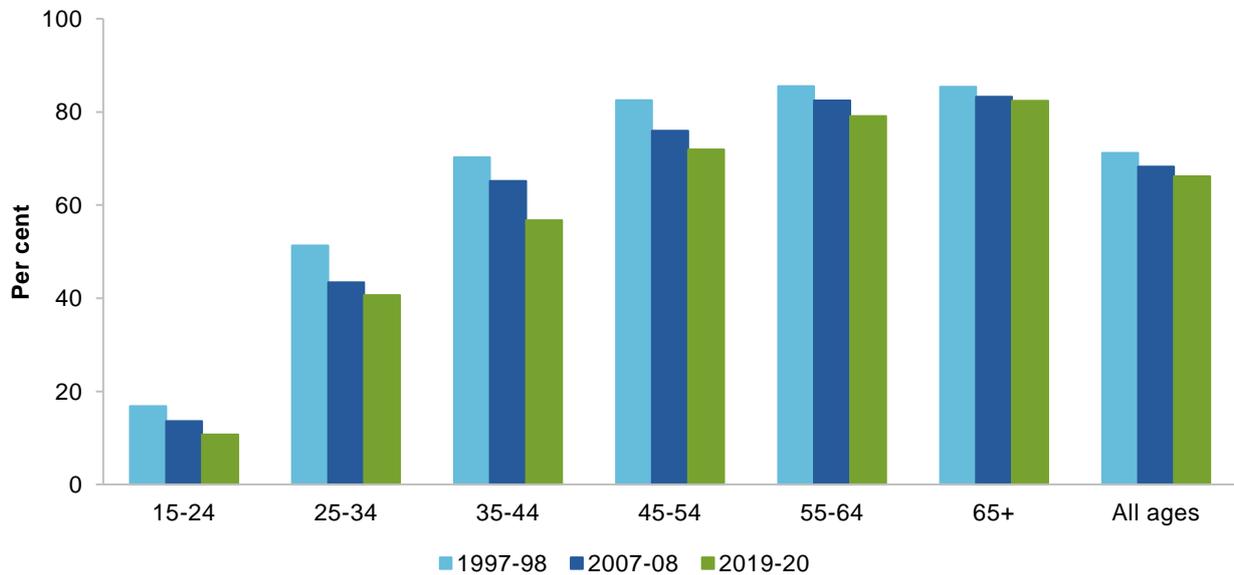
Source: Chalmers (2021); Crowe (2021); Sheppard, Gray and Phillips (2017, p. 5); Westpac (2017, p. 4,12).

People are also buying their first home later in life. The Australian Bureau of Statistics (ABS) estimated that the average age of a first home buyer in 1997-98 was about 33 years old, but in 2019-20, this average had drifted upwards to be 35 years.² Using HILDA data, Pawson et al. (2022, p. 22) also identified a long-term increase in the age at which people buy their first home.

Declining rates of home ownership can also be observed across the income distribution. Between 1997-98 and 2019-20, the share of households who owned their own home fell for all income quintiles except the lowest, which rose slightly (figure 10.4). It is likely that this slight rise in home ownership among the lowest income quintile is at least partly due to demographic shifts, such as older Australians — who tend to own their own homes — retiring and receiving the age pension (the rate of which is towards the lower end of the income distribution).

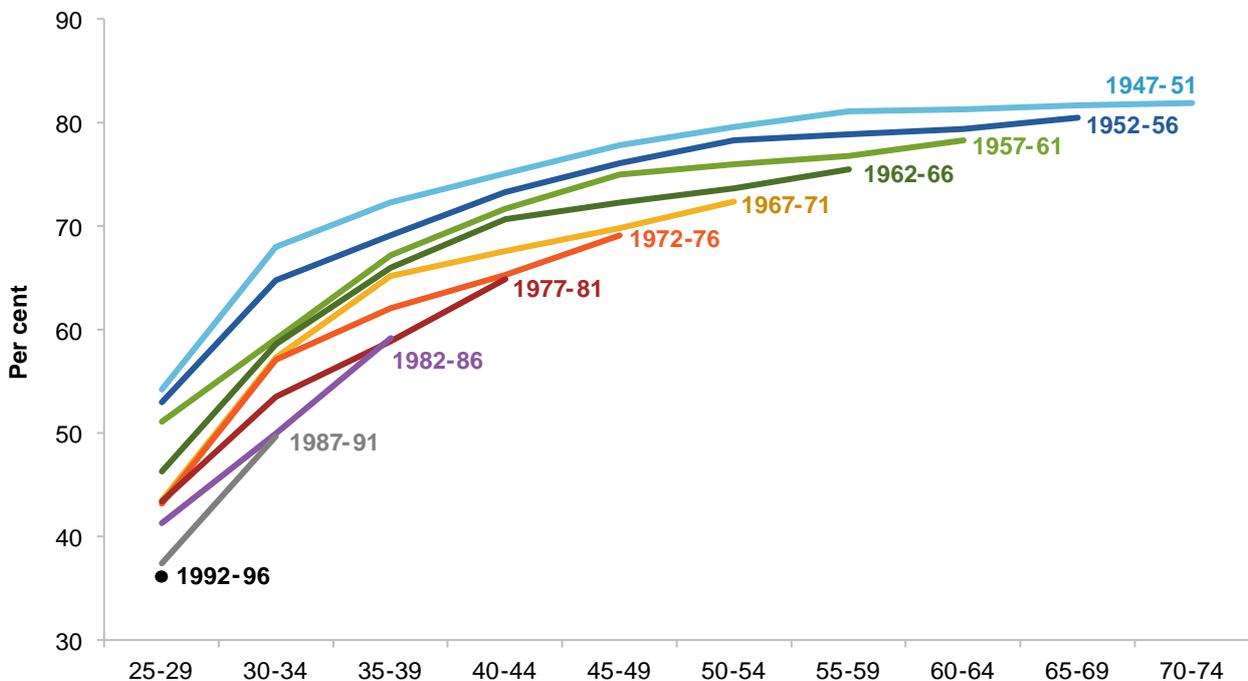
² ABS (*Housing Occupancy and Costs*, Cat. no. 4130.0, various years).

Figure 10.2 – Home ownership — particularly for younger households — is falling
Per cent of households who own their home (with or without a mortgage), by age of reference person, selected years



Source: ABS (*Housing Occupancy and Costs*, Cat. No. 4130.0, various years).

Figure 10.3 – Ownership rates have fallen for successive birth cohorts and there is limited evidence of ‘catching up’
Home ownership rate (per cent) by age by year household reference person was born



Source: AIHW (2022a).

If ownership rates of only working age households — that is, those with a reference person aged under 65 — are examined, the decline in ownership rates (compared with what they were in 1997-98) can be seen

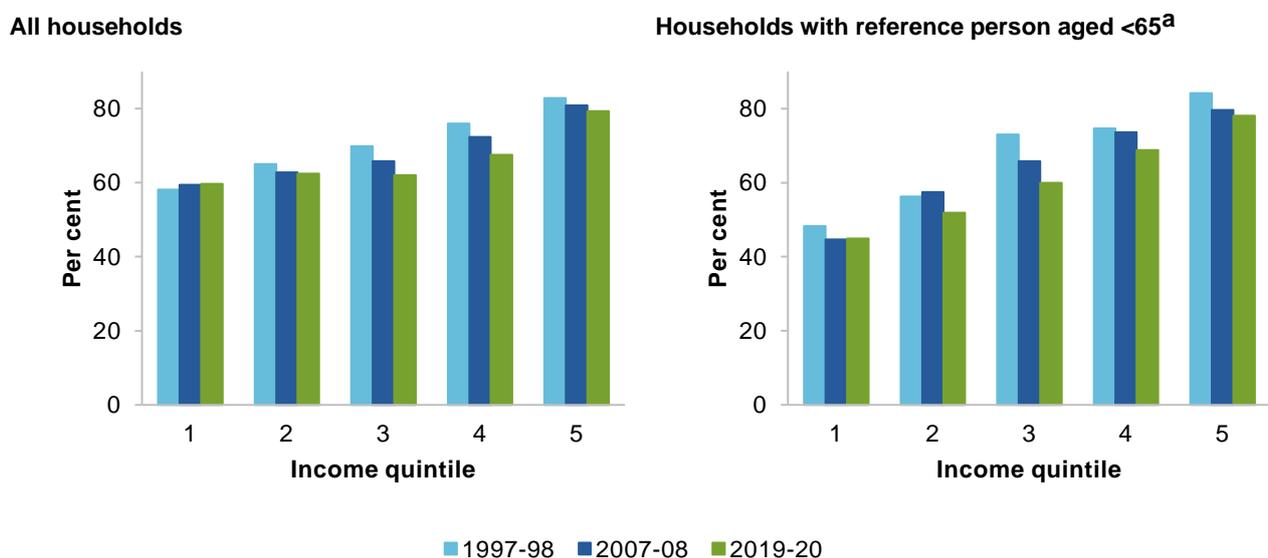
across all income quintiles, with households around the middle of the income distribution experiencing the most pronounced falls. Roughly four-in-five households in the top income quintile owned their own home compared with a little over two-in-five households in the bottom quintile.

There has not been a significant shift in the income distribution of first home buyers over the past 20 years. In 2019-20, about 51 per cent of recent first home buyers were in the top two income quintiles (compared to 54 per cent in 1997-98), 30 per cent in the third income quintile (about 25 per cent in 1997-98), and about 18 per cent in the bottom two income quintiles (about 21 per cent in 1997-98).³

The disproportionately large share of recent first home buyers in the top two income quintiles indicates that — as a group — first home buyer households tend to have higher incomes than the general population. Households who recently bought their first home had an average weekly disposable income of about \$2200 in 2019-20 (compared with an average weekly disposable income of just under \$1900 for all households). A similar difference can be observed for ‘younger’ households only (that is, households with a reference person aged under 35).

The bottom line is that Australia’s home ownership rate is falling. By age, falling home ownership rates are most pronounced in younger households. Households are buying their first home later in life. And at all ages, each successive birth cohort generally has lower ownership rates than cohorts that came before them. By income, the biggest falls in home ownership are by households around the middle of the income distribution. However, there has not been a noticeable shift in the income distribution of those who have bought their first home over the past two decades — although most first home buyer households are relatively high income.

Figure 10.4 – Home ownership rates have fallen across the income spectrum
Per cent of households who own their home (with or without a mortgage), by disposable income quintile, selected years



a. For this figure, income quintiles have been calculated using only households with a reference person aged under 65 years.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia*, Cat. no. 6541.0.30.001, various years).

³ These estimates (and the estimates of household income in the paragraph below) have been obtained from ABS (*Microdata: Income and Housing, Australia*, Cat. no. 6541.0.30.001, various years).

Australia’s home ownership rate is below the OECD average

While international comparisons of home ownership rates are not straightforward, not least because of differences in how data are defined and collected across jurisdictions, such comparisons can help to identify whether Australia’s experience is unique or reflects similar trends in other countries.

Australia’s home ownership rate is slightly below the Organisation for Economic Co-operation and Development (OECD) average (figure 10.5). Other countries with similar rates of home ownership include the United States, the United Kingdom, Belgium, France and Finland. There is, however, substantial variation in home ownership rates across the OECD. Some countries in Eastern Europe — the Slovak Republic, Hungary and Lithuania — have ownership rates that exceed 90 per cent, while in some central European countries with a stronger culture of renting — such as Switzerland, Austria and Germany — less than half of households own their own home.

The variation in ownership rates is the result of a range of factors, including demographic variations across countries (such as differences in the typical age and size of households), the extent that home ownership attracts preferential tax treatment, the extent other tenure types (such as renting or social housing) is supported by governments, the price of owning a home, and the ongoing effects of historical housing policies (such as many people in former communist countries having the opportunity to purchase a home at a discounted price as these countries transitioned to market-based economies) (OECD 2021a, pp. 100–101; RBA 2015, p. 3).

Australia is not alone in experiencing falls in its home ownership rate. From 2010 to 2020, most OECD countries saw declines in home ownership. In comparison to many of these countries, the fall in ownership rates in Australia has been relatively modest. Some countries — such as Iceland, Denmark and Estonia — had falls in home ownership rates exceeding five percentage points.

Figure 10.5 – Most OECD countries are experiencing falls in home ownership rates

Home ownership rates of households in OECD countries in 2020 (horizontal axis) and percentage point change in home ownership rates between 2010 and 2020 (vertical axis)^a



a. For some countries, data for 2010 and 2019 were not available. In such cases, the closest available data were used (or in the event that insufficient data were available, were excluded from the analysis).

Source: OECD (*Affordable Housing Database*, table HM1.3).

10.3 What is driving the decline in home ownership rates?

Are aspiring home owners finding it more difficult to afford a home?

The ease by which aspiring home owners can buy their first homes depends on three main factors:

- the economic circumstances of aspiring first home buyers, which may affect their suitability for a mortgage
- the size of the deposit required to secure a loan (which, itself, depends on property prices)
- the cost of borrowing and the amount of income required to service a mortgage.

The economic circumstances of younger people are changing

Many factors can influence whether a person qualifies for a mortgage, including their income (both their current income and expected income over the course of their lives), their expenses, their employment status and history, their existing assets and liabilities and their credit history. The Commission has not examined trends in all of these factors — and in some cases, there is likely to be insufficient data to do so. But, by at least some of these metrics, it is apparent that young people (who comprise the bulk of aspiring home owners) experience different economic circumstances to cohorts that came before them. For example:

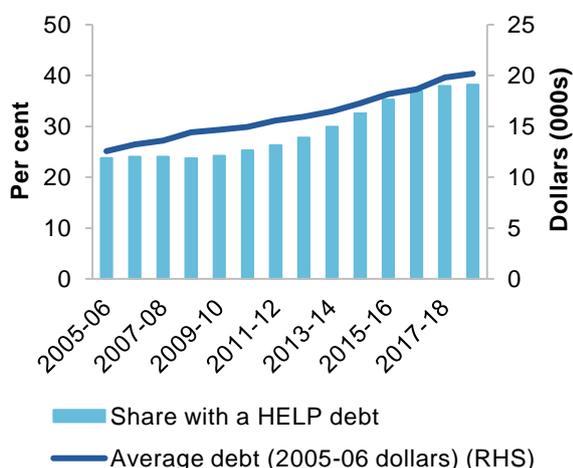
- the share of younger people undertaking tertiary education is increasing — in 2021, about 23 per cent of people aged 20-34 were in the process of completing a Certificate III qualification or higher, compared with about 16 per cent in 2001.⁴ While greater education improves young people's longer-term earning potential — as well as benefiting the economy as a whole through a more skilled workforce — more time spent in education can delay young people's entry into the workforce (meaning they may not earn a consistent income until later in life). Further, it means more younger people are accruing education-related debts. In 2018-19, about 38 per cent of people aged 20-29 had a HELP debt, compared with about 24 per cent in 2005-06. And since 2005-06, the average amount of debt held by 20-29 year olds with HELP debts has grown in real terms (figure 10.6).
- younger people are more likely to work part time or casually than in the past (in part because they are undertaking more formal education). The share of people aged 20-29 working part time (as a share of the 20-29 year old population) increased from about 11 per cent in 1992 to just under 25 per cent in 2022 (figure 10.6).⁵ The share of 20-29 year olds working full time generally decreased over the same period (although there has been an uptick in the first months of 2022).
- in recent times, younger people's wages have grown more slowly than older age groups, potentially placing them at a disadvantage in the housing market. For example, the Commission has previously found that, while real wage growth was fairly similar across age groups between 2001 and 2008, wage growth for people aged 15-34 years was significantly lower than older cohorts between 2008 and 2018 (and in the case of people aged 25-34, average annual real wage growth was slightly negative) (PC 2020h, pp. 57–58).

⁴ Commission estimates using ABS (*Education and Work Australia*, Cat. No 6227.0, various years; *National, State and Territory population; June 2021*, Cat no. 3101.0, table 59).

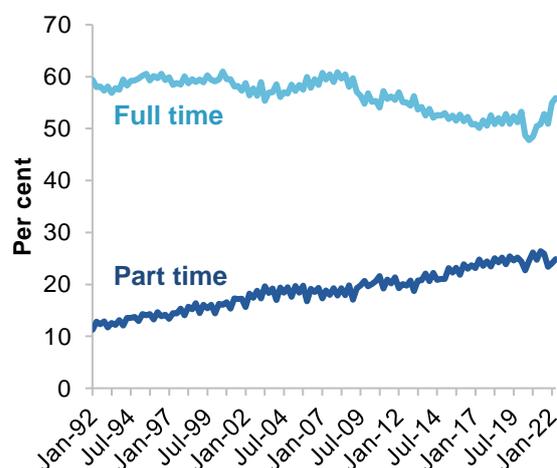
⁵ The ABS considers a person was working part time if they usually work less than 35 hours per week and either did so during the reference week or were not at work in the reference week (ABS 2018d).

Figure 10.6 – Younger people are more likely to have an education debt and work part time than in the past

Share of people aged 20-29 with a HELP debt and average debt size



Share of people aged 20-29 working full and part time



Source: Commission estimates using ABS (*Australian Demographic Statistics, June 2019*, Cat, no. 3101.0, table 59; *Consumer Price Index, Australia, June 2022*, Cat no. 6401.0, tables 1 and 2; *Labour Force, Australia, Detailed, June 2022*, Cat no. 6291.0.55.001, table 1); ATO (*Higher Education Loan Program HELP Statistics, 2005-06 to 2020-21 Financial Years*, table 8 (available from www.data.gov.au)).

While this is only a subset of factors that might impact on young people’s ability to buy a home, these changes point to the possibility that some younger people might have more difficulty obtaining a mortgage than younger people before them. And these changes have taken place against a backdrop of significant real increases in housing prices and price-to-income ratios (chapter 3) — meaning that younger people generally need to borrow more to buy a home relative to previous mortgagors.

Saving a deposit is harder for first home buyers today than it has been in the past

For many, saving a deposit is a significant obstacle to home ownership — across a range of surveys, prospective home buyers have identified difficulty saving a deposit as a barrier (and often, the most significant barrier) that prevents them from purchasing a home (Genworth 2019, p. 12, 2021, pp. 15–16; PwC Australia 2019, p. 13; Westpac 2017, p. 20).

While there is limited data on actual deposits, it is possible to use ABS lending data to estimate the average loan taken out by first home buyers, and from this develop an estimate of the average deposit paid. This requires an assumption about the size of the deposit paid by first home buyers relative to the size of their loan — with several studies assuming a typical first home buyer borrows 80 per cent of the property’s value, with the deposit making up the remaining 20 per cent (including RBA (2021, p. 7) and Powell (2022)). This assumption can be justified on the basis that a 20 per cent deposit is typically the minimum that is required to avoid a buyer paying lenders mortgage insurance (LMI), although in practice, a buyer’s deposit can be higher or lower. An assumption that the typical deposit of a first home buyer is 20 per cent appears reasonable — Finder’s survey of first home buyers found that the median deposit paid by first home buyers was 20 per cent of the purchase price (2021, p. 11).

Using this approach, the estimated average deposit paid by first home buyers has grown substantially since the early 2000s. Assuming a 20 per cent deposit, the average deposit has more than doubled from under \$50 000 in 2002 to well over \$100 000 in mid-2022, far outstripping growth in earnings (measured as average full time adult

weekly earnings) and prices (measured by the Consumer Price Index (CPI)) (figure 10.7). The RBA recently estimated that the average first home buyer deposit now exceeds 80 per cent of average annual household disposable income, an increase from about 73 per cent in 2004 (RBA 2021, p. 7).

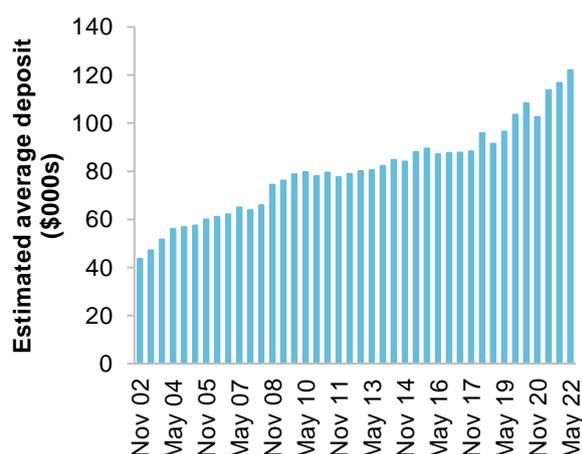
Another approach to assessing the extent that saving a deposit is a significant hurdle for first home buyers is to look at the time required to do so. Some data on this are collected through Finder's First Home Buyer's reports, which found that just under 40 per cent of recent and near-future first home buyers took between two and five years to save their deposit, about 25 per cent took between five and ten years, and about 10 per cent took ten years or more (with the residual saving a deposit in two years or less) (Finder 2021, p. 12). Similarly, Genworth found that three-quarters of recent first home buyers took at least two years to save a deposit, with about one-fifth taking at least five years (2021, p. 17).

The most recent Domain First Home Buyer's report estimated the time required to save a deposit for an 'entry-level' unit or house in each of Australia's capital cities. It found the time to save for a deposit varies from over eight years for an entry-level house in Sydney to under three years for an entry-level unit in Perth and Darwin. Over the past five years, the time taken to save a deposit has increased across most capital cities for entry-level houses (Perth being the exception), while growth was more mixed for entry-level units (figure 10.8).

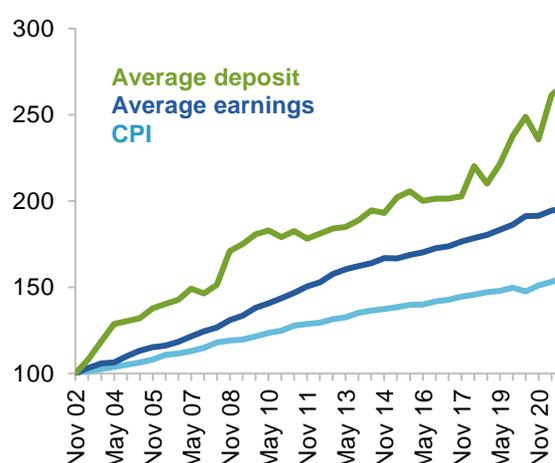
The RBA also examined the time taken to save for a deposit, albeit on a different basis. It found that the time required for a 24-35 year old household (on a median gross income) to save a 20 per cent deposit for a median priced dwelling has increased significantly for most capital cities since the mid-2000s (and across all capital cities, the time taken to save a deposit was found to have increased from about five years in 2005 to about seven years in 2021) (RBA 2021, p. 7).

Figure 10.7 – First home buyer deposits have grown strongly

Estimated average deposit of first home owners, if a 20 per cent deposit is assumed^a



Index of average deposit of first home owners, average full time earnings and CPI^b



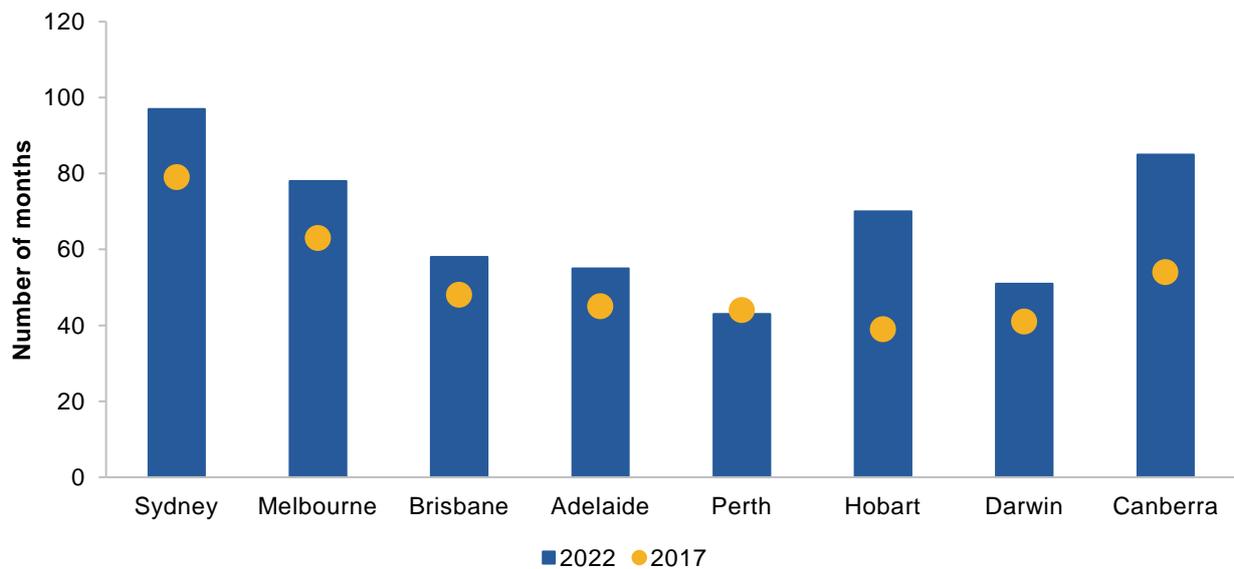
a. Average deposit was derived from ABS lending data. It assumes that a typical first home owner borrows 80 per cent of the property's value with the deposit comprising the remaining 20 per cent. b. Average earnings refers to average full time adult earnings. November 2002=100.

Source: Commission estimates using ABS (*Lending Indicators*, May 2022, Cat no. 5301.0, table 24; *Consumer Price Index Australia*, June 2022, Cat no. 6401.0, tables 1 and 2; *Average Weekly Earnings, Australia*, November 2021, Cat no. 6302.0, table 3).

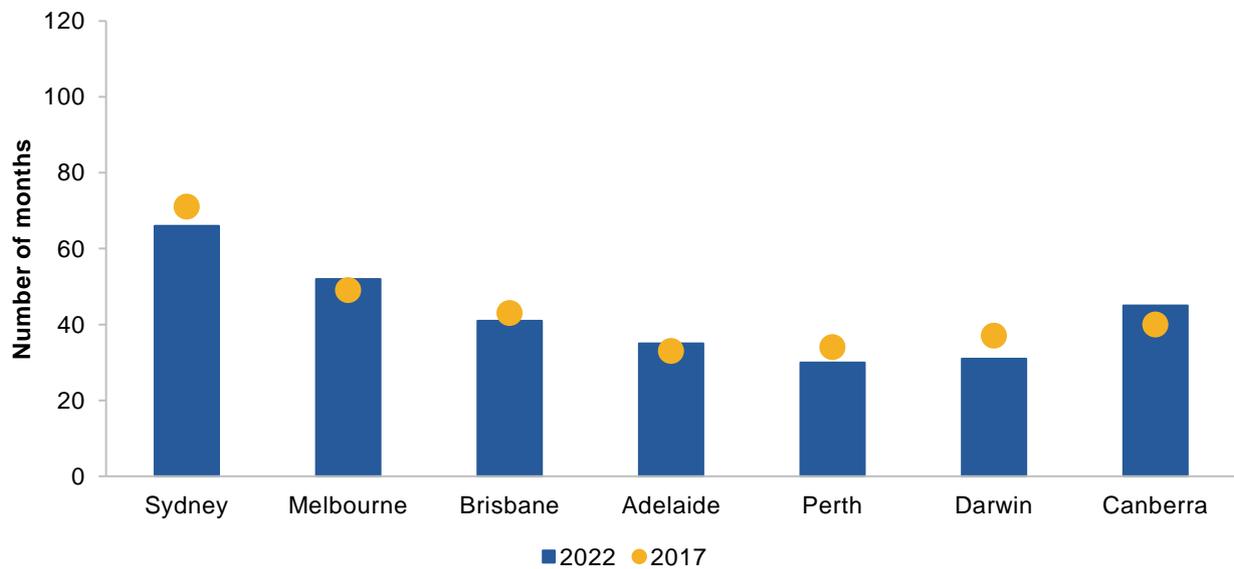
Figure 10.8 – The time taken to save a deposit for a house has increased in most cities, while for units it is more mixed

Number of months required to save for a 20 per cent deposit for an entry-level house or unit, by city, 2022 and 2017^a

Houses



Units



a. Unit data for Hobart are not reported. Assumes an entry price based on the 25th price percentile of the geographical boundary. Calculations are based on the average income for a couple aged 25-34 years in each capital city and assumes that each person saves 20 per cent of their post-tax income a month in a standard online savings account. More information on the methodology can be found in the original source.

Source: Powell (2022).

In short, saving the required deposit to qualify for a loan and/or purchase a home is harder than it has been in the past. This has a significant implication — it means a prospective first home buyer’s wealth, as opposed to their income, is having an increasingly large impact on whether they can successfully buy a home. As Pawson, Milligan and Yates said:

Increasingly over the past 20 years ... wealth rather than income has presented the major stumbling block to home ownership entry for low-to-moderate-income households. This has important equity implications because it underscores the divide between the minority of aspirant first home buyers with access to family wealth to assist in meeting the deposit gap and those without such access (2020, pp. 57–58).

Some prospective first home buyers have turned to their family — sometimes referred to as the ‘bank of mum and dad’ — to help them with a deposit. It is difficult to be conclusive about the prevalence and size of the ‘bank of mum and dad’ — data are patchy, and while several studies and surveys have examined the use of the ‘bank of mum and dad’, results seem to be heavily influenced by the exact research question asked, the methodology used and definitions about what constitutes assistance (box 10.3). However, it can be expected that, if house prices continue to rise and aspirations to buy a home remain high, more young Australians will turn to the ‘bank of mum and dad’ (as well as assistance offered by governments, section 10.4) to help them buy a home.

Box 10.3 – Estimates of the prevalence and size of the ‘bank of mum and dad’

Estimates of the size and prevalence of the ‘bank of mum and dad’ vary, with results seemingly heavily influenced by the exact research question being asked, the methodology used and the definition of assistance applied.

- Adopting a relatively narrow definition by only looking at intergenerational gifts and loan guarantees, a 2021 research paper by the Productivity Commission did not find strong evidence of large transfers from the ‘bank of mum and dad’.
- Simon and Stone found that the share of indebted first home buyer households — that is, first home buyer households with a mortgage — who received financial assistance from family or friends has increased from about 6 per cent in the 1970s to about 14 per cent in the period 2011–2014. Further, they found that 11 per cent of first home buyer households between 2011 and 2014 did not have a mortgage at all — which may reflect the impact of inheritances and bequests.
- A 2021 survey of first home buyers by Finder found that 23 per cent of respondents asked their parents for help with a deposit, and 12 per cent asked their parents to help with the full purchase price. A sizeable proportion of respondents also reported that they received assistance from sources other than their parents, such as other family members, or through gifts and inheritances.
- A survey by Genworth found that nearly a quarter of recent first home buyers asked parents or family for financial assistance, and over 12 per cent asked their parents or family to act as a guarantor.
- A survey of parents who provided support to their children to buy a home, undertaken by Mozo, found that their average contribution was about \$70 000 (with assistance close to double this figure if other forms of assistance, such as letting adult children live rent free at home, were included).
- Analysis by Digital Finance Analytics found that the average parental contribution is close to \$90 000, and that, if taken as an aggregate, the ‘bank of mum’ and dad would be Australia’s ninth largest mortgage lender.

Box 10.3 – Estimates of the prevalence and size of the ‘bank of mum and dad’

- Drawing on HILDA data, Pawson et al. estimated that 15 per cent of people who bought their first home between 2016 and 2018 in Sydney, Melbourne or Perth received a parental transfer (an increase from 8 per cent for people who bought their house between 2001 and 2005). For the rest of Australia, the share was lower, but also increasing (7 per cent for buyers between 2016 and 2018 compared with 3 per cent of buyers between 2001 and 2005).

Source: Finder (2021, p. 15); Gee (2021); Genworth (2021, p. 23); Hughes (2021); Pawson et al. (2022, pp. 23–24); PC (2021e); Simon and Stone (2017, pp. 22, 26).

The recent significant growth in house prices has also led some prospective home owners to reduce their ambitions around the preferred size of their deposit — for example, a survey of prospective home owners by Genworth found that the proportion planning on saving a deposit of at least 20 per cent has dropped significantly in recent years — from just over 40 per cent in 2019 to about 27 per cent in 2021 (Genworth 2021, p. 17). Lower deposits can impact on first home buyers in several ways — including requiring them to hold a larger mortgage, which can affect their ability to obtain a loan and increase their reliance on LMI if they do.

... and while low interest rates mean many first home buyers spend less of their income on servicing a mortgage, it costs more lifetime income to buy a home ...

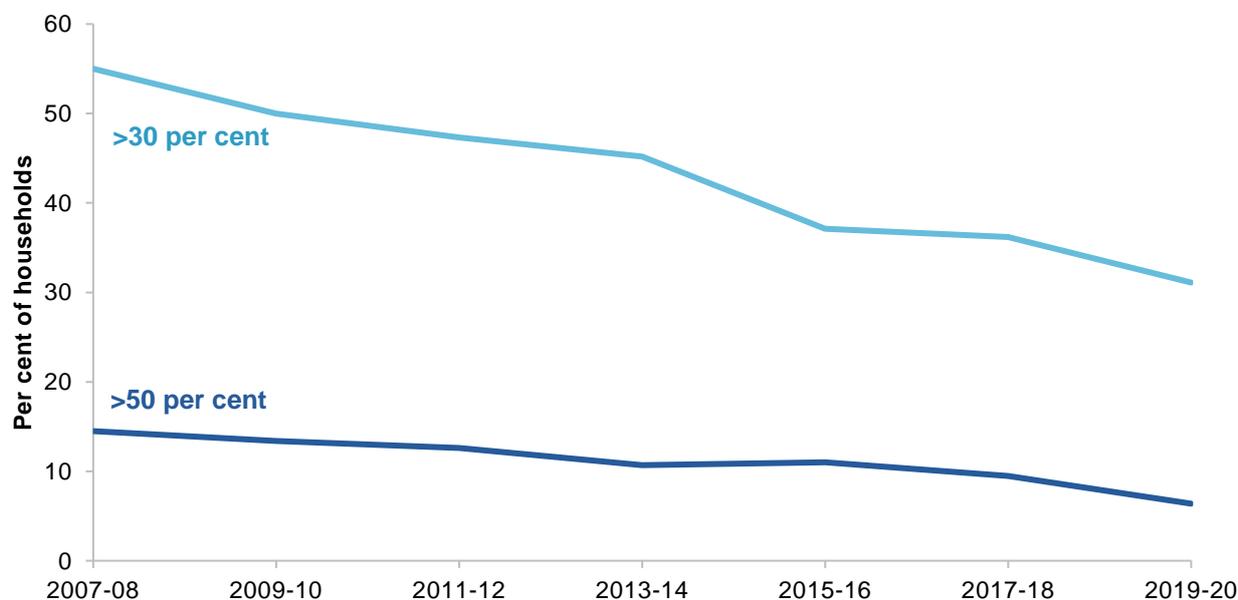
Mortgage interest rates are the primary cost of borrowing. And while interest rates have recently risen, rates at the moment are still substantially lower than they have been in the past — in June 2022, the indicator mortgage interest rate collected by the RBA was about 5.25 per cent per annum, having been as high as over 9 per cent in the late 2000s and about 17 per cent in the late 1980s and early 1990s.⁶ This has meant that servicing a mortgage has generally become more affordable — as figure 3.5 (in chapter 3) shows, across all households, the ratio of housing interest payments to household income has generally trended downward since peaking in 2008. That said, recent interest rate rises may reverse this trend.

Relatively low interest rates have also made servicing a mortgage more affordable for first home buyers. For example, ABS data show that the proportion of first home buyer households who spend more than 30 per cent of their disposable income on housing costs has decreased steadily from about 55 per cent in 2007-08 to about 31 per cent in 2019-20, and the share who spend more than 50 per cent has decreased from about 15 per cent to about 6 per cent over the same period (figure 10.9). Again, however, recent interest rate rises are likely to impact this trend.

However, notwithstanding relatively low interest rates, higher house prices, and subsequently larger mortgages, means that the share of working-life income needed to buy a home is increasing. The Treasury recently estimated that, on average, a household who purchased a home in 1980 devoted just over 4 per cent of their working-life income to repaying their mortgage, while a household who purchased a home in 2020 could expect to devote about 16 per cent of their working-life income to paying off their home (figure 10.10).

⁶ Data are the for the indicator lending rate standard variable owner–occupier housing loans set out in RBA data table F5.

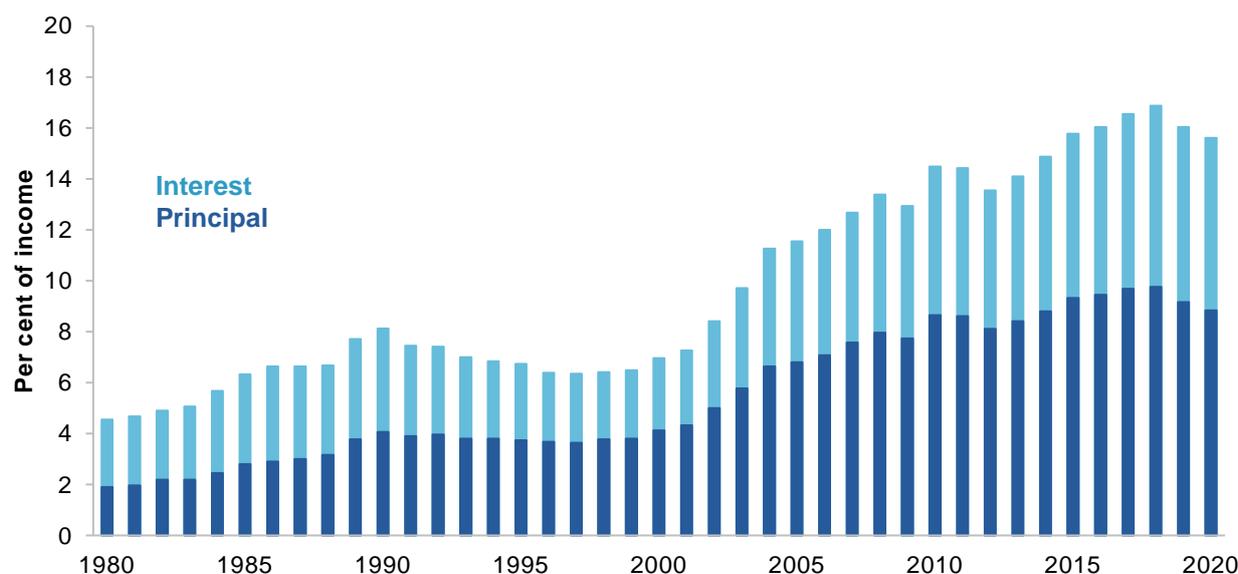
Figure 10.9 – First home buyer households are generally spending less of their income on housing costs, although recent interest rate rises will have an impact going forward
Share of first home buyer households spending more than 30 per cent and 50 per cent of their weekly disposable income on housing costs^a



a. For home owners, housing costs consist of rates and mortgage or unsecured loan payments if the initial purpose was primarily to buy, build, add to, or alter the dwelling. People with nil or negative disposable income are excluded.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia*, Cat. no. 6541.0.30.001, various years).

Figure 10.10 – The share of working-life income needed to buy a home has increased
Total home deposit and mortgage costs as a per cent of household working-life income^a



a. This analysis is a hypothetical comparison between different generations of households with the median income who pay a 20 per cent deposit and service a 25-year mortgage for a median-value dwelling at the market variable rate. Further information on the methodology and assumptions can be found in the original source.

Source: The Treasury (2020, p. 120).

Higher prices also mean that recent home buyers can expect to have to devote a significant share of their income towards meeting a mortgage for longer than many home buyers before them. The Grattan Institute found that the ‘average’ house-buyer in 2021 can expect to pay a little over 25 per cent of their income in mortgage repayments for the first few years of their loan, before gradually decreasing to about 18 per cent 15 years after their purchase and to about 15 per cent 25 years after their purchase. This is in contrast to an average buyer in 1990, who, while initially required to pay more of their income to meet their mortgage commitments compared with a 2021 buyer (about 35 per cent), were only required to dedicate about 12 per cent of their income to meet their mortgage 15 years after their purchase, and about 8 per cent of their income 25 years after their purchase (Moloney and Coates 2022).⁷

In sum, for a range of reasons, many aspiring first home buyers are likely to find it more difficult to buy a home than previous cohorts. As a group, younger Australians are obtaining higher levels of education-related debt and are more likely to work part time or casually than in the past, and relative to other groups, their wages have grown more slowly — factors that are likely to make it harder for some to save a deposit and obtain a mortgage. Deposits — on average — are larger and take longer to save and while interest rates are lower than they have been at many points in the past, high house prices means that homebuying households can expect to spend more of their lifetime income paying off their home.

Are more people ‘dropping out’ of home ownership?

Home ownership is sometimes viewed as the ‘end point’ of the housing spectrum — that is, a form of tenure that once obtained, many people remain in for the rest of their lives (or at least until old age requires them to seek alternative arrangements). However, for some, home ownership is not permanent — and while some people leave home ownership voluntarily, many are forced to do so because of major life events.

‘Dropping out’ of home ownership is not unusual — using HILDA data, Ong ViforJ et al. (2021, p. 1997) identified that about one quarter of Australian home owners dropped out of home ownership between 2001 and 2017, although most — about 71 per cent — returned to ownership after leaving. A key question when looking at home ownership trends is whether more people are dropping out of home ownership than in the past. The Commission did not find clear evidence that this is occurring. Using HILDA data, we identified people who bought a home (not necessarily their first home) in 2002, 2006, 2010 and 2014, and examined their housing arrangements for five years from that purchase. While most remained home owners for the full five years after their purchase, the share of people who dropped out of home ownership and became renters (without purchasing another home) within five years of their purchase was fairly consistent (about eight or nine per cent of buyers in the years examined).⁸

Another way to examine whether more people are dropping out of home ownership is to look at involuntary sales (which occur when people sell their home because of an adverse life event, rather than because they have a preference or desire to sell). While HILDA data suggest that the share of people who involuntarily sell their home is significant — up to one-in-five people who sell their home do so because of financial difficulty or relationship breakdown (or both) — the limited number of data points means it is not possible to determine whether there has been a trend towards a greater (or indeed, a lesser) share of sales being involuntary (figure 10.11). HILDA data also indicate that many who are forced to sell then enter the rental market —

⁷ The Grattan Institute analysis models mortgage repayments on an average house as a share of average income for 25 years after their purchase. The analysis assumes an 80 per cent loan-to-value ratio on an average house in the year of borrowing. Further information on its projections and assumptions can be found in the original source.

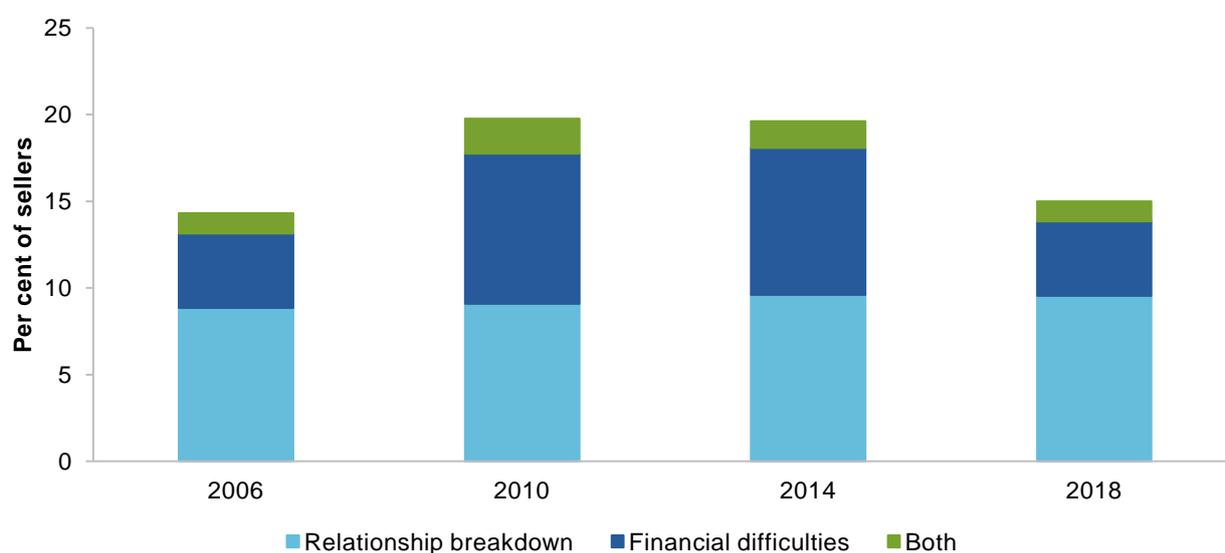
⁸ This analysis was based on people who indicated they purchased their current home in the relevant survey year (excluding people still living at home) and tracking their tenure status in the five waves following the survey year. People with missing tenure status in any year over the five-year period since their purchase were excluded.

between one-third and one-half of people who indicated that they were forced to sell their home indicated that they were renting in the same survey period, compared with about 10 per cent of non-forced sellers.⁹ In other words, it appears that many people who involuntarily sell their home do not buy another straight away, but spend at least some time in the rental market.

Survey data collated by the BankWest Curtin Economics Centre in 2018 indicated that, at that time, just under three-quarters of ex-home owners in the private rental market were there because they had to sell their home (as opposed to being there by choice), and that nearly one-in-five private renters were ex-home owners who had to sell their home. Relationship breakdown, followed by an inability to pay the mortgage, were the most common reasons for why former home owners were renting (Rowley and James 2018, p. 28).

Figure 10.11 – A significant share of sales are forced

Share of people who sold their home due to relationship breakdown or financial difficulties, as a proportion of all sellers^a



a. These data are collected in HILDA's four yearly wealth module. Respondents are asked if they have sold their home during the past four years, and if they reply 'yes', are then asked if they had to sell their own home (in the past four years) because of financial difficulties or the breakup of a marriage or relationship.

Source: Household, Income and Labour Dynamics in Australia (HILDA) Survey, various waves.

Are aspiring home owners being 'crowded out' by other buyers?

A hypothesis sometimes put forward about why home ownership rates are falling is that prospective first home buyers are 'losing out' to other types of buyers — such as changeover buyers, investors or buyers from overseas — who generally have more resources to draw on when buying a home.

While there is little doubt that any increased competition — and any resulting price increases — would contribute to some prospective first home buyers dropping out of the market (at least in the short term), it is

⁹ Non-forced sellers refers to those who indicated that they sold their home in the past four years, but not because of relationship breakdown or financial difficulties. Data on the proportion of sellers who rent were obtained from the same wave as where they identify that they have sold their home in the past four years. For example, in HILDA wave f, 49 per cent of people who indicated they had sold their home in the past four years because relationship breakdown or financial difficulties also indicated they were renting at the time they were surveyed.

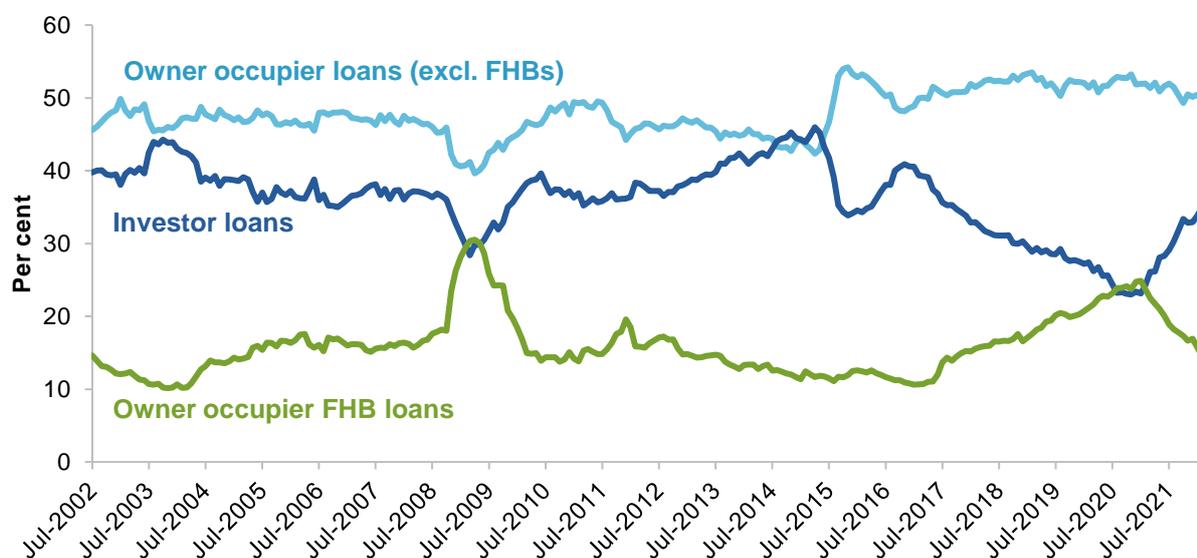
difficult to discern the extent that this is occurring, in part because there is relatively limited data on who is buying residential property. What data are available suggest a mixed picture.

Data on new home loan approvals show that there was a steady increase in the share of new loans to first home buyers between 2016 (when loans to first home buyers made up about 11 per cent of new loan commitments) and 2020 (when loans to first home buyers made up about 25 per cent of commitments). This growth largely occurred at the expense of lending to investors, whose share of new loan commitments fell from over 40 per cent to about 23 per cent over the same period (figure 10.12). This shift suggests that prospective first home owners have had a greater presence in the housing market in recent years, although since early 2021, there has been another shift, this time away from first home buyers and towards investors.

The Survey of Income and Housing collects some information on recent home purchasers that can also provide some broad insight into first home buyer activity. These data show that in most years since the mid-1990s — and notwithstanding that there is some variability year to year — a little over one-third of households who recently purchased a home were first home buyers and a little under two-thirds were changeover buyers, with no clear trend to suggest that these shares have changed significantly over time.¹⁰

Figure 10.12 – First home loans have grown at the expense of investor loans in recent years, although a shift is underway

Per cent of value of new loan commitments (excluding refinancing) by loan type, seasonally adjusted, July 2002 – August 2021^a



a. Excludes new loan commitments to investor first home buyers. Lending to this group is relatively small (about 1.5 per cent of commitments in April 2022).

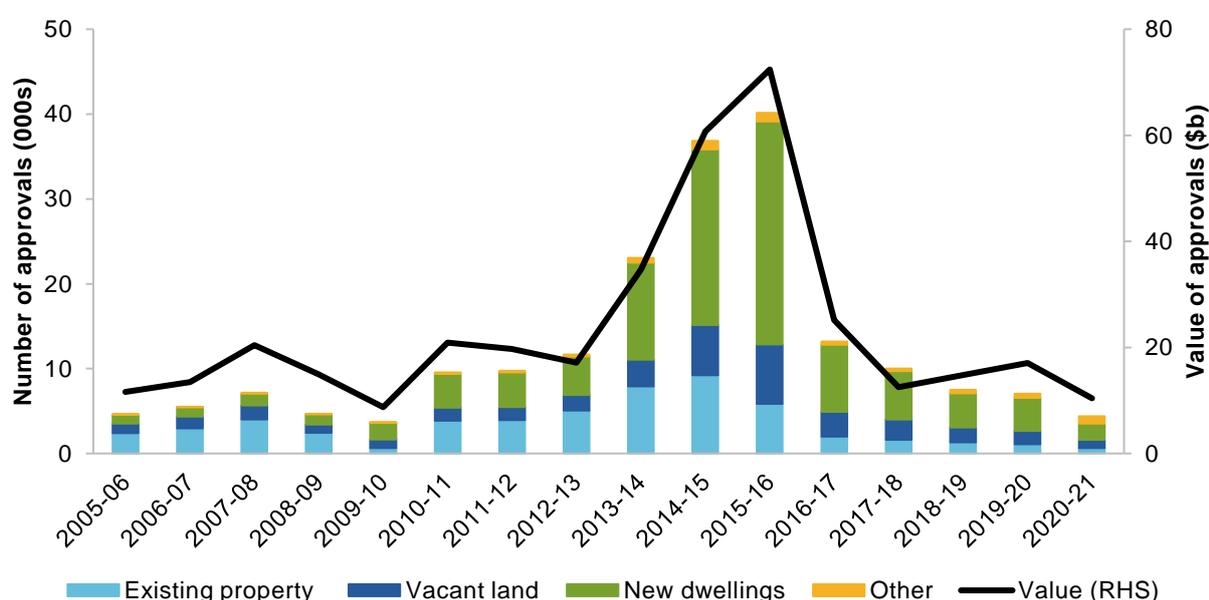
Source: ABS (*Lending Indicators*, April 2022, Cat no. 5601.0, table 1).

¹⁰ The Survey of Income and Housing defines a ‘recent home buyer’ as a household that bought their dwelling in the three years prior to being surveyed. A ‘first home buyer’ is defined as a household that has bought their dwelling in the three years prior to being surveyed and neither the reference person nor their co-resident partner has owned or been purchasing a home previously. A ‘changeover buyer’ is defined as a household that has bought their dwelling in the three years prior to being surveyed and either the reference person or their partner has owned or been purchasing a property previously.

Two buyer groups that are often considered to be competing with first home buyers for housing are foreign investors wanting to invest in Australian real estate and Australian investors seeking to purchase an investment property.

On the former, as part of its function of regulating foreign investment in Australia, the Foreign Investment Review Board (FIRB) provides annual data on the number and value of new approvals for foreign investment in residential real estate.¹¹ These data show that — after peaking in 2015-16 at about \$70 billion — the value of new approvals for foreign investment in residential real estate has fallen away sharply, and in 2020-21, totalled about \$10 billion (figure 10.13).

Figure 10.13 – Foreign investment in residential real estate is much lower today
Number (left hand axis) and value (right hand axis) of approvals provided by the Foreign Investment Review Board for residential real estate investment, 2005-06 to 2020-21



Source: Foreign Investment Review Board (FIRB) annual reports, various years.

The Australian Taxation Office (ATO) and the FIRB has also started publishing data on residential real estate purchases and sales by foreign investors, and this points to foreign investors participating even less in the housing market. In 2019-20, there was about 7500 transactions (worth about \$6 billion) where foreign investors purchased residential real estate in Australia — a reduction of 20 per cent compared with 2018-19. Over the same period, foreign investors also sold about 2000 residential properties (worth about \$1.5 billion), an increase of 66 per cent compared with 2018-19 (ATO 2022a, pp. 7–9). Given in any year, hundreds of thousands of properties are sold Australia-wide (CoreLogic estimated that almost 600 000 homes were sold across Australia in the year ending August 2021 (CoreLogic 2022a)), these purchase and sale numbers point to the relatively small impact foreign investors have in Australia’s housing market as a whole.

It is possible that the impact of foreign investment is more noticeable in particular submarkets where foreign investors makeup a greater share of transactions. However, as part of a wider examination of foreign

¹¹ Under Australia’s foreign investment framework, foreign people generally need to apply for approval before buying real estate in Australia. Unless they hold particular visa classes, foreign people will only be approved to purchase new dwellings, vacant residential land, or residential land with an established dwelling with the intent to redevelop the land into two or more new dwellings (ATO 2021b, 2022b).

investment in residential real estate in 2014, the Reserve Bank found that first home buyers and foreign investors tended to be active in different market segments and that, overall, competition between foreign investors and first home buyers was not likely to be large:

... the data available — while incomplete — suggest that first home buyers have generally purchased established rather than new dwellings, and purchased dwellings that are cheaper than the national average ... both of these are parts of the overall housing market where foreign residential purchasers do not appear to have a major presence. While state incentives for first home buyers have recently shifted toward the purchase of new rather than established dwellings — and hence to the area of the housing market where foreign buyers generally have a greater presence — the degree of competition with foreign buyers is still likely to be fairly small. (Gauder, Houssard and Orsmond 2014, pp. 15–16)

Taken in aggregate, the evidence suggests that — given the small volume of investment in Australian residential real estate by foreign citizens and the likelihood that much of it occurs in areas of the market that are of little significance for prospective first home buyers — it is unlikely that foreign purchasers are ‘crowding out’ domestic first home buyers on a significant basis. Further, the substantial reduction in investment approvals since 2015-16 indicates that — to the extent that there has been any competition between first home buyers and foreign investors in recent years — this is likely to have subsided.

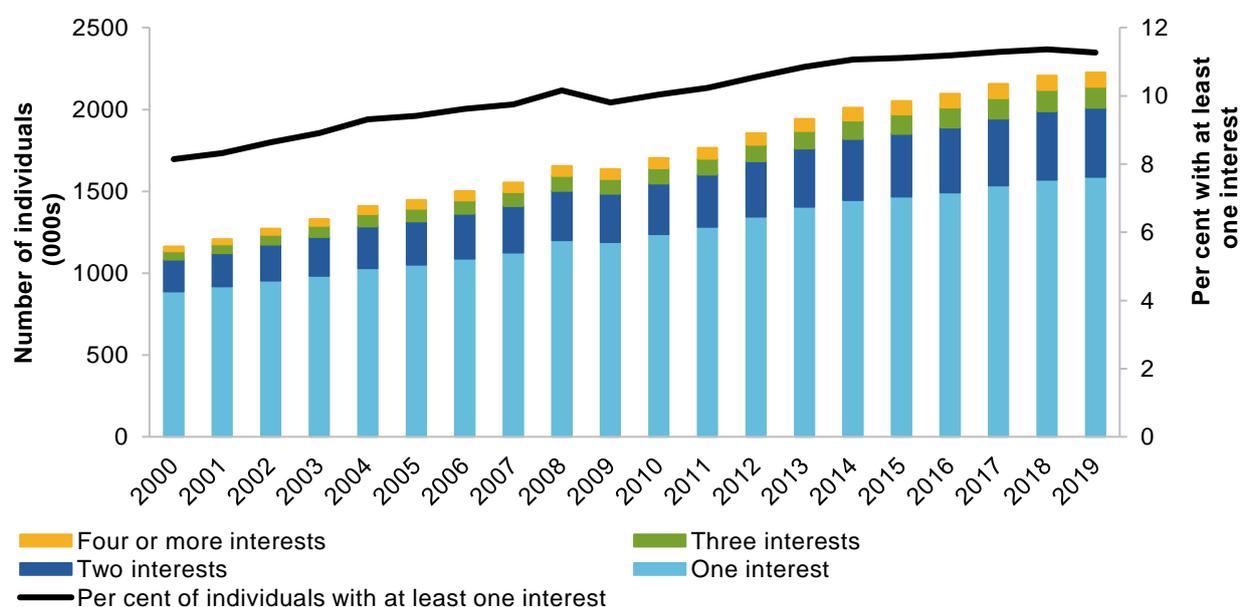
A second group that is often viewed as competing with first home buyers for properties are domestic investors, who typically purchase a property with the intention of renting it out. Again, there is limited data available that can be used to infer whether investors are playing a bigger or smaller role in the market than in the past, and whether they are buying the types of properties that first home owners would find desirable. The evidence available suggests a somewhat mixed picture.

The most complete data on the number of investors in Australia’s property markets are collected by the ATO through annual tax returns. These data show that the number of people who own investment properties (that is, people who report at least one interest in a rental property in their tax return) nearly doubled between 2000 (when there were about 1.2 million investors) and 2019 (when there were about 2.2 million investors). The share of people who report owning an interest in an investment property in their tax return (as a per cent of the estimated resident population aged 18 years and over) has also increased, but more modestly, rising from about 8 per cent to about 11 per cent over the same period (figure 10.14).

On the other hand, data on housing loans (set out in figure 10.12 above) point to potentially declining investor activity in the market for much of the period since 2015 — in part due to higher interest rates and tighter lending standards on interest-only loans, which are more popular with investors (Kent 2018). This suggests that the number of investors in the housing market may be growing more slowly now than it has in the recent past — although since early 2020, the share of new loans going to investors has again been on the rise.

Figure 10.14 – The number of people with a rental property has nearly doubled since the year 2000, but has only increased marginally as a share of the population'

Number of people with an interest in a rental property (LHS) and share of people aged 18+ with at least one interest (RHS)



Source: Commission estimates using ABS (*Australian Demographic Statistics, June 2019, Cat no. 3101.0, table 59*) and ATO (*Taxation statistics 2018-19 individuals, table 27A*).

10.4 Government support for home ownership

Governments support people to buy a home in a variety of ways (table 10.1). The most common approaches used by governments are briefly described below. Assistance has also been provided through ad-hoc programs in recent years — the most significant was the HomeBuilder program, which provided grants of up to \$25 000 to eligible owner-occupiers (not necessarily first home buyers) to build or substantially renovate a home. The program was introduced during the early days of the COVID-19 pandemic to support the construction sector. The estimated fiscal cost of the HomeBuilder program, as of March 2022, was about \$2 billion (The Treasury 2022a). Many State and Territory Governments also committed additional temporary support to home buyers during the pandemic.

The broader tax and transfer system also provides incentives for home ownership, such as the capital gains tax exemption for 'main residences' and the exclusion of the 'principal home' from the aged care assets test.

Table 10.1 – Types of initiatives to support home ownership by jurisdiction

	Cth	NSW	Vic	Qld	SA	WA	Tas	NT	ACT
Grants for first home buyers		✓	✓	✓	✓	✓	✓	✓	
Stamp duty concessions for first home buyers		✓	✓	✓		✓			✓
Low deposit loan programs	✓			✓	✓	✓		✓	
Shared equity programs		✓	✓	✓	✓	✓	✓		✓
Concessional savings vehicles for first home buyers	✓								

First Home Owner Grants

Governments have provided grants to assist people to buy their first home for many years, the nature of which has evolved over time (box 10.4). Today, all State and Territory Governments — with the exception of the ACT government — offer first home owner grants, although what purchases are eligible and the amount of assistance provided varies across jurisdictions.

- In New South Wales, a grant of \$10 000 is provided to people buying or building their first home, if that home is new and meets certain price requirements (not purchased for more than \$600 000 if it is a house, townhouse, apartment or unit, or not more than \$750 000 if vacant land is purchased with a contract to build a home) (NSW Government nd).
- In Victoria, a grant of \$10 000 is provided to first home buyers if they buy or build a new home. To qualify for the grant, the amount paid for the home must not be more than \$750 000 (State Revenue Office (Victoria) 2021a).
- In Queensland, a grant of \$15 000 is provided to first home buyers purchasing a new house, unit or townhouse if the value of the home including the land is less than \$750 000 (Queensland Government 2021a).
- In South Australia, a grant of up to \$15 000 is provided to first home buyers building or buying a new home if the market value of the home is no more than \$575 000 (RevenueSA 2019).
- In Western Australia, a grant of \$10 000 is provided to first home buyers to buy or build a home. To be eligible for the grant, the value of the land and building must be no more than \$750 000 if south of the 26th parallel (which includes all of Perth), or no more than \$1 million if north of the 26th parallel. (Government of Western Australia 2021b). Additionally, the Western Australian Government, through the Home Buyers Assistance Account, may provide a grant of up to \$2000 to reimburse part of the incidental expenses incurred when purchasing a first home if the value of the purchase does not exceed \$400 000. (Government of Western Australia 2022b).
- In Tasmania, a grant of \$30 000 is provided to first home buyers who purchase or build a new home (State Revenue Office (Tasmania) 2021a).
- In the Northern Territory, a grant of \$10 000 is available to first home buyers building or buying a new home (Northern Territory Government 2021a).

The support provided through first home owner grants is substantial. In 2020-21, first home owner grants were provided to over 55 000 first home buyers, totalling over \$700 million (table 10.2).

Box 10.4 – A short history of first home owner grants

While governments have provided financial support to first home buyers in various forms since at least the 1960s, first home owner grants (FHOGs) in their current form were first introduced in July 2000 after an agreement between the Australian and the State and Territory Governments. The stated rationale for FHOGs was to compensate for the increase in house prices associated with the introduction of the Goods and Services Tax (GST), and, while States administered the scheme, it was effectively funded through GST revenue.

Initially, grants of \$7000 were provided to first home buyers to purchase either a new or existing dwelling. Between March and December 2001, an additional \$7000 was paid to FHOG recipients who built or purchased a new home to stimulate demand for the construction industry (which experienced significant declines in demand after the GST's introduction). Between January 2002 and June 2002, top-up grants continued, but at a reduced rate of \$3000.

Since 2004-05, State and Territory Governments have funded first home owner grants from their own revenues although in 2008, during the Global Financial Crisis, the Australian Government introduced the Home Owner's Boost, which provided a top-up grant of \$7000 for buyers of established homes and \$14 000 for buyers of new homes. Federal funding for both the First Home Owner Grant and the Boost ceased in 2010.

States and Territories continued to operate first home owner grant schemes at their own expense. Throughout the 2010s, most jurisdictions restricted eligibility to new homes only, in effect meaning there is a stronger link between the grants and new housing supply than in the past.

A feature of Australia's first home owner grants is their longevity. Randolph, Pinnegar and Tice (2013) noted that while other countries have used similar measures to assist people to buy a home, these arrangements were typically understood to be time-limited and intended to support a declining construction market. In contrast, Randolph, Pinnegar and Tice noted that in Australia, providing grants in both 'boom and downturn' has meant that they have arguably become an 'assumed' feature of Australia's housing market.

Source: Hicks, Kompo-Harms and Webb (2008); Pawson et al. (2022); Randolph, Pinnegar and Tice (2013, p. 57).

Table 10.2 – Number and value of first home owner grants^a

By jurisdiction, 2020-21

	Number of grants paid	Value (\$ million)
New South Wales	7711	78
Victoria	21 153	275
Queensland	11 710	176
South Australia	4266	64
Western Australia	9615	96
Tasmania	886	18
Total	55 341	707

a. The Commission was unable to find a public estimate of the number and value of grants paid by the NT Government. The ACT Government does not provide first home owner grants.

Source: Department of Finance (Western Australia) (2021, p. 129); Department of Infrastructure (Queensland) (2021); NSW Government (2021c); RevenueSA (2021); State Revenue Office (Tasmania) (2021b); State Revenue Office (Victoria) (2021c); WA Government (2021c).

Transfer (stamp) duty concessions

All State and Territory Governments levy taxes (called transfer duty or stamp duty) on residential property purchases. These taxes are payable by purchasers and are related to the value of the property being bought.

However, most State and Territory Governments — the exceptions being South Australia and the Northern Territory — also offer stamp duty concessions for first home buyers that reduce the amount of tax they are required to pay when they buy a home (compared with if the buyer was not a first home owner). Duty concessions can be claimed in conjunction with first home owner grants. However, unlike first home owner grants — for which purchasers only qualify if they are building or buying *new* homes — stamp duty concessions usually apply for both *new* and *existing* properties. In addition to concessions for housing, in most jurisdictions, first home buyer concessions also exist for vacant residential land.

- In New South Wales, first home buyers who buy a home receive a full exemption from stamp duty if their home is valued at less than \$650 000, and receive a concession if their home is valued between \$650 000 and \$800 000 (NSW Government nd). In addition, the NSW Government has announced that — subject to new legislation — from 16 January 2023, first home buyers (of properties up to \$1.5 million) will have the option of paying an annual property tax instead of stamp duty. This option is not available to purchasers of properties that are not their first home (NSW Government 2022a).
- In Victoria, first home buyers receive a duty exemption if the dutiable value of their home is \$600 000 or less, and a concession if the dutiable value is between \$600 001 and \$750 000 (State Revenue Office (Victoria) 2021b).
- In Queensland, first home buyers are not required to pay duty if their home is valued under \$500 000, and receive a duty concession if their home is valued under \$550 000 (Queensland Government 2021c).
- In Western Australia, first home buyers are not required to pay duty if dutiable value of their home and land does not exceed \$430 000, while a concession applies for homes and land valued between \$430 000 and \$530 000 (Government of Western Australia 2021a).
- In Tasmania, first home buyers receive a 50 per cent discount on transfer duty for properties with a dutiable value of \$600 000 or less. Unlike concessions in other jurisdictions (which apply to both new and established homes), this concession applies to established properties only (State Revenue Office (Tasmania) 2022).
- In the ACT, home buyers who have not owned property in the past two years — of which first home buyers likely make up the largest group — are not required to pay transfer duty. Unlike schemes in other jurisdictions, eligibility is determined on the basis of income as opposed to property value — a buyer qualifies for the exemption if their gross annual income is below \$170 000 for buyers with no dependent children up to \$186 650 for households with five or more dependent children (ACT Revenue Office 2022a).

First home owner stamp duty concessions are typically viewed as distinct from first home owner grants and are treated as separate assistance measures by governments. This is understandable — they have different eligibility criteria, and given grants represent budgetary outlays while transfer concessions represent tax expenditures, they are treated differently in government budgets. However, the nature of assistance provided through first home owner grants and stamp duty concessions is conceptually similar — both provide first home buyers with extra money to spend when purchasing a property, either by way of a grant, or by reducing the tax they pay when they buy a home (thereby ‘freeing up’ more money to spend on the home itself, or potentially reducing the amount needing to be borrowed).

The value of assistance provided through stamp duty concessions exceeds that provided through first home owner grants. In 2020-21, the value of stamp duty concessions exceeded \$2 billion, though this figure may have been inflated somewhat by temporary concessions introduced by governments in response to the COVID-19 pandemic, and the relatively large increases in house prices that occurred during the pandemic. In 2019-20, when these factors were less significant, the value of first home buyer concessions was about \$1.6 billion.

Combined, the value of assistance provided through state and territory first home owner grants and stamp duty concessions has increased markedly in recent years — one estimate suggests that in the four years to 2020, assistance through grants and concessions more than doubled from \$1.2 billion to just under \$3 billion (Pawson et al. 2022, p. 43). Such assistance has also grown to be a sizeable proportion of States and Territories' total expenditure in housing — for context, States and Territories spent about \$1.2 billion on specialist homelessness services and about \$6.6 billion on social housing in 2020-21.

Some jurisdictions also offer other transfer concessions beyond first home buyers. Some concessions are broadly open to owner–occupiers. For example:

- Queensland provides a home concession to owner–occupiers (even if they have owned a home before), where a concessional rate applies to the first \$350 000 of the value of a residence. The estimated value of this concession was \$527 million in 2020-21 (Queensland Government 2021b, p. 245, 2021d).
- Victoria provides a principal place of residence concession that is available to all owner–occupier home buyers (not just first home buyers) whose property is valued up to \$550 000. In 2020-21, the estimated value of this concession was \$129 million (State Revenue Office (Victoria) 2021f; Victorian Government 2021c, p. 200).

Other concessions are more targeted. For example:

- Victoria, Tasmania and ACT provides transfer duty concessions to pensioners (ACT Revenue Office 2017; State Revenue Office (Tasmania) nd; State Revenue Office (Victoria) 2021e).
- Victoria provides transfer duty concessions for off-the-plan properties purchased by owner–occupiers (State Revenue Office (Victoria) 2021d). The ACT also offers concessions for off-the plan-properties (ACT Revenue Office 2022b).

Table 10.3 – Estimated value of first home owner stamp duty concessions and exemptions^{a,b,c}

\$Million

	2019-20	2020-21
New South Wales	523	650
Victoria	724	837
Queensland ^c	238	357
Western Australia	102	156
Tasmania	5	7
ACT	44	na
Total	1 636	2 007

a. The Commission was unable to find a public estimate of the value of first home owner stamp duty concessions in the Northern Territory. The South Australian Government does not provide stamp duty concessions. **b.** Data for 2019-20 were collected from 2020-21 government budget papers. Data for 2020-21 were collected from 2021-22 budget papers. **c.** Includes first home vacant land concession. **na** Not available.

Source: ACT Government (2021a, p. 21); Government of Western Australia (2020, p. 267, 2021d, p. 323); NSW Government (2020b p. A2-4, 2021f p. A2-4); Queensland Government (2020b, p. 218, 2021b, p. 245); Tasmanian Government (2020b, p. 89, 2021, p. 84); Victorian Government (2020a, p. 182, 2021c, p. 200).

Low deposit loan schemes

Several jurisdictions provide low deposit loan schemes to support particular groups to buy a home. Low deposit loan schemes take two main forms.

- Guarantee schemes, where private lenders provide a borrower with a mortgage, but government guarantees part of this mortgage in order for the borrower to qualify for the loan with a smaller deposit.
- Direct lending through government-backed, low-deposit mortgage products.

A common feature of government-backed low deposit loan schemes — irrespective of whether they take the form of a guarantee or direct lending — is that they do not require LMI (box 10.5).

Guarantee schemes

Guarantee schemes operate at the Commonwealth level through the Home Guarantee Scheme administered by the National Housing Finance and Investment Corporation (NHFIC). The Home Guarantee Scheme has two components — The First Home Guarantee and the Family Home Guarantee.

The First Home Guarantee Scheme builds on two previous schemes operated by NHFIC — the First Home Loan Deposit Scheme (FHLDS) and the New Home Guarantee (NHG), both of which commenced in 2020. Under the scheme, eligible first home buyers are able to buy a new or existing home with a deposit as low as 5 per cent, with the Australian Government guaranteeing up to 15 per cent of a loan and the remaining loaned by participating lenders. LMI is not required. The program is capped at 35 000 places per financial year. To be eligible for the scheme, applicants must be first home buyers, must have an income of no more than \$125 000 for the previous financial year if an individual or no more than \$200 000 if a couple and must purchase a property below specified, regionally varied price ceilings (NHFIC 2022b).

Box 10.5 – What is Lenders Mortgage Insurance?

Lenders Mortgage Insurance (LMI) is an insurance product taken out by lenders that protects them if a borrower is unable to meet their loan repayments. LMI only protects the lender — not the borrower — from financial loss.

Generally, LMI premiums are levied as a lump sum when a loan is taken out (although at least one LMI provider is now offering monthly premium payments). While lenders pay these premiums to insurers, it is common for them to recoup this cost directly from borrowers — who can bear this cost upfront, but in many cases, can capitalise the cost into the value of their loan.

Lenders typically require LMI when loans have a high loan-to-value ratios (usually more than 80 per cent). The cost of LMI depends largely on the loan-to-value ratio, but can cost tens of thousands of dollars.

Because the option of requiring LMI can encourage lenders to make loans to borrowers with lower deposits (knowing they will be covered should the borrower default), LMI can work to make home ownership more accessible by allowing people with low deposits to own a home sooner. The Commission examined the LMI market in its inquiry into *Competition in the Australian Financial System*, finding that LMI can encourage competition in the home loan market, though most of the benefits of LMI flowed to middle- and high-income earners (rather than low-income earners) and that it also encouraged borrowers to take out larger loans.

Source: ASIC (nd); PC (2018a); The Treasury (2021); Keystart (2022c).

Under the scheme, the guarantee remains in place until the principal balance of the loan falls below 80 per cent of the property's value at purchase. If a default occurs before this happens, and the property is sold, the guarantee takes effect and NHFIC would pay any shortfall the lender faces after selling the defaulted property, up to the value of the guarantee (The Treasury 2021, p. 47).

Take-up of first home buyer guarantee schemes have been strong. An examination of the FHLDS – a predecessor to the First Home Guarantee Scheme – found that most places were taken up in the first months after they were offered and there is likely to be 'significant unmet demand for places in the scheme' (The Treasury 2021, p. 48). And, collectively, the FHLDS and NHG were estimated to support about one-in-ten first home buyers, with the value of shortfalls covered by the Australian Government between 1 January 2020 and 30 June 2021 exceeding \$1.4 billion (NHFIC 2021b, p. 5). It is likely that the First Home Guarantee Scheme will face similarly strong demand.

The second scheme in place is the Family Home Guarantee. The Family Home Guarantee supports eligible single parents with at least one dependent child to purchase a home. It operates as a guarantee scheme similar to the First Home Guarantee. However, it is capped at 5000 places each financial year and requires a deposit as low as 2 per cent. Further, participants in the Family Home Guarantee need not be first home buyers – they may have owned a home in the past, but must not own a home at the time of application (NHFIC 2022a).

The Australian Government has indicated it will establish a Regional First Home Buyer Support Scheme, offering up to 10 000 guarantees a year for first home buyers in regional areas (ALP 2022b).

Direct lending schemes

Several jurisdictions operate schemes where government-backed lenders provide low deposit mortgages to customers. Box 10.6 provides an overview of these schemes.

Box 10.6 – State and Territory low deposit loan schemes

Government administered low deposit loan schemes operate in South Australia, Western Australia, Queensland and the Northern Territory.

In **South Australia**, a range of low deposit loan products are offered by HomeStart Finance. HomeStart is a statutory corporation (overseen by a Board of Management responsible to the Treasurer) that offers a range of low deposit loan products, some of which can accept a deposit as little as 3 per cent and do not require the borrower to pay lender's mortgage insurance. While some supplementary products are income tested, many of HomeStart's loans are open to all South Australians. In 2020-21, HomeStart assisted over 1770 households (mostly first home buyers), had a gross portfolio size of about \$2.3 billion and provided payments of over \$61 million to the South Australian Government (about \$26 million classified as a dividend).

In **Western Australia**, low deposit loan products are offered by KeyStart. Keystart operates as a private organisation governed by an independent board, but its sole shareholder is the Western Australian Housing Authority and is predominately funded through the Western Australian Treasury Corporation. Through Keystart, Western Australians can access a home loan with a deposit as low as 2 per cent (depending on location) and are not required to pay lender's mortgage insurance. Access to low deposit loans is restricted to people who do not already own property and who meet an income test (for people in the Perth metro area, this ranges from an annual income of \$105 000 for an individual to \$155 000 for families, with higher thresholds in other areas). To be eligible, the purchase price cannot exceed \$480 000 for a home in the Perth metro area, with higher limits applying elsewhere. Keystart also offers

Box 10.6 – State and Territory low deposit loan schemes

concessional loan products targeted: at people with a permanent disability and their carers; Aboriginal people; and farmers and rural and regional business owners.

In **Queensland**, the Queensland Government operates the Queensland Housing Finance Loan program, which provides finance for 'Queenslanders who can afford to buy or build a home but cannot get private finance from a bank or building society'. These loans require a deposit as low as 2 per cent and the applicant must not own or part-own property and have a household income of less than \$141 000 per annum.

In the **Northern Territory**, the NT Government's Home Build Access program allows Northern Territorians purchasing a new home to obtain a loan with a deposit of 2.5 per cent (with the Government loaning up to 17.5 per cent and an approved financier providing the remainder), subject to property value limits of \$475 000 for 1-2 bedroom homes and \$550 000 for homes with three or more bedrooms. Lender's mortgage insurance is not required. In addition, first home buyers who meet an income and asset test may qualify for a subsidised interest rate loan, which features a lower deposit requirement (2 per cent) and a subsidised interest rate for the first five years of the loan.

Source: Keystart (2022d, 2022a); Queensland Government (2021f); Northern Territory Government (2021b); HomeStart Finance (2021, pp. 11, 20, 29, 31, nd).

Shared equity schemes

Most States and Territories have shared equity schemes. While the design of such schemes vary across jurisdictions, their premise is largely the same — governments buy a minority share in a home, with a home buyer purchasing the majority share. Because the government is a co-owner, the home buyer needs to borrow less than if they were purchasing the home outright, making the home more affordable. The government retains its share until the home buyer buys them out, the home is sold, or certain conditions are met, at which point the government receives their outlay back, along with any gains or losses that accrue from changes in the home's value over the time they were a co-owner. An example of how a shared equity scheme works — drawn from the Queensland scheme — is provided in box 10.7. Box 10.8 provides an overview of shared equity schemes administered by State and Territory Governments.

Box 10.7 – An illustrative example of a shared equity scheme

Suppose a home buyer enters into a shared equity arrangement with a government agency to purchase a property for \$300 000. Under the arrangement, the buyer will own 60 per cent of the property, with the government agency owning the remaining 40 per cent. This means that the buyer is responsible for meeting only 60 per cent of the purchase price (\$180 000) with the government agency funding the remaining 40 per cent (\$120 000). The buyer only makes mortgage repayments on their share.

After holding the property for several years, the buyer elects to sell the property. Any gain or loss that results from the sale is shared between the buyer and the government agency according to their respective shares.

Box 10.7 – An illustrative example of a shared equity scheme

For example, if the property was to sell for \$350 000 (a \$50 000 gain on the original purchase price), the original buyer would receive \$210 000 (60 per cent of the sale price) — a gain of \$30 000 above the original purchase price. The government agency would receive \$140 000 (40 per cent of the sale price) — recouping its initial outlay and gaining an additional \$20 000.

If the property was to sell for \$280 000 (a \$20 000 loss compared to its original purchase price), the original buyer would receive \$168 000 — meaning they make a loss of \$12 000 on the sale of the home. The government agency would receive \$112 000 — \$8000 less than their original outlay.

Source: Queensland Government (2021e, pp. 7–8).

Box 10.8 – State and Territory shared equity schemes

State and Territory Governments operate a range of shared equity schemes.

In **South Australia**, shared equity loans are offered through HomeStart Finance (a statutory corporation responsible to the State Treasurer), which may own up to 25 per cent of a property's purchase price, up to a maximum of \$200 000 (shared equity loans are secondary loans taken out with a primary HomeStart loan). HomeStart made 36 shared equity loans in 2020-21.

In **Western Australia**, Keystart (a private organisation, but with the Western Australian Housing Authority as its sole shareholder) offers a Shared Home Ownership Loan. Under the loan, the Western Australian Housing Authority may own up to 30 per cent of a home (with the exact share owned by the parties determined by the buyer's circumstances). To be eligible, a buyer must have at least a 2 per cent deposit and have an income below certain thresholds (in the Perth metro area, the income limit is \$70 000 for an individual and \$90 000 for a couple or family). Only selected properties are able to be purchased through the scheme.

In **Victoria**, shared equity loans are available through the Victorian Government's Homebuyer Fund. Under the fund, the State of Victoria contributes up to 25 per cent of the purchase price of a property, with a 5 per cent deposit required by the buyer (a lower deposit is required for eligible Aboriginal and Torres Strait Islander buyers) and the rest funded by an eligible lender. In order to be eligible, buyers must meet an income test (have an income of no more than \$128 000 per annum for individuals or no more than \$204 800 for joint applicants) and must buy their home in an eligible location. If a buyer's circumstances change — such as if their income exceeds certain thresholds — they may be required to start repaying the Fund's interest on their property.

In **Tasmania**, shared equity loans are available through the MyHome program. Under the program, the Tasmanian Director of Housing purchases up to 40 per cent of a home. To be eligible, a buyer must — among other things — meet an income and assets test and have a minimum deposit of 2 per cent of the property's purchase price.

A shared equity scheme is also being trialled in **New South Wales**. Under the scheme, the NSW Government may own up to 40 per cent of a home for new properties and 30 per cent for existing properties. The scheme is open to single parent families, single people aged 50 years or older and first home buyers who are key

Box 10.8 – State and Territory shared equity schemes

workers (nurses, teachers or police) who buy a home under price caps (\$950 000 in Sydney and major regional centres and \$600 000 in other areas) and who meet an income test. A 2 per cent deposit is required. The scheme offers up to 3000 places each year for the two years it is being trialled.

Some State and Territory Governments offer shared equity products exclusively targeted at public housing tenants. These schemes include:

- **Queensland's** Pathway's Shared Equity Loan. This loan is only available to tenants in government-owned housing who wish to buy the home they are currently renting (and provided that the government considers that the property is available for purchase). Under the scheme, the Department of Communities, Housing and Digital Economy may own up to 40 per cent of a home (the exact share owned by the parties is determined by the buyer's circumstances). A minimum deposit of \$2000 is typically required
- the **ACT's** Shared Equity Scheme. Under the scheme, eligible public housing tenants are able to purchase 70 per cent of their Housing ACT property with the remaining 30 per cent held by Housing ACT. Housing ACT's share is then bought by the tenant in two instalments — the first instalment is required five years after settlement and the second required after 15 years. Not all ACT Housing properties are able to be purchased through the scheme.

Source: ACT Government (2022b); HomeStart Finance (2021, p. 12, nd); Keystart (2022b); NSW Government (2022b); Queensland Government (2021e); State Revenue Office (Victoria) (2022); Tasmanian Government (2022).

The Australian Government has flagged its intention to introduce a national shared equity scheme — the Help to Buy Scheme. This proposal would involve the Australian Government co-purchasing up to 40 per cent of a new home or 30 per cent of an existing home with buyers, capped at 10 000 places each financial year. To be eligible, applicants would be required to not own land or property (but need not be first home buyers), would have a minimum deposit of 2 per cent and would have earnings below set thresholds (\$90 000 per annum for individuals or \$120 000 per annum for couples) (ALP 2022a).

Concessional savings vehicles for first home buyers

The Australian Government, through the First Home Super Saver Scheme, allows aspiring first home buyers to save for a deposit through their superannuation fund. Under the Scheme, first home buyers are able to make voluntary contributions to their superannuation fund (which are taxed more favourably compared with savings held outside the superannuation scheme). The buyer is then able to release these contributions (along with earnings associated with contributions) to assist them to buy their first home.

A first home buyer can apply to have a maximum of \$15 000 of contributions from any one financial year to be released, up to \$50 000 of contributions across all years (ATO 2021a).

10.5 Is the NHHA boosting home ownership?

The NHHA identifies home ownership, including support for first home buyers, as one of six national policy priority areas that 'collectively contribute to achieving national outcomes' and that should be incorporated

into States' and Territories' housing strategies 'where appropriate to their needs'. This is not a high bar to meet. All States and Territories do cover home ownership in their published housing strategies.

- Some outline broad aspirations or a vision for home ownership and/or provide context on home ownership in their jurisdiction.
- Some identify what they perceive to be barriers that constrain or impact on home ownership in their jurisdiction.
- Some identify existing initiatives they are undertaking to support home ownership and/or provide detail on the nature of this assistance. Some outline targets for their initiatives.
- Some outline new initiatives that they intend to undertake (or are investigating undertaking) to support home ownership. Some of these initiatives have been progressed since the strategies were released.
- Some discuss ongoing, planned or possible reform to taxation arrangements (mostly stamp duty) that, while not directly supporting home owners, has the potential to have a significant impact on the housing market.

However, while home ownership initiatives are included in State and Territory housing strategies, it is not apparent that the NHHA is materially contributing to State and Territory Government actions to support home ownership. For example:

- in consultations with State and Territory Governments, it was apparent to the Commission that not much — if any — funding allocated through the NHHA was being used by State and Territory Governments to fund home ownership initiatives. While it is possible that funding provided through the NHHA and used to provide services in other parts of the housing spectrum (such as homelessness and social housing services) 'freed up' resources to spend on home ownership programs, it remains the case that there is not a strong nexus between the NHHA and the funding of home ownership programs.
- it is explicitly stated in the NHHA that several key policy areas are 'outside of the scope of [the] Agreement' (clause 5). Three of these excluded policy areas — Commonwealth and State tax settings, financial sector regulation and immigration — have significant, direct effects on the affordability and accessibility of home ownership. Further, the other excluded policy areas — income support and rental subsidies — can have a more indirect impact on the accessibility of home ownership by affecting the rate that prospective home owners are able to save for a deposit.
- the NHHA only has one indicator that relates to home ownership — an increase in the proportion of Indigenous Australians purchasing or owning their own home. There are no indicators in the NHHA that relate to home ownership outcomes for other priority groups, or for the Australian population more broadly. This means that while support for home ownership is a housing priority policy area in the Agreement, changes in home ownership are not effectively captured in the performance monitoring arrangements of the Agreement.

Participants in this review generally agreed that the NHHA is having little impact on government actions to support home buyers and/or home owner outcomes more broadly. AHURI submitted that:

The NHHA has minimal direct support for home ownership. While some commonwealth and state government programs supporting home ownership (particularly first home ownership) may be broadly consistent with the objectives of the NHHA, they sit outside the remit of the agreement. (sub. 52, p. 26)

City Futures Research Centre made a similar observation:

Since the promotion of home ownership remains the predominant housing policy objective for Australian governments it might seem odd if this aspiration was unmentioned in the Agreement. Indeed, 'home ownership including support for first home buyers' is (albeit blandly) listed among the housing policy priority areas in the current NHHA. At the same time, in response to the Issues Paper question 'to what extent does the NHHA support home ownership?' the answer would have to be 'materially, hardly at all'. (sub. 87, p. 23)



Finding 10.1

There is little evidence that the NHHA is supporting home ownership

While home ownership is identified in the National Housing and Homelessness Agreement as a 'priority policy area', there is little evidence that the Agreement is boosting home ownership.

- There is little evidence that the funds available to the States and Territories through the Agreement are used to fund programs supporting home ownership.
- The Performance Indicators in the Agreement do not require reporting on home ownership outcomes, except for reporting on the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home.

10.6 Looking ahead: Home ownership policies under a new Agreement

The economic case for government support is doubtful ...

This section looks at the economic case for government assistance to home buyers. This is different from examining the case for government intervention to support safe, good quality and stable housing more broadly — something which has wide benefits for both individuals and society — but rather examines whether there are factors unique to home ownership that justify governments subsidising people to buy a home.

One reason that might justify government assistance to support people to buy a home is if home ownership delivers positive externalities or spillovers — that is, that home ownership delivers benefits not only for people buying homes, but for society more broadly — that may not arise from other forms of tenure. Importantly, these community spillovers are distinct from the private benefits of home ownership that accrue to home owners themselves (such as the potential for capital gains or the concessional treatment of owner-occupied housing in the tax and transfer system).

Many studies — most of which were undertaken overseas — provide examples of avenues through which positive spillovers from home ownership might occur. For example:

- there are some studies (many of which are summarised in Dockery et al. (2010, p. 16)) that suggest home ownership can have positive effects on the emotional and social wellbeing of children and that children of parents who are home owners perform better academically
- a range of studies point to a potentially positive relationship between home ownership and physical health outcomes (Dietz and Haurin 2003).

To the extent that such outcomes exist — and they reduce demand for human services or facilitate economic or social participation — there may be community benefits arising from home ownership. However, demonstrating a clear causal relationship between beneficial outcomes and home ownership is difficult. As Andrews and Sanchez noted (in an OECD research paper):

The main economic argument for subsidising homeownership is that ownership may give rise to positive spillovers for society, although the case for subsidising home ownership is far from clear ... In some instances, it is likely that homeownership is mistakenly attributed a causal influence for outcomes that are actually due to unobserved individual or household characteristics. For example, it is typically argued that children of homeowners perform better at school than those of

renters. But this finding may simply reflect the impact of unobserved factors, such as the possibility that parents with a view to the longer term are more likely to purchase a home and invest in their children. (2011, p. 210)

The Economist suggested that the evidence for government support for home ownership was not strong:

Academic studies offer only weak support for the idea of promoting home ownership. One paper suggests that owner-occupiers have better-tended gardens. But if nice shrubbery were a goal of public policy, it might be a better use of public money to subsidise wheelbarrows and trowels. (2020)

Even if there is the possibility of positive spillovers from home ownership, there may also be negative spillovers. For example, given that selling and buying homes has large transaction costs (relative to the costs of moving from one rental to another), home ownership may discourage households from moving to pursue better educational and employment opportunities (which can impact on the efficient operation of the labour market). And it is possible that home ownership can stifle investment in economic and social infrastructure through so called 'nimbyism', which occurs when home owners oppose socially-beneficial investments out of fear that such investments may negatively impact on the value of their home (which is typically a household's largest asset).

A second rationale that is sometimes put forward for why governments should support home ownership is that it can help to reduce wealth inequality.

It is clear that housing is an important source of wealth for many households, particularly those in the middle and lower-middle of the wealth distribution. Analysis undertaken by Davidson and Bradbury (2022), for example, found that about 48 per cent of the wealth of the lower 60 per cent of the wealth distribution and about 50 per cent of the wealth in the middle 30 per cent of the wealth distribution was in their own home (in contrast, the top 10 per cent of the wealth distribution only held 32 per cent of their wealth in their own home). And wealth from owning a home was more evenly distributed along the wealth spectrum than other assets, such as superannuation, investment properties, business wealth and shares, bonds and trusts (Davidson and Bradbury 2022, pp. 30–32).

Historically, housing has been a fairly accessible asset to buy — it is able to be purchased by taking on a mortgage, and mortgages have been available to households towards the lower end of the income and wealth distribution. Servicing a mortgage can be viewed as a form of forced savings, because mortgagors make regular repayments (albeit with interest) towards buying an asset that they will eventually own outright.

Looking across countries, Casua, Woloszko and Leite (2019) showed there is a strong inverse relationship between home ownership rates and wealth inequality across countries and that housing tends to equalise the distribution of wealth because it 'is the most important and most widely-owned asset in household balance sheets, representing a much higher source of wealth among middle class households than at the top' (p. 9). An inverse relationship between wealth inequality and rates of home ownership has also been observed in other studies (for example, Pfeffer and Waitkus (2021, p. 581)).

Looking at the impact of changes in home ownership rates within countries, preliminary research by Casua, Woloszko and Leite (2019) suggested that countries that experienced declining home ownership rates tended to have a decreasing share of wealth held by the bottom 40 per cent of households in the wealth distribution (indicating greater inequality) (p. 67). The relationship was less clear for countries that had also experienced rising house prices (such as the United States, Canada and the United Kingdom), where there was relatively little change in the share of wealth held by the bottom 40 per cent. This may be because rising house prices increase the share of wealth held by home owners, including those in the bottom 40 per cent of the wealth distribution, offsetting falls in shares of wealth due to declines in home ownership.

Any impacts of home ownership on moderating wealth inequality will have the greatest effect if home ownership is widespread and is easily accessible for non-home owners who want to buy a home (of which the largest cohort is younger people). This raises the prospect that declining rates of home ownership might contribute to greater wealth inequality in Australia. While acknowledging wealth disparities between owners and renters have long been present, Maclennan, Long and Leishman noted that changes in home ownership rates are having such an effect:

The past wide spread of homeownership across all income deciles, with Australia having markedly high ownership rates (by international standards) for poorer households meant a relatively wide dispersal of wealth in Australia but with pronounced overall wealth inequalities between renters and owners. In recent decades the gaps between owners and renters have grown and, as young adult home-ownership rates have fallen rapidly ... the wealth dispersion roles of ownership have halted ... (2021, p. 5)

To the extent that reducing or moderating wealth inequality is a policy objective of government, some support to help people experiencing significant disadvantage buy a home may be justified. However, to be effective, such support would need to be tightly targeted at households who would not be able to buy a home without support. Extending support to households able to buy a home without support would not represent a good use of taxpayers' money and would exacerbate wealth inequality.

A third rationale that is sometimes cited as to why home ownership should be supported is its importance to people's wellbeing in retirement.

Along with the Age Pension and superannuation, 'voluntary savings, including home ownership' has been identified by the Australian Government as one of the three pillars of Australia's retirement income system (The Treasury 2020, p. 1). A recent review of the retirement income system pointed to the importance of home ownership to the living standards of many retirees, noting that home ownership 'has a positive influence in a person's standard of living in retirement', while also finding that the system did not appear to deliver 'an appropriate standard of living for many retiree renters' (The Treasury 2020, p. 44).

Looking ahead, the review noted that declining home ownership rates may affect the extent that the retirement income system delivers a minimum standard of living for older Australians:

The declining trend in home ownership among Australians has created concerns that an increasing number of retirees may be renting in future. This is an important factor to consider in terms of whether the retirement income system will be able to continue to deliver adequate retirement outcomes. (p. 45)

The review also identified that the exemption of the principal residence from the assets test for the Age Pension creates disparities between retired renters and home owners, both in their eligibility to access the pension and the amount of assistance received. Further, the report noted that these disparities will increase if home ownership rates continue to fall and more people rent in their retirement (pp. 290–291).

While — on average — retirees who own their own home enjoy a (potentially significantly) higher standard of living than retirees who are renting, this in itself is not a strong argument for governments to subsidise home ownership. Rather than promote home ownership as a way to minimise these disparities and to improve wellbeing in retirement, a better approach would be for governments to address the more direct levers that affect people's incomes in retirement, such as eligibility for the Age Pension and other relevant payments (including Commonwealth Rent Assistance) and the amount of support provided through these measures.

Taken in sum, the case for governments providing direct assistance specifically aimed at helping people to buy a home is not strong. While there is some evidence that widespread access to home ownership may

help to moderate wealth inequality, the extent that home ownership delivers significant positive spillovers for the community more broadly is not clear, and the case that home ownership needs to be supported so that Australians can experience an adequate standard of living in retirement ignores more direct policy levers that influence the wellbeing of retirees.

... and government support can reduce affordability by raising house prices ...

Supporting prospective home buyers — by increasing their financial resources — increases the number of people seeking to buy a home and the amount they are able to borrow and/or pay (in other words, such measures increase demand). If this increased demand is not accompanied by an increase in the supply of available homes, the assistance is likely to be ‘capitalised’ into house prices. When this occurs, the primary beneficiaries will be sellers rather than buyers. This means that assistance to home buyers can (somewhat counterintuitively) make housing *less* affordable, particularly for people who do not qualify for assistance. Further, the potential for home buyer assistance to raise prices risks an ‘assistance spiral’ where assistance makes house prices more expensive by increasing demand, prompting governments to increase assistance, pushing up prices further, and on it goes.

The potential for demand-side assistance to raise prices is most significant where a relatively large number of buyers compete to purchase a relatively small number of properties, with assisted buyers competing directly against each other. This is likely to be the case in the ‘first home owner market’, where there is a relatively large cohort of potential buyers but only a limited number of entry-level properties affordable for first home buyers.

The potential for demand-side assistance to first home buyers to contribute to higher house prices (and reduce access to home ownership for first home buyers) is well recognised, including by the OECD (Salvi del Pero et al. 2016, p. 32), Saul Eslake (2021, p. 5), and the Reserve Bank of Australia (RBA 2003, p. 31). The Grattan Institute submitted:

Over recent decades, federal, state and territory governments have spent billions of dollars giving cash incentives and stamp duty concessions to first-home buyers. These policies have been targeted far too broadly ... and typically resulted in spikes of first home-buyer activity as they bring forward purchases, then there is a lull in activity, and in the end housing affordability is actually worse because additional demand drives up prices. (sub. 70, p. 21)

In a submission to a recent Parliamentary Inquiry, the NSW Productivity Commission made a similar point:

The problem with first home buyer assistance is that it can significantly increase housing demand without necessarily increasing supply ... Without a commensurate supply response, this places upward pressure on prices and reduces housing affordability. (2021b, p. 14).

The size of the impact of home buyer assistance on prices and affordability is less clear, in part because few studies have sought to quantitatively measure their impact, and because policy settings around assistance measures (such as the value of assistance provided) have been subject to fairly frequent change. The studies that have examined the size of price impacts produced mixed results — with some studies showing relatively large effects (for example, Blight, Field and Henriquez (2012)), while others show the impact is small (for example, Chowdhury and Mallik (2004)). The RBA — in its submission to the Commission’s inquiry into first home ownership in 2004 — suggested that ‘while the additional purchasing power arising from [first home owner] grants has, at the margin, added to the upward pressure on house prices, the impact has been relatively small’ in the context of significant house price increases that were occurring around that time (RBA 2003, p. 31) — something that the Commission also concluded in its report (PC 2004a, pp. xix–xx).

Similarly, the more recent significant increases in house prices have been predominately driven by record low interest rates and high demand relative to supply. The impacts of assistance to home buyers on prices has been small relative to these drivers. However, even if the effects of assistance on prices are relatively small given the range of other factors driving house price growth, the risk of putting upward pressure on prices is a reason to be sceptical that assistance is making home ownership much more accessible and affordable.

... which means the money could be better spent on assisting people experiencing — or at risk of — homelessness

The weakness of the economic case for government support for home buyers, together with the risk that home owner assistance may inflate house prices (reducing housing affordability), suggests that supporting other groups to improve their housing outcomes would be a better use of funding. This idea is not new. In 2004 — when the Commission completed an inquiry into first home ownership — it noted that funding for first home owner assistance ‘might provide a greater return to the community were it redirected to support the housing needs of low-income households in rental, public or community housing’ (p. 203). Since that report, the value of assistance provided to home buyers has grown while the number of people experiencing homelessness has increased, access to social housing has declined and the share of renters in rental stress has risen. The case that there are better returns to the community from providing more support towards assisting low-income households to meet their housing needs, instead of providing more support for people to buy a home, is as strong now as it was then.

As such, the Commission considers that assistance to support home buyers should be redirected towards supporting people who are experiencing homelessness or are at risk of homelessness (including because of rental stress).

The exception would be highly targeted assistance programs focused on particular people or cohorts of the population who are often marginalised in the housing market and who would otherwise be locked out of home ownership. Examples include the Indigenous Home Ownership Program administered by Indigenous Business Australia and concessional loan products only available to households living in public housing. These programs often pursue objectives and outcomes focused on overcoming intergenerational or institutionalised disadvantage or discrimination through home ownership — they have wider ambitions than just helping people afford to buy a home. For example, in their submission to this review, Indigenous Business Australia (sub. 46) pointed to some of the unique challenges endured by Aboriginal and Torres Strait Islander people (some of which have been exacerbated by government action) — including financial exclusion (including through the historical dispossession of land and stolen wages), a lack of exposure to financial products and limited opportunities for the intergenerational transfer of financial management skills — that necessitate bespoke home ownership products.

Home ownership support — when designed and targeted well — can be part of an approach to overcome the entrenched marginalisation experienced by some people. But the rationale behind such support (including how this marginalisation manifests) should be clearly articulated and substantiated, and tight means testing should be employed to ensure assistance is provided only to people who genuinely need it. Further, home ownership programs alone are likely to be insufficient to improve outcomes for people experiencing marginalisation in the housing market — for many, home ownership may not be a viable or desirable option and government actions in other parts of the housing spectrum will be more beneficial.

As a first step in withdrawing support for home buyers, State and Territory Governments should phase out the use of first home owner grants and stamp duty concessions, unless these measures are specifically targeted at (and can be shown to benefit) groups experiencing marginalisation in the housing market. Grants and stamp duty concessions (which act as *de facto* grants) are the least targeted forms of home owner

assistance (meaning they have the largest scope to inflate house prices) and make up a significant share of governments' total spend on housing outcomes. Savings from phasing out these assistance measures should be allocated towards assisting people who are homeless, or who are at risk of homelessness (including because of rental stress). This would provide greater returns to the community (above and beyond the significant individual — and for some, potentially lifechanging — benefits that would fall to people who are actually helped by the extra assistance dollars).

The withdrawal of concessions could be a potential springboard into further reform. For example, one way governments could remove stamp duty concessions would be to raise the amount of duty paid by first home buyers to be equivalent to that paid by non-first home buyers. But the Commission recommends broader reform, where the upfront hurdle of stamp duty for all buyers (first home buyers and others) is fully or partially replaced by a land tax. This would improve the functioning of the housing market, with significant economic returns from the more efficient use of housing stock (notwithstanding the fact there could be some impact on property prices as the market adjusts to the removal of stamp duty).¹² The Commission's *Shifting the Dial* report outlines some practical considerations for how this transition to a land tax could take place, including how low-income households could be supported (PC 2017c, supporting paper no.10).

While some jurisdictions are already undertaking broader reforms to reduce the incidence of stamp duty — which is generally commendable — if done in a way that benefits first home buyers but not other groups, this can have perverse impacts (box 10.9). A transition pathway that does not favour particular groups would typically be a more desirable path. At the very least, piecemeal changes to stamp duty that do favour particular groups are best undertaken in concert with a broader commitment for more widespread (and reasonably quick) reform.

Box 10.9 – Stamp duty reforms — the problems with a piecemeal approach

The problems with stamp duty are well known. Among other inefficiencies, stamp duties discourage people from moving to housing more appropriate to their needs or closer to employment opportunities and punish people who are forced to move — for example, because of relationship breakdown or changes in the location of their employment. Stamp duties are also a highly volatile revenue source for governments. These problems have led to calls — including from the Commission — for stamp duty to be replaced with a broad based land tax on the unimproved value of land.

Two jurisdictions are undertaking major reforms to stamp duty.

- The Australian Capital Territory started reducing stamp duty and increasing land tax from 2012 with stamp duty expected to be phased out completely by 2032.
- New South Wales has introduced a 'First Home Buyer Choice' where first home buyers (of properties less than \$1.5 million) can elect to pay an annual property tax in lieu of stamp duty. Purchasers who are not first home buyers do not have this choice — they must still pay stamp duty.

¹² A range of studies have examined the possible price impacts of shifting from stamp duty to land tax. These include: NHFIC (2021e) — which found that there could be a lift in prices in the short term, but if lenders fully capitalise the land tax into loan serviceability criteria, the impact could be negligible (p. 2); Daley and Coates (2018) — who argued that moving to property taxes would not affect housing prices much in the short run, but in the long run might reduce the prices of larger dwellings 'a little' (p. 122); and Nassios and Giesecke (2022a, 2022b) — who estimated that replacing stamp duty with land tax would lead to lower prices for houses and higher prices for apartments (on the whole, however, there would be downward pressure on prices).

Box 10.9 – Stamp duty reforms — the problems with a piecemeal approach

Given the problems with stamp duty, steps by governments to reduce its use are generally commendable. However, unless it serves as a starting point for more widespread (and reasonably rapid) reform, reforming stamp duty in a piecemeal fashion (including by transitioning to land tax for first home buyers but not others) has its downsides.

While the requirement to not pay stamp duty removes one of the upfront financial hurdles first home buyers face and may help some people buy a home sooner, given that the reform results in buyers having greater purchasing power, it may contribute to higher prices in the subset of the housing market attractive to first home buyers. But, because the housing market more generally is not subject to land tax arrangements, it does not incentivise people to move into properties that best suit their needs, and can restrict the number of properties available for first home buyers.

For example, the need to pay an annual tax on unimproved land value might encourage an older couple (whose children have moved out of home) to sell a larger home with more bedrooms than they need (making it available to first home buyers looking to start their own families) and move into something smaller and more suitable for their needs. However, maintaining stamp duty has the opposite effect — the couple would be forced to pay stamp duty if they moved, and so might elect to stay, even if the home is larger than they require, and the property — while desirable for first home buyers — might not come on the market.

Source: PC (2017c, supporting paper No. 10); NHFIC (2021e, p. 21); NSW Government (2022a).



Finding 10.2

The public and private benefits from assisting people who are — or at risk of — experiencing homelessness are likely to be greater than helping people buy a home

The public benefit argument for governments to subsidise home ownership is not strong and assistance provided to people to buy a home can work to inflate house prices (which works against affordability). The benefits from assisting people who are experiencing — or are at risk of — homelessness are likely to be greater than supporting people (particularly people on middle to high incomes) to buy a home.



Recommendation 10.1

Governments should redirect assistance provided to home buyers

State and Territory Governments should phase out assistance provided to first home buyers through grants and stamp duty concessions, unless measures are tightly targeted to support people experiencing marginalisation in the market and who would otherwise be locked out of home ownership. Savings from phasing out grants and concessions to assist first home buyers should be diverted to assist other people in the housing market who are experiencing — or at risk of — homelessness.

Governments should avoid other forms of home buyer assistance unless it can be demonstrated that it is tightly targeted and effective at assisting people experiencing marginalisation in the market and who would otherwise be locked out of home ownership.

State and Territory Governments should use the phasing out of stamp duty concessions for first home buyers as a stepping stone to replace stamp duties on residential properties more broadly with a broad-based land tax, consistent with recommendation 4.8 in the Commission's *Shifting the Dial* report.

If governments continue to provide home buyer assistance, it should be well targeted ...

If governments continue to assist people to buy a home, the assistance should be tightly targeted towards households with relatively low income and wealth. To the extent that there are benefits from subsidising home ownership, these are most likely to arise from assisting low-income, low-wealth households to enter into home ownership. It is also households with modest economic means that face the greatest barriers to buying a home and are least likely to be able to do so without assistance. Without tight targeting, there is a greater risk that assistance is provided to households who would buy a home regardless of whether they are assisted or not. This would be a poor use of taxpayers' money and is more likely to result in higher house prices.

Many forms of home buyer assistance are not tightly targeted. In the case of first home owner grants and stamp duty concessions, most jurisdictions apply rudimentary targeting through price ceilings (which a property must fall under in order for the buyer to qualify for assistance), with the exception of:

- Tasmania's first home owner grant, which is not subject to price ceilings
- The Northern Territory's first home owner grant, which is also not subject to a price ceiling
- The ACT's first home buyer concession scheme, which applies an income test to assess eligibility in lieu of a price ceiling.

The use of price ceilings is consistent with a recommendation made by the Commission in 2004 that ceilings be used to introduce a degree of targeting to the first home owner scheme then in operation. While the Commission conceded that price ceilings were 'a somewhat blunt way of targeting support at those most at need', they were preferred over a more stringent income and assets test on the basis that ceilings were administratively simpler and less cumbersome (PC 2004a, pp. 218–220).

However, even where ceilings are applied, some of this targeting appears reasonably generous. While limited sample sizes means these results should be treated with some caution, some data suggest this is the case.

- Of the 98 first home buyer households in New South Wales sampled in the 2019-20 Survey of Income and Housing (SIH)¹³, over 60 per cent paid under \$800 000 (which is the ceiling to qualify for a stamp duty

¹³ The SIH classes a household as a first home buyer if they purchased their first home in the three years before being surveyed.

concession). Of these, about 64 per cent were in the top half of the income distribution for New South Wales and just under one-third were in the top three income deciles.

- Of the 127 first home buyer households in Victoria sampled in the 2019-20 SIH, about 85 per cent paid \$750 000 or less (the ceiling to qualify for a stamp duty concession). Of these, about 69 per cent were in the top half of the income distribution for Victoria and about one-third were in the top three income deciles.
- Of the 60 first home buyer households in Queensland sampled in the 2019-20 SIH, 77 per cent paid less than \$550 000 (the ceiling to qualify for a stamp duty concession). Of these, about 74 per cent were in the top half of the income distribution for Queensland and over one-third were in the top three income deciles.

These data, while imperfect, provide some indication that the targeting of assistance to first home owners is not as tight as it could be. Wide eligibility criteria, permitting a relatively large proportion of home buyers to qualify for assistance, increases the risk that valuable government support is provided to people who would be able to purchase a home regardless of whether they are assisted or not, rather than targeted at people who genuinely need help to access the market. This points to a downside of using price ceilings as a targeting instrument — they allow relatively high income, high wealth households to self-select into qualifying for assistance simply by buying a property under the price ceiling. The higher the ceiling, the more households are likely to do this.

If governments continue to provide assistance to people to buy a home through first home owner grants and stamp duty concessions, they should review the eligibility criteria they apply. In undertaking this review, the guiding principle should be to ensure that eligibility is restricted to buyers who would not be able to buy a home without support, with minimal 'leakage' to other buyers who are able to buy a home without government assistance. As part of this, governments should make more use of income testing — as the ACT has as part of its eligibility criteria for stamp duty concessions — with eligibility for support restricted to households at the lower end of the income distribution. Income testing could be used instead of (or in conjunction with) price ceilings.

The case for means testing first home owner grants and stamp duty concessions is strengthened by the fact that jurisdictions employ means testing as part of the eligibility criteria for other forms of assistance. For example, many — though not all — low deposit and shared equity loan schemes employ an income test as part of determining eligibility (table 10.4).

However, even where income limits are applied, there is evidence to suggest that they may be excessively generous. Upper limits tend to be well above median household income in the relevant jurisdiction.

These high income limits (or in the case of some programs, the lack of limits) undermines the additionality of these concessional loan programs — that is, these programs may not be helping more people to buy a home, but rather, merely helping those who would buy a home anyway be able to buy slightly sooner than they would otherwise. Some review participants noted this 'pull forward' effect. For example, the City Futures Research Centre submitted that, in the context of the Commonwealth concessional loan schemes:

It is ... important to recognise that schemes of this kind are mainly effective in bringing forward access to home ownership for those who would otherwise reach the same goal at a later date, rather than significantly lowering the first home ownership income threshold. This comment is (almost) equally true for shared equity schemes ... (sub. 87, p. 23)

**Table 10.4 – Upper income limits for low deposit and shared equity loan schemes
For households with no children**

Jurisdiction	Scheme	Scheme type	Income limit for a single person household	Income limit for a couple household with no children	Median gross household income in jurisdiction
Commonwealth	First Home Guarantee	Low deposit	\$125 000	\$200 000	\$92 872
New South Wales	Shared Equity Scheme	Shared equity	\$90 000	\$120 000	\$94 692
Victoria	Homebuyer Fund	Shared equity	\$128 000	\$204 800	\$97 344
Queensland	Queensland Housing Finance Loan	Low deposit	\$141 000	\$141 000	\$88 036
	Pathways Shared Equity Loan	Shared equity	.. ^b	.. ^b	
South Australia	HomeStart Home Loan (5 per cent deposit)	Low deposit	..	..	\$77 012
	HomeStart Low Deposit Home Loan (3 per cent deposit)	Low deposit	..	..
	Home Start Shared Equity Option	Shared equity	..	..
Western Australia	KeyStart Low Deposit Home Loan	Low deposit	\$105 000 ^a	\$155 000 ^a	\$93 756 ^a
	KeyStart Shared Ownership Loan	Shared equity	\$70 000 ^a	\$90 000 ^a	
Tasmania	MyHome	Shared equity	\$87 509	\$100 636	\$66 560
Northern Territory	Home Build Access Loans	Low deposit	..	..	\$126 516 ^c
ACT	Shared Equity Scheme	Shared equity	.. ^b	.. ^b	\$124 463

a. These income limits are for the WA metro area. Higher limits apply for other areas in Western Australia. Similarly, median gross household income is for the Greater Perth area only. **b.** These schemes are only open to public housing tenants. Given that households need to meet an income test to qualify for social housing, it can be argued that a form of income targeting is in place for these programs. **c.** This estimate does not include households in very remote SA1 areas in the Northern Territory. This means that over 21 per cent of the Northern Territory population is not included in this estimate. Given people in remote areas tend to have lower incomes, it is also likely to overstate median gross income for the Territory as a whole. .. Not applicable.

Source: ACT Government (2022b); Department of Communities (Tasmania) (2021); HomeStart Finance (nd, nd, nd); KeyStart (2022b, 2022a); NHFIC (2022b); Northern Territory Government (2021b); NSW Government (2022b); Queensland Government (2021f, 2021e); State Revenue Office (Victoria) (2022). Income was estimated by the Commission using ABS (*Household Income and Wealth, Australia, 2019-20*, Cat No. 6523.0, table 13).

There is evidence that this is playing out in practice. Data on successful applicants for the FHLDS — a predecessor of the First Home Guarantee Scheme (with the same income eligibility thresholds) — suggest that this scheme provided significant assistance to relatively high-income households. Over one-third of FHLDS places were provided to households with an annual income exceeding \$100 000 (figure 10.15). The share of successful applicants for the New Home Guarantee Scheme — another predecessor program — who had household incomes over \$100 000 was slightly higher (nearly 40 per cent). Many of these

higher-income households would have likely been able to purchase a home of their own without assistance — if not straight away, then not far into the future. This was an observation made in the review of NHFIC (who administered the scheme):

... some analysis indicates that the FHLDS has been effective at helping earlier access to home ownership for buyers who, one or two years later, would have been able to purchase a home ... the FHLDS appears to have supported relatively few people who would otherwise not have been able to purchase a home. (The Treasury 2021, pp. 54–55)

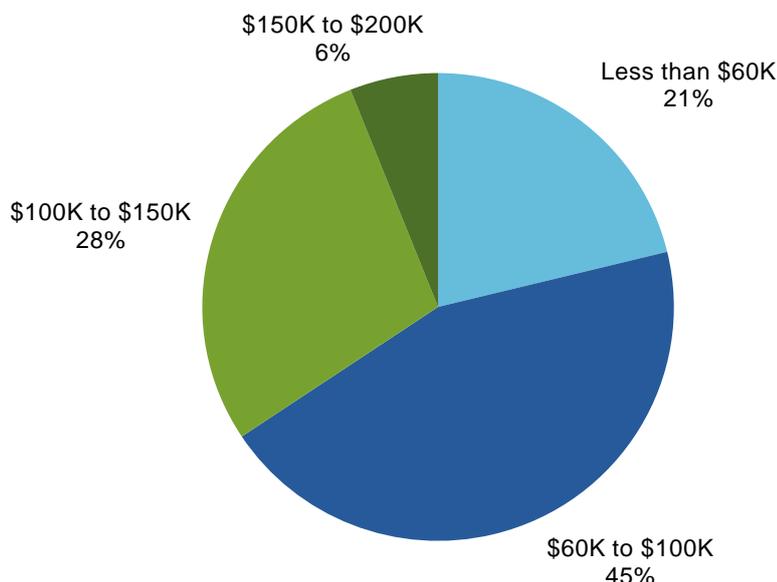
The review then pointed to the implication of this for other home buyers:

The majority of first home buyers do not obtain a benefit from the FHLDS ... For these prospective buyers, the FHLDS provides no benefit and there remains a pressing need for assistance in overcoming the challenge of reaching a 20 per cent deposit. Indeed, because the FHLDS mostly appears to bring forward demand from when it would otherwise appear in the market, the FHLDS likely makes purchasing a home more difficult for first home buyers who don't have the benefit of the FHLDS. These first home buyers have to compete for the same stock of suitable first homes with FHLDS-supported buyers who effectively have more cash in their hands with which to bid for (and bid up the price of) properties. (p. 55)

The risk of concessional loan programs having little additionality is particularly high because the option to buy a home without a 20 per cent deposit would likely exist for many households even without government-run low deposit loan schemes, albeit with the requirement to pay for LMI.

Figure 10.15 – Over one-third of households assisted by the First Home Loan Deposit Scheme had income of more than \$100 000

Proportion of First Home Loan Deposit Scheme recipients by income range, 2020-21



Source: AIHW (2022e).

In sum, to the extent that governments continue to provide home ownership support, the support should be tightly targeted. The guiding principle should be to ensure that eligibility is restricted to buyers who would not be able to buy a home in the absence of government support. As governments consider their expenditure on housing programs under a new Agreement, and to the extent that governments wish to continue to support

home buyers, they should review the extent that their support aligns with this guiding principle. Means testing (as opposed to more indirect targeting, such as price ceilings) should be used as widely as is practicable.

... the potential for perverse or conflicting impacts considered ...

As indicated in table 10.1 above, the Australian and all State and Territory Governments have initiatives aimed at helping people to buy a home and most governments have multiple initiatives in place. The myriad of programs, each with the same broad objective, but with different approaches, eligibility criteria and oversight arrangements, creates fertile ground for programs to generate perverse or conflicting impacts that undermine their effectiveness.

The interaction between first home owner grants and stamp duty concessions provides an example where conflicting impacts are playing out. When the First Home Owner Grant scheme was introduced in 2000, it was made available for buyers of both new and existing properties, but, over time, grants have been restricted to purchasers of new properties only. This has the benefit of ensuring that there is a strong nexus between the grants and new housing supply, which in turn helps to moderate the impacts of grants on house prices. However, where offered, first home buyer stamp duty concessions are typically available for buyers of existing (as well as new) properties. As a buyer need not purchase a newly built property to qualify for the concession, such concessions increase demand for existing stock and risk inflating prices — something that governments seek to avoid first home owner grants from doing by limiting their eligibility to buyers of new properties only.

The potential for conflicting impacts is also heightened by the increasing role of the Australian Government in providing support to first home buyers. Until recently, the Australian Government's involvement in providing first home owner support was generally restricted to providing concessionally-taxed savings products (such as the current First Home Super Saver Scheme and the former First Home Saver Account). However, since 2020, the Australian Government has played an increasing role in supporting home owners by providing guarantee schemes for low deposit loans (the particulars of which are outlined in section 10.4).

Some of these schemes are similar to state run concessional loan schemes, albeit with different eligibility criteria. Where similar schemes exist, but are overseen by different levels of government, there is a risk that such schemes are duplicative (and therefore represent an inefficient use of resources) or worse, can work to undermine the objectives and outcomes sought by such programs through inconsistent eligibility criteria and/or assistance amounts.

Concessional loan products can also have perverse impacts on the ability of people to buy a home if they have a significant effect on the viability of the LMI industry. LMI is typically required when a borrower seeks a mortgage from a bank or other lending institution and the value of their deposit is less than 20 per cent (box 10.5). This means that LMI makes home ownership more accessible for households with low deposits by encouraging lending institutions to take on low deposit mortgages knowing that they would be insured from loss in the event of defaults. The LMI industry supports a much larger number of mortgage holders than those supported through government concessional loan schemes — the Insurance Council of Australia recently estimated that about one-in-five active mortgages are issued subject to LMI (Insurance Council of Australia 2022, p. 22).

Government-backed, LMI-free low deposit loan products effectively represent a public competitor to the LMI industry, in that they reduce the number of mortgagors who need LMI to qualify for a loan, and therefore reduce the size of the industry's potential market. If done on a sufficiently large scale, it is possible that LMI providers may raise their prices to cover the impact of a smaller market size, or if the reduction in the LMI market is so large, threaten the viability of LMI providers. This would work to make home ownership less affordable and accessible for those who cannot access government support.

The risk of government-backed, LMI-free loan products impinging on the viability of the LMI sector has been pointed to by the industry:

... LMI is under significant pressure from the introduction and expansion of programs like the New Home Guarantee (NHG), which is an important initiative that allows first home buyers to build or buy a new home with as little as five per cent deposit. However, the NHG negates the need for these borrowers to have LMI and so challenges the viability of the LMI sector. By displacing a proportion of the LMI market, the cost of providing LMI to borrowers who do not access the NHG is also potentially impacted (Insurance Council of Australia 2022, p. 22).

The Regulation Impact Statement for the Home Guarantee Scheme explored the implications of NHFIC's home owner assistance on the LMI industry and identified its impacts could be considerable — for example, it found that 88 per cent of successful FHLDS applicants could have been eligible for LMI. Further, it was estimated that the Home Guarantee Scheme could represent about 15 per cent of the average number of loans supported by the LMI industry each year (The Treasury 2022b, p. 12).

So far, however, on face value at least, there is little evidence to suggest that the 'crowding out' of private LMI is occurring on a large scale. The take-up of LMI has been increasing in recent years, including by an estimated 25 per cent between 2019 and 2020 (Terzon 2021). And in examining the impact of NHFIC's programs on the LMI industry, the NHFIC review noted that the FHLDS has been absorbed 'reasonably well to date' (The Treasury 2021, p. 53). But it does point to the importance of:

- low deposit loan schemes being tightly targeted towards households who would be unlikely to qualify for a mortgage (with or without LMI) if not assisted through such schemes. This would work to minimise the extent to which such schemes impact on the viability of LMI providers.
- governments, when proposing changes to low deposit loan or shared equity schemes, conducting a rigorous assessment of the impacts of the changes on the LMI industry (and that this assessment considers not only jurisdictional impacts, but national impacts, given that changes to the viability of LMI in a single jurisdiction can have significant impacts on its viability at a national level).

... and the costs and benefits for the taxpayer monitored

Some forms of assistance, such as grants and stamp duty concessions, represent a one-way transfer from taxpayers to buyers (and then to sellers if such assistance results in higher sale prices than if the assistance was not provided). Other forms of assistance, such as low deposit loan guarantees, do not involve immediate budgetary outlays (beyond set up and administration costs).

Direct lending to home buyers by governments (or government-backed agencies) and shared equity schemes have the potential to be revenue positive over the longer term providing there is sufficient share of performing, interest-paying loans (in the case of government lending) or if property prices continue to increase (in the case of shared equity schemes). However, governments can tie-up significant capital investing in such schemes. Under direct lending programs, loan terms may be up to 30 years, while in shared equity programs (which offer a large amount of assistance for those who qualify), owners may not have to 'buy out' governments' share until they sell the property — something that they may never do during their life (indeed, shared equity programs may discourage moving because under these schemes, owners have full enjoyment of a home but do not pay the full price). That said, there are features that can be built into the design of these programs that can mitigate these effects. For example:

- some direct lending schemes charge interest rates above the prevailing market rate in order to encourage mortgagors to refinance with a mainstream lending institution once they have built up some equity in their property, rather than hold their loan with a government-backed lender for its entire term

- some shared equity programs have predetermined points that require part of the government's share of the property to be bought out by the owner (for example, in the ACT's scheme, the owner must purchase part of the ACT Government's share after five years, and the remainder after 15 years (ACT Government 2022b, p. 1))
- some shared equity schemes require regular reviews of participants' eligibility (for example, under the Shared Equity Scheme trial in New South Wales, participants' eligibility will be reviewed annually, and participants will be required to begin repaying the Government's equity contribution if they no longer meet the criteria, including if they exceed applicable income thresholds for two consecutive reviews (NSW Government 2022b)).

Designing programs to ensure government capital is not unduly locked up is prudent.

Putting fiscal impacts aside, it is important to recognise that, in concessional loan and shared equity schemes, governments (and by extension, taxpayers) bear significant risk that they will have to face costs if loans become non-performing and/or house prices fall. And, given the size of these schemes — the value of deposit shortfalls guaranteed by the Australian Government through the FHLDS and the NHG exceeded \$1.4 billion (NHFIC 2021b, p. 5) and some state schemes are also large — governments' exposure to changing conditions in the housing market is significant. More subtly, this exposure to the housing market — in theory — has the potential to shift government incentives in the wake of declining housing market conditions, because they have a large financial stake in maintaining a high performing housing market (although the Commission has not seen any evidence of this occurring and arguably similar incentives exist now given State governments' reliance on stamp duty as a revenue stream).

In short, there is no 'free lunch' — while guarantees, concessional lending and shared equity schemes may be appealing to governments because they do not require immediate outlays (in the case of guarantees) or because they may be a source of revenue for the government (in the case of concessional lending and shared equity schemes), the contingent liabilities these schemes impose on taxpayers can be substantial and care is required to ensure that governments are not overly exposed to fluctuations in the housing market's performance. And, if these programs are designed poorly, the horizon over which governments recoup their investments can be exceedingly long.

However, program costs are only one side of the equation. Programs supporting home buyers also need to be regularly evaluated. Evaluations assess the extent that programs are meeting their objectives, the additionality of these programs and ultimately, whether taxpayers are getting good value for money.

Public evaluations of first home buyer assistance programs are few and far between (box 10.9 provides an overview of the significant public evaluations the Commission has been able to find). This dearth of public evaluations is unsatisfactory, particularly given the cost of these measures and their potential to affect a large number of people, both directly through the assistance provided, but also indirectly through their impacts on the housing market. If governments continue to subsidise people to buy a home, they should commit to regular, independent and public evaluations of their assistance programs, both as a means of improving these programs and for providing greater accountability to taxpayers that funding for such programs is being spent well and that the objectives of these programs are being realised.

Box 10.9 – Government-commissioned evaluations of programs assisting home buyers

- A Statutory Review of the Operation of the *National Housing Finance and Investment Corporation Act 2018* (Cth) — NHFIC’s governing Act — was completed in 2021. This review included examining NHFIC’s role in increasing home ownership, including the effectiveness of the First Home Loan Deposit Scheme in facilitating earlier access to the housing market for first home buyers. The review found that the FHLDS appeared to help home buyers purchase a home sooner, but also that there were potential risks. It also found that the scheme appeared to support relatively few buyers who otherwise would not be able to purchase a home and that the scheme likely made purchasing a home more difficult for buyers who did not receive assistance. The review made three recommendations related to home buyer assistance: the first was better data collection for the FHLDS; the second, assess the impacts on the LMI industry if key parameters of the FHLDS changed; and the third related to actions that should be taken if NHFIC’s home loan guarantee functions were expanded.
- In 2020, Indigenous Business Australia (IBA) released an impact report that attempted to measure the economic, social and cultural impacts of IBA (among other things). The report found that IBA’s home ownership program was having significant positive impacts for Aboriginal and Torres Strait Islander customers in a variety of ways.
- In 2015, the Australian National Audit Office undertook a performance audit of the Indigenous Home Ownership Program. The audit found that IBA’s management of the program at the time had ‘been inefficient’ and that lending under the program ‘did not fully align with the program objective’. The audit provided four recommendations to improve the program, including to better align the program’s activities with its outcomes, to improve application processes and after-loan care to customers, and to improve performance reporting.
- In 2013, AHURI and Pricewaterhouse Coopers evaluated a shared equity ‘EOI’ initiative undertaken by the WA Government. Under this initiative, the WA Government procured new dwellings at scale (and at a discounted price). These discounts became the Government’s equity share, with people able to apply with a shared equity loan product to buy the properties. The evaluation found that the initiative met its intended outcomes, and examined the mechanisms through which the scheme worked. It also identified several improvements that could be made to the scheme.

Source: AHURI and PwC (2013); ANAO (2015b); IBA (2020); The Treasury (2021).

Bringing it all together: If continued, support for home buyers should be brought under the Agreement

As outlined in recommendation 10.1, the Commission’s preference is for governments to redirect assistance provided to home buyers — unless targeted at specific cohorts who experience marginalisation in the housing market — towards assisting people experiencing, or at risk of, homelessness. This recommendation reflects the fact that the economic case for governments to support home buyers is not strong and the potential for home buyer assistance to make housing less affordable by placing upward pressure on house prices.

If governments elect to continue to support home buyers, this support should be brought under the purview of the new Agreement (consistent with the Commission’s conclusion in chapter 5 that all forms of housing assistance should be covered by the Agreement).

Bringing home buyer assistance under the Agreement has several advantages compared with the status quo. Most significantly, including home buyer assistance in the Agreement should encourage governments to have a discussion about how the funds for improving housing outcomes for Australians are best used, including the merits or otherwise of providing assistance to home buyers compared to providing assistance for people in other housing situations. Bringing home buyer assistance under the next Agreement would also:

- ensure that any home buyer assistance is underpinned by a shared objective and a set of principles agreed to by all governments
- provide clarity on which governments are (or should be) responsible for what assistance measures
- provide a vehicle through which governments can consider and resolve any conflicts or overlaps in their home buyer assistance programs
- provide a vehicle where data and lessons can be shared.

Bringing home buyer assistance under the umbrella of the Agreement provides an opportunity to ensure there is consistency, coherence and clarity in the actions of governments to assist home buyers and to ensure all measures are 'pulling in the same direction'.

As part of bringing home buyer assistance under the Agreement, governments should review their measures to assess:

- the extent that their assistance is appropriately targeted, including that eligibility for support is restricted to buyers who would not be able to buy a home without assistance. As part of this, governments should seek to make use of income testing as part of the eligibility criteria for assistance, with income limits set towards the lower end of the income distribution
- how government assistance programs interact with one-another (both within and between levels of government) and whether there are opportunities for greater alignment.

This, however, should only be a first step. Once governments have brought any home buyer assistance measures they continue to offer under the Agreement, the parties to the Agreement should (collectively) commission regular, public evaluations of their assistance programs. These evaluations should examine the entirety of home buyer assistance provided by governments, the effectiveness of these measures in achieving their objectives, the consistency of the measures with the objectives and principles set out in the Agreement, the return to the taxpayer from these measures and the impact of the assistance on the housing market more broadly.



Recommendation 10.2

All home buyer assistance should be brought under the next Agreement

All home buyer assistance that continues to be provided by governments should be included in the next Agreement (recommendation 5.3). Under the next Agreement, governments should commit to:

- revising their assistance measures to tightly target support to people who otherwise would be unable to buy a home. As part of this, governments should make more use of income testing to target their assistance, with eligibility restricted to households towards the lower end of the income distribution
- addressing overlap and duplication arising from the Australian, State and Territory Governments having similar assistance measures in place
- a holistic, public and independent evaluation of any support they provide to home buyers.

Governments could direct any savings from these actions to supporting people who are experiencing — or at risk of — homelessness.

11. Housing outcomes for Aboriginal and Torres Strait Islander people

Key points

- * The housing needs of Aboriginal and Torres Strait Islander people are diverse, reflecting socioeconomic, geographical and cultural diversity and personal preferences. For many, housing needs are influenced by connection to Country, cultures, kinship and the goal of self-determination.
- * On average, housing outcomes are poorer for Aboriginal and Torres Strait Islander people than Australia's non-Indigenous population. Housing outcomes vary between jurisdictions, and by remoteness, and are interconnected with broader outcomes including health, employment, education, economic security and social participation.
- * Under the National Housing and Homelessness Agreement (NHHA), governments have committed to improving outcomes for Aboriginal and Torres Strait Islander people. The NHHA identifies Aboriginal and Torres Strait Islander people as a priority homelessness cohort and includes increasing the proportion of Aboriginal and Torres Strait Islander people owning their own home as an indicator.
- * The NHHA is missing the voice of Aboriginal and Torres Strait Islander people on housing needs and priorities, the underlying principles to guide the provision of housing assistance to Aboriginal and Torres Strait Islander people and targets to drive improvements in housing outcomes.
- * The NHHA was agreed before the *National Agreement on Closing the Gap 2020* (NACTG). The next NHHA should align with government commitments under NACTG, including the four Priority Reforms, the housing target and the national sector strengthening plan for housing.
- * If a future NHHA is to contribute to improving housing outcomes for Aboriginal and Torres Strait Islander people, it should include:
 - a schedule on Aboriginal and Torres Strait Islander housing developed with a new National Committee on Aboriginal and Torres Strait Islander Housing
 - effective State and Territory housing and homelessness strategies for Aboriginal and Torres Strait Islander people
 - clearly defined roles and responsibilities for remote Aboriginal and Torres Strait Islander housing
 - commitment to self-determination and increasing the proportion of services delivered by Aboriginal and Torres Strait Islander housing organisations
 - identifying unmet housing need for Aboriginal and Torres Strait Islander people
 - indicators and targets to measure outcomes and progress
 - transparency and accountability to the community.

Aboriginal and Torres Strait Islander people were the traditional owners and maintainers of lands in Australia before colonisation. While Aboriginal and Torres Strait Islander people were dispossessed of their lands — the effects of which continue to be felt today — many Aboriginal and Torres Strait Islander people continue to have connection to and maintain their traditional lands, and in some cases, their ownership has been restored under the law. Speaking about the homes of Aboriginal and Torres Strait Islander people, The Lowitja Institute said:

We view housing as much more than shelter. Our homes are tied to our traditional lands and waterways, to our connection to Country, culture and our kinship ties. When we think about the future of housing and health, our duties as Traditional Custodians to nourish and protect our traditional lands and waterways are foundational. Being able to access and live on Country is a requisite part of sustaining our culture, identity, health and wellbeing. (sub. 72, p. 5)

On average, housing outcomes for Aboriginal and Torres Strait Islander people are poorer than those for non-Indigenous Australians. While many of the housing issues faced by Aboriginal and Torres Strait Islander people are similar to those faced by other Australians, some of the additional challenges (and factors that contribute to some Aboriginal and Torres Strait Islander people needing high levels of housing support) include socioeconomic disadvantage, discrimination in the private rental market, difficulty accessing mainstream financial services, limited opportunities to strengthen financial literacy and build credit and rental histories, geographic location (living in remote areas) and overcrowded conditions (section 11.1).

Addressing the housing needs of Aboriginal and Torres Strait Islander people has been a long-term focus of Australian governments because of the well-known benefits of stable housing for wellbeing and life outcomes. The *National Agreement on Closing the Gap 2020* (NACTG) has reinvigorated the commitment to overcoming the disadvantage experienced by many Aboriginal and Torres Strait Islander people and has a new target for Aboriginal and Torres Strait Islander housing.

This chapter looks at housing and homelessness policy for Aboriginal and Torres Strait Islander people within the context of the National Housing and Homelessness Agreement (NHHA). The Australian, State and Territory Governments, under the NHHA, have committed to improving housing outcomes for Aboriginal and Torres Strait Islander people. Aboriginal and Torres Strait Islander people are identified as a national priority homelessness cohort; and one of the national performance indicators is an increase in the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home.

The chapter covers:

- housing outcomes for Aboriginal and Torres Strait Islander people and the interconnectedness of housing outcomes with health, wellbeing, economic security, education and social participation (section 11.1)
- whether the NHHA is improving housing outcomes for Aboriginal and Torres Strait Islander people (section 11.2)
- ways to improve housing outcomes for Aboriginal and Torres Strait Islander people under the next NHHA (section 11.3).

11.1 Housing needs, diversity and outcomes for Aboriginal and Torres Strait Islander people

The housing needs of Aboriginal and Torres Strait Islander people are diverse

For all Australians, access to affordable, safe, and sustainable housing, integrated with employment and services, is imperative for health and wellbeing, economic security and social participation. But there are significant differences (including in terms of history, experiences, priorities, demographics, socioeconomic status, and mobility) between Aboriginal and Torres Strait Islander people and non-Indigenous people that can influence housing needs. Reflecting on the importance of understanding the housing needs of Aboriginal and Torres Strait Islander people, the National Aboriginal and Torres Strait Islander Housing Association (NATSIHA)¹ said that:

... what is most important to our communities in the context of housing is having a safe, secure and culturally appropriate home with working facilities. This is reflected in NATSIHA's constitution which states that its purpose and intent is to:

“relieve the suffering, distress, poverty, helplessness and disadvantage experienced by Aboriginal and Torres Strait Islander people by supporting and facilitating access to quality, accessible, affordable and culturally appropriate housing and related supports and to thereby help empower Aboriginal and Torres Strait Islander individuals, families, and communities to optimise their health and wellbeing and improve their employment opportunities, access to education, connection to the community and sense of home.” (sub. 55, pp. 4–5)

The contemporary housing experience of Aboriginal and Torres Strait Islander people cannot be decoupled from historical colonial experiences (AHV 2020, p. 8). This was a point made by participants, including the Darwin Community Legal Service and North Australian Aboriginal Family Legal Service:

The extreme inequities experienced by Aboriginal people in the NT in relation to housing is bound up with the historical and contemporary impacts and legacies of colonisation. (sub. 89, p. 5)

These experiences include the displacement of Aboriginal and Torres Strait Islander people from their traditional lands, forced removal of children from their families, and the mainstreaming of policies and services that conflict with Aboriginal and Torres Strait Islander values and culture. And while Aboriginal and Torres Strait Islander people have shown resilience, the impacts are still felt, and some Aboriginal and Torres Strait Islander people continue to experience hardships such as poverty, low self-esteem, poor physical and mental health, poor employment outcomes, high levels of domestic violence and substance misuse, and low levels of educational attainment (AIHW 2019a, p. 1). Today, the picture is one of significant differences between Aboriginal and Torres Strait Islander people and non-Indigenous people (box 11.1).

¹ NATSIHA is the national leadership body for Aboriginal and Torres Strait Islander Housing in Australia. ‘Its purpose is to facilitate access to quality, accessible, affordable and culturally appropriate housing to help empower Aboriginal and Torres Strait Islander individuals, families and communities to optimise their health and wellbeing and improve their employment opportunities, access to education, connection to the community and sense of home.’

A not-for-profit company and registered charity, NATSIHA represents Aboriginal and Torres Strait Islander Community-Controlled Housing Organisations (ATSIKCHOs). NATSIHA is a member of the Coalition of Peaks (sub. 55, pp. 1-2).

Box 11.1 – The profile of Aboriginal and Torres Strait Islander people differs to non-Indigenous Australians

Aboriginal and Torres Strait Islander households are more likely than non-Indigenous households (79 compared to 70 per cent) to be family households (one or more families living together) and less likely to be single-person households (16 per cent of Aboriginal and Torres Strait Islander households and 26 per cent of non-Indigenous households are single-person households). Aboriginal and Torres Strait Islander households (3.1 people per household) are, on average, larger than non-Indigenous households (2.5 people per household) (ABS 2022j). This signals the need for larger, flexible housing to accommodate Aboriginal and Torres Strait Islander families. Most Aboriginal and Torres Strait Islander people live in major cities or regional areas (81 per cent of Aboriginal and Torres Strait Islander people in 2016 lived in cities and regional areas). However, Aboriginal and Torres Strait Islander people make up a greater proportion of the remote (25 per cent) than non-remote (2 per cent) population (ABS 2016).

For many Aboriginal and Torres Strait Islander people, attachment to Country and culture remains central to their identities and important for wellbeing. In 2018-19, 74 per cent of Aboriginal and Torres Strait Islander people aged 15 and over recognised an area as a homeland/traditional country (91 per cent in remote areas and 71 per cent in non-remote areas) and 66 per cent identified with a clan or language group (86 per cent in remote areas and 60 per cent in non-remote areas) (AIHW 2022f). Kinship systems, customs and traditions are a key source of strength, resilience and capacity in Aboriginal and Torres Strait Islander communities.

Aboriginal and Torres Strait Islander people are often more mobile than non-Indigenous people. Like other Australians, Aboriginal and Torres Strait Islander people may choose to move between locations to access health, housing, employment and education services and for a range of family reasons. However, the mobility of Aboriginal and Torres Strait Islander people is also affected by other factors including maintaining connection with lands, cultures and identities (SCRGSP 2020, p. 1.13-1.14). High mobility can create an ebb and flow effect of residents between remote communities, service towns and urban centres that can put pressure on available accommodation (Northern Territory Government 2020, p. 11). This impacts on people's individual housing circumstances.

As a more mobile population, some Indigenous people might find it harder to fit within the rigid rules for social housing tenancy transfers or fulfilling private rental obligations through to end of a lease (hence not building an unblemished rental history). Indigenous people can experience homelessness when they travel to and from country to use health services, attend cultural gatherings or to be with kin in the event of a death in the near or extended family (sorry business). (SEARMS Aboriginal Corporation, sub. 44, p. 12)

As with the population more generally, the socioeconomic circumstances and outcomes of Aboriginal and Torres Strait Islander people vary. However, many Aboriginal and Torres Strait Islander people experience poor socioeconomic outcomes. For example:

- in 2021, median gross weekly personal income was \$540 for Aboriginal and Torres Strait Islander adults and \$814 for non-Indigenous adults (ABS 2022j).
- in 2021, year 12 completion rates (percentage of people aged 15 years and over and no longer attending school that have achieved year 12 or equivalent) were 37 per cent for Aboriginal and Torres Strait Islander people and 63 per cent for the non-Indigenous people (ABS 2022j).

Within the Aboriginal and Torres Strait Islander population there are many diverse nations, clans and skin groups with distinct cultures, languages, histories and perspectives. More than 250 Aboriginal and Torres Strait Islander languages, including 800 dialects, existed at the commencement of colonisation but today only about 120 languages are still spoken (SCRGSP 2020, p. A.4). There is also significant geographical and socioeconomic diversity within the Aboriginal and Torres Strait Islander population. For example, remote and very remote Aboriginal communities are often characterised by large, multi-family households and are more likely to experience high levels of overcrowding, frequent population movement between houses and communities, low levels of formal skills and education and high levels of disability (Habibis et al. 2016, p. 2).

The housing needs of Aboriginal and Torres Strait Islander people can differ substantially across regions. For example, the Katherine Women's Information and Legal Service commented on the specific housing needs of Aboriginal and Torres Strait Islander people in remote areas.

... there are several key considerations that must be addressed in planning and delivering remote housing including those that are:

- culturally safe, housing to be designed, allocated and maintained in a manner that is culturally appropriate, and managed by community.
- Fit for purpose, and repairs must be dealt with in a timely manner. Regional and remote Australia will be the most significantly impacted by climate change. Environmental factors must be a consideration in providing housing across Australia, but a particularly important consideration in remote Australia.
- suitable ... Air conditioning, and consideration for good natural cooling and airflow, is a necessary design feature for social housing, especially in remote areas. The mean annual temperature in the [Katherine] region sits at around 39.7°C. The available housing options are wholly inadequate for the climate of the Northern Territory in particular, and Australia generally. (sub. 85, pp. 10–11).

But even within regions, housing preferences can be diverse. For example, while many Aboriginal and Torres Strait Islander people may have a preference for home ownership, the desire to own a home is not universal, with some Aboriginal and Torres Strait Islander people preferring to rent² (SCRGSP 2020, p. 9.31).

In short, as SEARMS Aboriginal Corporation said, 'many Indigenous Australians have a different set of cultural values of home, land and community than the mainstream population' (sub. 44, p. 12). Some of the general concepts relating to housing and homelessness apply to Aboriginal and Torres Strait Islander people, but not all. For some Aboriginal and Torres Strait Islander people, the concept of spiritual homelessness — that is, being disconnected from one's homeland, kinship networks, heritage, family and community — is considered an important aspect of homelessness. Spiritual homelessness can include feeling homeless when absent from Country despite living in adequate housing. Conversely, sleeping without a roof on Country may not be thought of as homelessness by some Aboriginal and Torres Strait Islander people (NACCHO 2020, p. 5).

Many Aboriginal and Torres Strait Islander people experience poorer housing outcomes

Where a person is on the housing spectrum influences housing aspirations, what a successful outcome may look like and the types of programs that can assist. For example, definitions of a successful housing outcome

² It is not known what proportion of Aboriginal and Torres Strait Islander households choose to rent for mobility or other reasons as distinct from the proportion who rent but would prefer to own a home (SCRGSP 2020, p. 9.32).

vary depending on whether a person is seeking to exit homelessness, attempting to secure social housing or a long-term private rental, or aiming to enter home ownership (AHURI, sub. 52, p. 28).

Although many Aboriginal and Torres Strait Islander people have good housing outcomes, outcomes for Aboriginal and Torres Strait Islander people (on average) are poorer than for non-Indigenous Australians (figure 11.1).

Figure 11.1 – Housing outcomes are poorer, on average, for Aboriginal and Torres Strait Islander households and people

Aboriginal and Torres Strait Islander households , compared with other households, are:	Aboriginal and Torres Strait Islander people , compared with other Australians, are:
1/2 as likely to own their own home (with or without a mortgage)	10x more likely to be classified as homeless
6x more likely to live in social housing	16x more likely to live in severely overcrowded dwellings
3x more likely to live in overcrowded dwellings	10x more likely to access Specialist Homelessness Services

a. ABS Census (2021). b. ABS Census (2016). c. AIHW (Specialist Homelessness Services Annual Report 2020-21).

Aboriginal and Torres Strait Islander people are overrepresented in Australia’s homeless population

Based on 2016 Census data³, Aboriginal and Torres Strait Islander people make up 3 per cent of the Australian population but represent about 20 per cent of the homeless population. On Census night, Aboriginal and Torres Strait Islander people were ten times more likely to be classified as homeless (361 per 10 000 Aboriginal and Torres Strait Islander people or 4 per cent) than non-Indigenous people (38 per 10 000 non-Indigenous people or 0.4 per cent) (AIHW 2019a, pp. vi, 47). Fewer Aboriginal and Torres Strait Islander people, however, were homeless in 2016 than in 2011, when 487 per 10 000 Aboriginal and Torres Strait Islander people (or 5 per cent) were homeless (AIHW 2019a, p. 47).

There are particularly high rates of homelessness in remote and very remote areas. More than half (56 per cent) of the Aboriginal and Torres Strait Islander people who were homeless on Census night in 2016 were located in very remote areas and a further 11 per cent were located in remote areas. 19 per cent of Aboriginal and Torres Strait Islander people who were homeless on Census night were located in regional areas and 15 per cent in major cities (AIHW 2019a, table S.510).

Most Aboriginal and Torres Strait Islander people who were homeless on 2016 Census night (70 per cent) were living in severely overcrowded dwellings⁴ (figure 11.2).

³ Data from the 2021 Census on homelessness is expected to be released in 2023. This data will be important to understand more recent trends in the rates of homelessness for Aboriginal and Torres Strait Islander people.

⁴ Defined as needing four or more extra bedrooms under the Canadian National Occupancy Standard (chapter 6).

Figure 11.2 – The majority of people who are homeless are living in severely overcrowded housing

Of the Aboriginal and Torres Strait Islander people who were homeless ^a ...	Of the non-Indigenous people who were homeless ^a ...
70% were living in severely overcrowded dwellings	42% were living in severely overcrowded dwellings
12% were living in supported accommodation for the homeless	15% were living in supported accommodation for the homeless
9% were living in improvised tents or sleeping out	6% were living in improvised tents or sleeping out
5% were staying temporarily with other households	20% were staying temporarily with other households
3% were living in boarding houses	15% were living in boarding houses

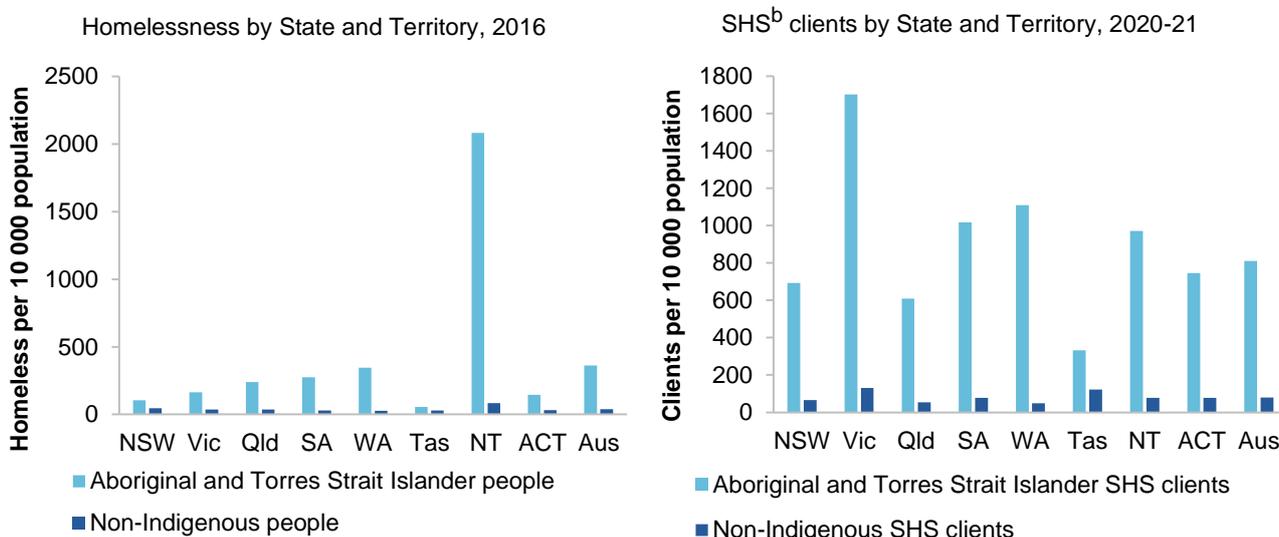
a. On Census night 2016.

Source: AIHW (2019a).

National data hides the significant variation in outcomes between States and Territories. Homelessness among Aboriginal and Torres Strait Islander people is most acute in the Northern Territory — where one in five Aboriginal and Torres Strait Islander people were homeless on Census night in 2016 (figure 11.3). And data on homelessness for Aboriginal and Torres Strait Islander people is likely to be significantly underestimated. As discussed earlier, many Aboriginal and Torres Strait Islander people do not consider themselves homeless because they are staying on country or couch-surfing. Rough sleepers are difficult to identify in rural and remote areas and street counts generally only take place in major cities. Some Aboriginal and Torres Strait Islander people also find the social housing system difficult to navigate (box 11.2).

As outlined in chapter 6, Australian governments fund a range of Specialist Homelessness Services (SHS) aimed at improving homelessness outcomes. A significant proportion of Aboriginal and Torres Strait Islander people are turning to SHS for help either to assist with maintaining their tenancies (clients at risk of homelessness) or to help them when they are homeless. In 2020-21, over a quarter (28 per cent) of SHS clients were Aboriginal or Torres Strait Islander people (AIHW 2021d).

Figure 11.3 – Aboriginal and Torres Strait Islander homelessness^a



a. These charts are not comparable. The Census homelessness data are point in time and the Specialist Homelessness Services data are annual. The Census homelessness data are a count of homelessness; the Specialist Homelessness Services data also include those at risk of homelessness. b. Specialist Homelessness Services.

Source: AIHW (2019a, 2021d).

Box 11.2 – Examples of hidden homelessness — Uncle Tom Slockee’s reflections^a

Drifting homelessness

In regional towns we have Aboriginal people living in the bush, close to the town, in makeshift tents. Many are the drifting homeless, moving from place to place just to survive. They won’t fill in the white fella forms to register their homelessness because the forms are complicated. Most have given up hope. Can’t get private houses, racial prejudice exists. Can’t get into Community Housing. Centrelink and Job Provider breach them all the time. Have no constant form of income. Can’t get work. Homeless and without hope.

Moving between families

This is an example of the life of many Aboriginal families: an Aboriginal man and wife have two small girls (5 and 3) and nowhere to live. They alternate by staying at either the man’s fathers place (social housing) and the wife fathers and mothers place (again social housing). They both love and care about their parents but they do bring pressure on both households. They do not report the staying to the community housing organisation nor do they apply for housing. The travelling costs are expensive but it’s the only way they can find somewhere to live. They say the forms are too complicated and invasive. This family is homeless and these people are invisible, non-existent on statistics.

a. Tom Slockee is the current chair of SEARMS Aboriginal Corporation. His previous roles include Chairperson of Budawang Aboriginal Corporation, Chairperson of Murra Mia Tenants Advocacy and Advisory Service, Chairperson of the Aboriginal Housing Office and Director for Aboriginal Hostels Limited (SEARMS Aboriginal Corporation 2022).

Source: SEARMS Aboriginal Corporation (sub. 44, pp. 12, 16).

Over the last ten years, the number of Aboriginal and Torres Strait Islander SHS clients has increased at an average of 6 per cent a year (reaching 73 300 Aboriginal and Torres Strait Islander SHS clients in 2020-21). The frequency of use of homelessness services by Aboriginal and Torres Strait Islander people (811 services per 10 000 Aboriginal and Torres Strait Islander population) was ten times the rate of non-Indigenous Australians (80 services per 10 000 non-Indigenous population) (AIHW 2021d). By jurisdiction, Victoria has the highest rate of Aboriginal and Torres Strait Islander clients (1700 clients per 10 000 population) (figure 11.3).

There are a number of drivers that influence the high use of homelessness services by Aboriginal and Torres Strait Islander people.

Inadequate funding for homelessness services, limited crisis and transitional accommodation, the shortage of affordable housing, barriers to housing access and inadequate attention to tenancy sustainment, create a revolving door of housing and homelessness for many Indigenous people. Although problems of discrimination, mental illness and poverty make it difficult for Indigenous people to access and sustain housing, it is the barriers resulting from problems and limitations of the housing and homelessness system that merit greatest attention. (Tedmanson et al. 2022, p. 2)

The three most common reasons for seeking assistance from SHS for both Aboriginal and Torres Strait Islander people and non-Indigenous Australians are domestic and family violence, a housing crisis such as eviction and inadequate or inappropriate dwelling conditions (table 11.1).

Table 11.1 – Top ten main reasons for seeking specialist homelessness services (SHS) 2019-20

	Aboriginal and Torres Strait Islander SHS clients (per cent)	Non-Indigenous SHS clients (per cent)
Family and domestic violence	24.7	29.1
Housing crisis (e.g. eviction)	17.1	18.2
Inadequate or inappropriate dwelling conditions	14.2	11.3
Other	8.9	4.6
Financial difficulties	8.1	10.0
Housing affordability stress	5.3	6.9
Previous accommodation ended	4.0	4.5
Relationship/family breakdown	3.9	5.0
Time out from family/other situation	2.4	-
Itinerant	2.2	-
Transition from custodial arrangements	-	2.2
Mental health issues	-	1.7

– not included in the top 10 main reasons.

Source: AIHW (2021d).

At the end of SHS support, some Aboriginal and Torres Strait Islander people have better housing outcomes. In 2020-21, after receiving support, fewer Aboriginal and Torres Strait Islander clients were homeless (a decrease from 47 per cent to 36 per cent) and more clients were living in housing with some form of tenure, mainly public or community housing (an increase from 31 per cent to 39 per cent) (table 11.2). Homelessness programs (such as Housing First) are discussed in chapter 6.

Table 11.2 – Specialist homelessness support outcomes for Aboriginal and Torres Strait Islander clients, clients with closed support 2020-21

	Beginning of support		End of support	
	Number (per cent ^a)		Number (per cent ^a)	
No shelter or improvised/inadequate dwelling	4 501	(9)	2 666	(6)
Short term temporary accommodation	8 648	(18)	7 315	(16)
House, townhouse or flat - couch surfer or with no tenure	9 115	(19)	6 440	(14)
Total homeless	22 264	(47)	16 421	(36)
Public or community housing - renter or rent free	14 733	(31)	18 157	(39)
Private or other housing - renter, rent free or owner	9 291	(20)	10 535	(23)
Institutional settings	1 237	(3)	933	(2)
Not stated	6 188		7 667	
Total clients with known housing situation	47 525	(100)	46 046	(100)

a. Per cent of total clients with a known housing situation.

Source: AIHW (2021d).

Overcrowding is disproportionately experienced by Aboriginal and Torres Strait Islander people

The COVID-19 pandemic shone a spotlight on overcrowding in Aboriginal and Torres Strait Islander communities. In some communities — such as Wilcannia — people were living temporarily in tents and campervans because they were living in overcrowded conditions but needed to isolate to stop the spread of COVID-19 (Volkofsky 2020) (box 11.3).

Overcrowding (based on the Canadian National Occupancy Standard — the CNOS) is defined as needing one or more additional bedrooms in a dwelling to adequately house its inhabitants, given the number, age, sex and relationships of household members. This is distinct from severe overcrowding (discussed in the previous sub section) which is defined under the CNOS as needing four or more extra bedrooms (chapter 6).

Overcrowding is prevalent in Aboriginal and Torres Strait Islander communities, particularly in remote areas.

The major issue of overcrowding for Aboriginal and Torres Strait Islander people is largely a result of needing to share housing due lack of supply, low incomes and high rent. In particular, overcrowding can compound psychosocial stress and ill health due to food insecurity, the sharing of limited resources, exposure to tensions and conflict, the lack of privacy and personal space and the prevalence of infectious and chronic diseases. (Mission Australia, sub. 88, p. 13)

For many Aboriginal and Torres Strait Islander households, overcrowding is more complex than having too many members of a single family living in a house too small for their needs. The sharing of space with multiple families and generations — which is common in many Aboriginal and Torres Strait Islander households — means that household members use the space and infrastructure differently to many non-Indigenous people (AHRC 2020, p. 292). As such, some studies have questioned whether the CNOS is the appropriate method for measuring overcrowding among Aboriginal and Torres Strait Islander people because of specific cultural and behavioural factors (AIHW 2019a, p. 4).

Box 11.3 – In Wilcannia (NSW), overcrowding magnified the impact of COVID-19**The National Aboriginal Community Controlled Health Organisation**

In 2021, inadequate, overcrowded housing conditions experienced by the Barkindji people of Wilcannia, NSW, led to an extreme COVID crisis in the NSW town. ... The Far West Local Health District ordered Wilcannia residents who had tested positive for COVID-19 to isolate in their homes — where often more than 10 people were living under the same roof.

Michael Kennedy, Chair of Wilcannia Local Aboriginal Land Council, said the town's COVID-19 outbreak had accentuated the desperate need for viable housing in the town, with state and federal authorities merely gesturing towards making improvements. (sub. 56, p. 5)

The National Aboriginal and Torres Strait Islander Housing Association

... to understand the extent of the problem, the 'lived experience' of Aboriginal and Torres Strait Islander people needs to be factored into the policy responses of all Australian Governments. Nowhere has that lived experience become more apparent than when COVID-19 reaches Aboriginal and Torres Strait Islander communities. This vicious disease spread like wildfire through the community of Wilcannia in NSW when it arrived in October 2021.

Included in the National Agreement on Remote Indigenous Housing, most residents of Wilcannia live in public and social housing. The ABC reported on 28 October 2021 (ABC News 'Our opinion was never valued: Wilcannia speaks out') that the Whyman family had to find a way to protect themselves while living with three other families in the same home where 20 people were crammed into just four bedrooms. All caught COVID-19 and there was nowhere to isolate. Three weeks into the outbreak, NSW Health finally offered isolation accommodation to COVID-19 patients in 30 campervans it hired for the town, too late to avoid some 40% of Aboriginal people in the town ending up with COVID19. (NATSIHA 2022, p. 5)

Overcrowding can be measured for both people and households. ABS Census enables data to be reported on the proportion of households that are overcrowded and the proportion of people living in overcrowded households. The National Aboriginal and Torres Strait Islander Health and Social Surveys enable reporting on the proportion of people living in overcrowded housing.

- The 2021 Census shows that the proportion of overcrowded Aboriginal and Torres Strait Islander households was more than double the rate of non-Indigenous households — 10 per cent of Aboriginal and Torres Strait Islander households and 3 per cent of non-Indigenous households were overcrowded. Overcrowding is a significant concern in the Northern Territory where over 30 per cent of Aboriginal and Torres Strait Islander households were overcrowded (ABS 2022j) (figure 11.4).⁵
- In 2018-19, the National Aboriginal and Torres Strait Islander Health Survey found that Aboriginal and Torres Strait Islander people were almost four times as likely to be living in overcrowded conditions as non-Indigenous people — 18 per cent of Aboriginal and Torres Strait Islander people were living in housing considered overcrowded, and 5 per cent of non-Indigenous people (AIHW 2021a). High rates of

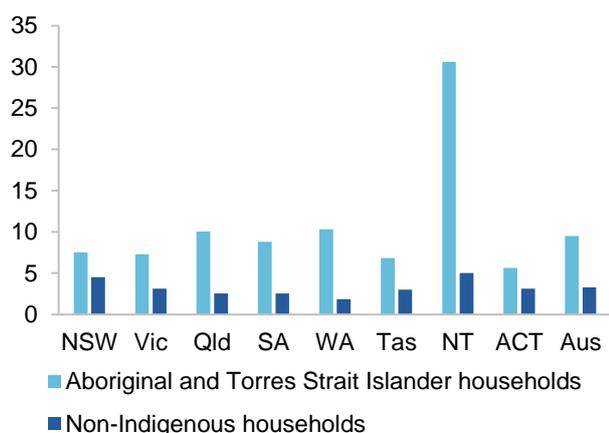
⁵ Data from the 2021 Census on the proportion of people living in overcrowded housing is yet to be published therefore data from the National Aboriginal and Torres Strait Islander health survey is used in this chapter to measure the proportion of Aboriginal and Torres Strait Islander people living in overcrowded households.

overcrowding were found for Aboriginal and Torres Strait Islander people living in the Northern Territory (where over 50 per cent were found to be living in overcrowded households).

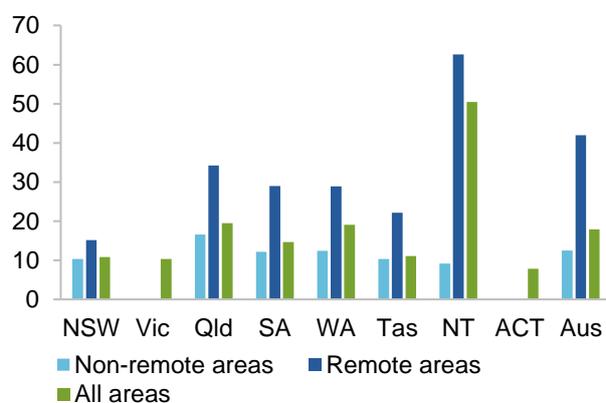
- Overcrowding in Aboriginal and Torres Strait Islander households is prevalent in remote areas. In 2018-19 rates of overcrowding were highest in the remote areas of the Northern Territory (63 per cent) and Queensland (34 per cent). And in non-remote areas, overcrowding for Aboriginal and Torres Strait Islander people was highest in Queensland (17 per cent), Western Australia (12 per cent) and South Australia (12 per cent) (figure 11.4).

Figure 11.4 – Overcrowding by State and Territory and remoteness

Percentage of overcrowded households, 2021^a



Percentage of Aboriginal and Torres Strait Islander people living in overcrowded households, 2018-19



a. Includes only dwellings where housing suitability was able to be determined.

Source: ABS (2022j); AIHW (2021a).

Over time there have been improvements in overcrowding among Aboriginal and Torres Strait Islander people. The 2018-19 overcrowding rate of 18 per cent was a significant improvement on overcrowding rates reported in 2008, when 28 per cent of Aboriginal and Torres Strait Islander people were reported to be living in overcrowded households. There has also been a narrowing in the gap of overcrowding between Aboriginal and Torres Strait Islander people and non-Indigenous people — from 22 percentage points in 2008 to 13 percentage points in 2018-19 (AIHW 2021a). However, overcrowding remains a significant problem for Aboriginal and Torres Strait Islander people, living in remote areas. In remote areas, the gap in overcrowding between Aboriginal and Torres Strait Islander people and non-Indigenous Australians has narrowed (from 45 percentage points in 2008 to 41 percentage points in 2018–19) but remains large.

For example, the Torres Shire Council reported high rates of overcrowding in the Torres Strait Shire local government area (LGA) relative to Queensland overall.⁶

In the Torres Shire LGA, 29.0% of households with Aboriginal and/or Torres Strait Islander persons were overcrowded ... and 5.2% of non-Indigenous households were overcrowded; whereas in Queensland overall 10.5% of households with Aboriginal and/or Torres Strait Islander persons were overcrowded and 2.7% of non-Indigenous households were overcrowded. (sub. 20, p. 2)

⁶ Based on 2016 ABS Census.

A number of factors influence household size and contribute to overcrowding in Aboriginal and Torres Strait Islander households, including:

- the greater prevalence of multi-generational and multi-family households in Aboriginal and Torres Strait Islander communities
- limited supply of housing in many Aboriginal and Torres Strait Islander communities, with housing often priced at levels beyond the resources of many Aboriginal and Torres Strait Islander people, leading to increased house-sharing arrangements
- temporary and semi-permanent visitors, including people who would otherwise be homeless
- seasonal and cultural movements by family members and strong family obligations (Brackertz, Davison and Wilkinson 2017, p. 51).

Overcrowding in Aboriginal and Torres Strait Islander households has been linked to poorer health and wellbeing outcomes. In particular, overcrowding creates challenges for the security and development of children, personal and domestic hygiene, the maintenance and condition of the home, and the management of conflict between household members (AHRC 2020, p. 292). Overcrowding can also affect mental health through the sharing of limited resources, exposure to tensions and conflict, the lack of privacy and personal space and the prevalence of chronic diseases due to unhealthy living practices and infrastructure that cannot manage the demand (NACCHO 2021, p. 3). The National Aboriginal Community Controlled Health Organisation (NACCHO) reported that:

Living in overcrowded housing with poor sanitary conditions increases the likelihood of several chronic health conditions. For example, eye infections among Aboriginal and Torres Strait Islander people. Australia is the only developed nation in the world not to have eliminated trachoma, an entirely preventable disease that leads to blindness. Overcrowding makes Aboriginal and Torres Strait Islander children more susceptible to acute or chronic ear infections. ...

Conflict over resources, roles and responsibilities among family members is common in crowded houses and contributes to stress. There is often no way for people to physically remove themselves or their children from the conflict generated by overcrowding. There is a significant association between stable, uncrowded housing and a lower prevalence of domestic and family violence. Overcrowding may also undermine cultural protocols such as avoidance practices between family members and can lead to Aboriginal and Torres Strait Islander people unwillingly leaving their traditional Country. Post-traumatic stress disorder is common among Aboriginal and Torres Strait people who are homeless, as many have experienced numerous traumatic events. Adequate housing can lessen the high rates of suicide among Aboriginal and Torres Strait Islander people. (sub. 56, pp. 4–5)

The Northern Territory Government reported that overcrowding (across all households) is associated with increased risk of domestic and family violence, sexual abuse and intimidating behaviour.

Overcrowding, and the related lack of privacy, is a recognised stressor which can result in family and domestic violence. At the same time, needing to escape family and domestic violence is a major reason for people becoming homeless. Overcrowded and poorly maintained housing have been found, in some cases, to exacerbate violence, making women and children more vulnerable to abuse from a broad range of potential abusers. ... A high proportion (42 per cent) of those living in severely overcrowded conditions in the NT are children. National research has found that sexual assaults against children living in overcrowded dwellings are often the 'opportunistic' outcome of having so many adults staying in households (2020, p. 14).

In interviews for a report on the interplay between housing and mental health pathways, Aboriginal and Torres Strait Islander people discussed the hardship of living in overcrowded housing (box 11.4).

Box 11.4 – Lived experience of overcrowding

Many of those interviewed had experiences of overcrowding

It was a one-bedroom flat, and there were five of us [single men] in it. (Port Hedland)

We moved out of [name] house because too many people at that family house. Too many family living there. (Alice Springs)

Overcrowding is not cultural

We've been told that we love to live in overcrowded housing conditions. It's a cultural thing. And it's not. It's only cultural because we've got four walls around us. We can't spread out. We've got to be stuck in the house. We were used to living with each other, but in open space. (Darwin)

Family responsibilities contribute to overcrowding

The problem is like, before when I didn't have a place to stay, [the family] would help me. They would give me somewhere to stay, so it's hard. You can't refuse to have them here. Because it's not fair to them. They used to help me when I was homeless. (Alice Springs)

Overcrowding places stress on families

How do you get kids to bed at a reasonable hour when you have your whole family living with you inside, outside on the veranda, with your extras sitting on that corner drinking? (Darwin)

Powerless because of overcrowding

We were staying with families, you know ... we were all just sleeping in the lounge, or all in the same bedroom. It was really hard. Tough. And when you're living with other families too, you've got to live by their rules. (Alice Springs)

Overcrowding causes issues around household budgets and household responsibilities

They just didn't buy food. I'd tell them, 'you're to give me \$100 for food', and that was for two of them, but they'd only give me \$50 for the both of them, and saying they never got a big pay ... They don't help cook. They don't help clean, and that makes it more problem for me, cleaning up ... and doing things for people all the time. (Port Hedland)

Overcrowding is particularly difficult for people with mental health issues

Sometimes, I wanted to go home but there was all of us, my brothers and sisters all lived together. And I didn't want that on my mum. So, I removed myself ... because I don't like being around a lot of people, because I suffer from anxiety as well. (Alice Springs)

Space is important

It's good to have your own space where you can do whatever you want. Not be told what to do or get up and stuff like that. Have your own space to think. Your own brain. What you want. Because you can't think when you're packed in with everybody. (Alice Springs)

Source: Pollock et al. (2021, pp. 14–20, 26).

Addressing overcrowding, particularly in remote areas, is a key focus for governments. At the national level, the NACTG acknowledges the importance of addressing overcrowding in Aboriginal and Torres Strait Islander households and includes a target to direct policy attention and monitor progress (box 11.5).

Infrastructure Australia has included remote housing, overcrowding and quality in its list of reform proposals.

Improving remote housing is likely to require a range of actions, including:

- addressing maintenance and utility deficiencies for existing and future housing stock
- renewing life-expired housing stock
- developing new housing stock
- addressing tenure issues and providing infrastructure to prepare for land development.

These actions will require Australia's governments to consider and closely engage with communities to understand which type of housing will best meet the needs and demographics of different communities in remote areas, including family, climate, cultural, lifestyle and intergenerational considerations. (Infrastructure Australia 2021b, p. 85)

Between 2008 to 2018, the Australian Government allocated \$5.4 billion to the *National Partnership Agreement on Remote Indigenous Housing* (NPARIH) and the *National Partnership on Remote Housing* (NPRH) to address overcrowding. These agreements delivered 4000 new houses and 7500 refurbished houses across 300 remote Aboriginal and Torres Strait Islander communities. Property and tenancy management reforms were also introduced as part of this investment, including a program of ongoing maintenance and repairs which progressively increased the life cycle of housing (NIAA 2020a).

In 2018, the NPRH expired and the Australian and Northern Territory Governments committed to the joint funding of \$1.1 billion over five years to improve housing outcomes in remote communities of the Northern Territory, under the *National Partnership for Remote Housing Northern Territory* (NPRHNT) (NIAA 2020b). (The expiration of NPRH is discussed in section 11.3.)

Much of the focus of research and policy responses to overcrowding have been in remote areas. However, overcrowding can also occur in urban areas. NATSIHA said that it has:

... evidence of 'lived experience' that demonstrates that overcrowding and poor maintenance of housing extends beyond remote communities into regional and urban communities also. The little research that has been done in urban and regional areas supports this, including that carried out by UNSW researchers in partnership with the Tharawal Local Aboriginal Land Council. (sub. 55, p. 6)

The study looked at the relationship between tenure type and housing conditions among Aboriginal families in urban New South Wales. It found that 30 per cent of families reported feeling too crowded where they lived, with no significant differences by tenure type. Structural problems, dampness and mildew, and vermin were also commonly reported, especially in social housing. The study concluded that:

The high prevalence of housing problems amongst study participants suggests that urban Aboriginal housing requires further attention as part of efforts to reduce the social and health disadvantage experienced by Aboriginal Australians. Particular attention should be directed to the needs of those renting in the private and social housing sectors, who are experiencing the poorest dwelling conditions. (Andersen et al. 2018b, p. 1).

Box 11.5 – Housing, a key target area in the National Agreement on Closing the Gap

The *National Agreement on Closing the Gap 2020* (NACTG) is a shared commitment to improve the lives of Aboriginal and Torres Strait Islander people by all Australian governments and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations. Parties have committed to actions to achieve the objective ‘to overcome the entrenched inequality faced by too many Aboriginal and Torres Strait Islander people so that their life outcomes are equal to all Australians’ (Coalition of Peaks and all Australian Governments 2020, p. 3).

The housing outcome sought by the NACTG is that ‘Aboriginal and Torres Strait Islander people secure appropriate, affordable housing that is aligned with their priorities and need.’ The associated target is that, by 2031, the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized housing is increased to 88 per cent (Coalition of Peaks and all Australian Governments 2020, p. 25). The figure below plots the trajectory required to meet this target. In 2016 (the indicator baseline), 79 per cent of Aboriginal and Torres Strait Islander people were living in an appropriately sized dwelling, compared with 68 per cent in 1996.

Under the principle that when Aboriginal and Torres Strait Islander people have a genuine say in the design and delivery of services that affect them, better life outcomes are achieved, the NACTG includes a commitment that ‘government parties agree to implement measures to increase the proportion of services delivered by Aboriginal and Torres Strait Islander organisations, particularly community-controlled organisations’ (Coalition of Peaks and all Australian Governments 2020, p. 10).

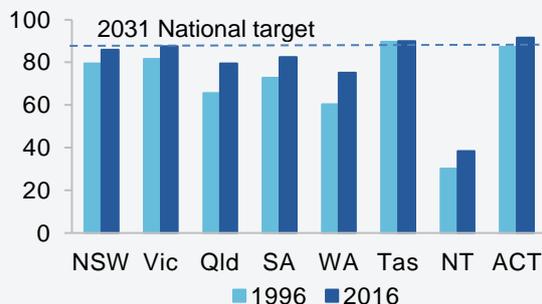
The NACTG also includes a community infrastructure target (target 9b) that extends beyond housing to measure progress in infrastructure, essential services and environmental health and conditions including water and sewerage, waste management, road reserves and electricity supply (Joint Council on Closing the Gap 2022). Progress against the housing and other NACTG targets is monitored and reported by the Productivity Commission.

Plotting the trajectory of the national housing target for the NACTG^a

The percentage of people living in appropriately sized dwellings, trajectory to achieve the 2031 housing national target



The percentage of Aboriginal and Torres Strait Islander people living in appropriately sized dwellings varies by jurisdiction



a. The proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing. Targets and trajectories are only available at the national level.

Source: PC (2022a).

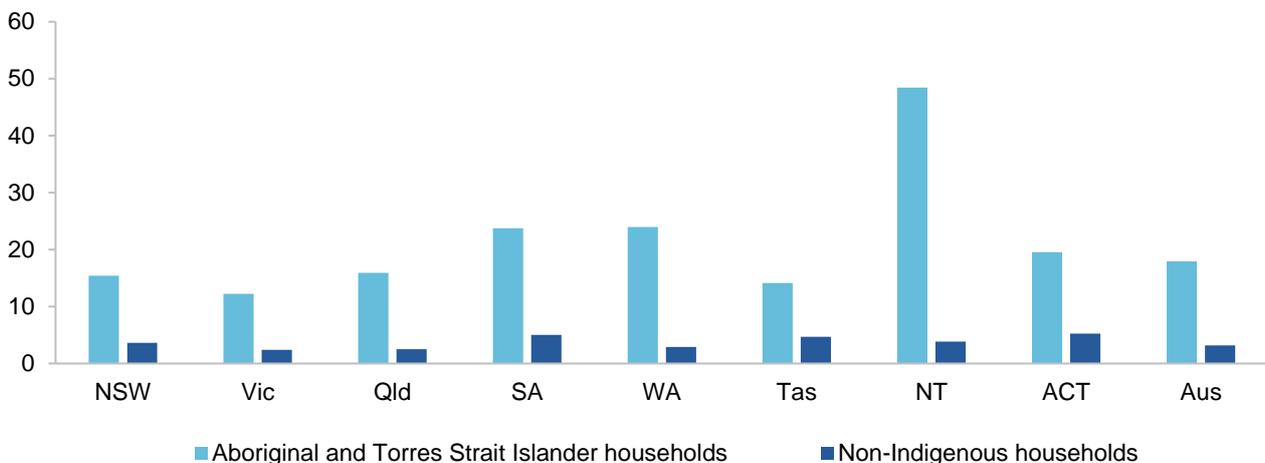
Aboriginal and Torres Strait Islander households are six times more likely than non-Indigenous households to live in social housing

Social housing is important for the wellbeing and the social and economic inclusion of many Aboriginal and Torres Strait Islander people (Pawson, Milligan and Yates 2020, p. 240). Social housing is rental housing provided by State and Territory Governments and community housing providers, and includes public housing, State Owned and Managed Indigenous Housing (SOMIH), community housing and Indigenous community housing (chapter 7).

Aboriginal and Torres Strait Islander people are overrepresented in social housing. In 2021, 18 per cent of Aboriginal and Torres Strait Islander households and 3 per cent of non-Indigenous households were renting in social housing. The share of Aboriginal and Torres Strait Islander households renting in social housing has fallen gradually over the last two decades from 31 per cent in 2001 to 26 per cent in 2011 and 18 per cent in 2021 (ABS 2022j; AIHW 2019a). This trend is associated with an increase in the number of Aboriginal and Torres Strait Islander people renting in the private market (discussed in the next subsection).

The proportion of Aboriginal and Torres Strait Islander households living in social housing varies by jurisdiction. In 2021 in the Northern Territory, almost half of Aboriginal and Torres Strait Islander households were living in social housing and 4 per cent of non-Indigenous households were living in social housing (figure 11.5).

Figure 11.5 – Aboriginal and Torres Strait Islander social renter households^a
By State and Territory, percentage of households, 2021



a. Includes households that were renting from a State or Territory housing authority or community housing provider.

Source: ABS (2022j).

In remote parts of the Northern Territory, all public housing is allocated to Aboriginal people. In urban areas in the Northern Territory, the percentage of public housing tenanted by Aboriginal and Torres Strait Islander people ranges from 44 per cent in Darwin to 73 per cent in Alice Springs and 91 per cent in Tennant Creek (NT Government, pers. comm., 10 May 2022).

Data available through the AIHW National Housing Assistance Data Repository provide information on the various social housing programs throughout Australia (figure 11.6). The number of Aboriginal and Torres Strait Islander households in public housing has increased by over 7600 households since 2014 (26 per cent between 2014 and 2021). And the number of households living in SOMIH has remained stable since 2018 (when data first included the Northern Territory) (figure 11.7).

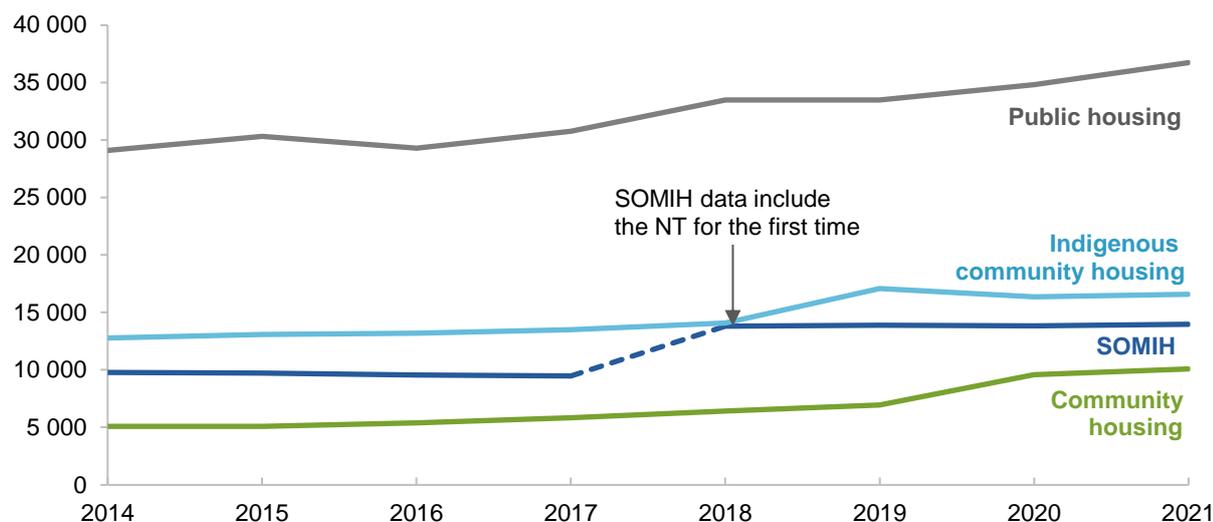
Figure 11.6 – Most Aboriginal and Torres Strait Islander households in social housing are living in public housing



a. State Owned and Managed Indigenous Housing.

Source: AIHW (2022d)

Figure 11.7 – Aboriginal and Torres Strait Islander households in social housing^a
Number of households, 2014 to 2021



a. SOMIH is State Owned and Managed Indigenous Housing.

Source: AIHW (2022d).

Some jurisdictions have a dedicated Aboriginal and Torres Strait Islander social and community housing sector separate from the mainstream sector.

- New South Wales: The Aboriginal Housing Office, established in 1998, is a statutory body established under the *Aboriginal Housing Act 1998* (NSW), governed by an all Aboriginal Board, funded by the New South Wales and Australian Governments to administer New South Wales Aboriginal community housing assets (AHO 2022b).
- Victoria: Aboriginal Housing Victoria (established in 1981 as the Aboriginal Housing Board) is the largest Aboriginal Registered Housing Agency in Australia managing over 1500 rental properties across metropolitan and regional Victoria (AHV 2022).

- Queensland: In 2021, Aboriginal and Torres Strait Islander Housing Queensland was established as the professional peak representative body for Aboriginal and Torres Strait Islander community housing providers in Queensland, enabling cross-collaboration between the government, industry, and the community housing sector to build a strong, resilient Indigenous community housing sector to better support Aboriginal and Torres Strait Islander Queenslanders (Queensland Government, pers. comm., 1 June 2022)
- Tasmania: Aboriginal Housing Services hold a dedicated portfolio of social housing properties that are available for eligible Aboriginal or Torres Strait Islander people in Tasmania (Tasmanian Government, pers. comm., 5 April 2022).
- In Western Australia (the WA Housing Authority), South Australia (the SA Housing Authority), the Northern Territory (Territory Housing) and the ACT (Housing ACT), Aboriginal and Torres Strait Islander social housing is managed through mainstream arrangements.

The Aboriginal and Torres Strait Islander housing sector faces some significant challenges. For example, the NSW Government said:

- There is significant and increasing demand for Aboriginal housing.
- The existing housing stock requires improvement to better meet client needs.
- ACHPs [Aboriginal Community Housing Providers] require continued investment and support to stay viable and provide fit-for-purpose Aboriginal housing.
- Without stable, fit-for-purpose Aboriginal housing, there will be significant social, economic and financial costs. (sub. 69, p. 38)

And AHURI said 'land tenure complexities, lower average household incomes and an overall smaller and restricted markets compound challenges' for Aboriginal and Torres Strait Islander housing (sub. 52, p. 28).

One of the key challenges for the sector is implementing measures to increase the proportion of services delivered by Aboriginal and Torres Strait Islander Community-Controlled Housing Organisations (ATSICCHOs)⁷, in line with the commitments made by parties under NACTG. Reflecting the aspirations of Aboriginal and Torres Strait Islander people for self-determination, some state governments have been transferring management or freehold title of some housing stock to Aboriginal and Torres Strait Islander community-controlled organisations (box 11.6).

Strengthening the sector to deliver improved housing outcomes is discussed further in section 11.3. Chapter 7 discusses social housing including waiting lists and areas for reform under the NHHA.

⁷ An Aboriginal and Torres Strait Islander Community-Controlled Housing Organisation (ATSICCHO) is an Aboriginal or Torres Strait Islander organisation which owns or is responsible for managing community housing. ATSICCHOs also manage tenancy arrangements, collect subsidised rents and perform housing maintenance. Historically, ATSICCHOs, were referred to as ICHOs (Indigenous Community Housing Organisations) and are also sometimes referred to as ACHPs (Aboriginal Community Housing Providers).

Box 11.6 – Transferring management and housing stock to Aboriginal and Torres Strait Islander Community-Controlled Housing Organisations (ATSICCHOs)

New South Wales

The Aboriginal Housing Office (AHO) is transferring the management of AHO owned-properties from the Department of Communities and Justice and Community Housing Providers to ATSICCHOs.

- Tranche 1 completed in 2022 included the transfer of 408 properties.
- Tranche 2 includes the transfer of 300 properties.
- Tranche 3 includes the transfer of 732 properties subject to contract negotiations (AHO 2021).

Victoria

In 2016, the Victorian Government executed an agreement to transfer ownership of 1448 properties to Aboriginal Housing Victoria.

- Tranche 1 in 2016 included 511 properties.
- Tranche 2 in 2017 included 474 properties.
- Tranche 3 in 2018 included 463 properties (Victorian Government, pers. comm., 8 April 2022).

Queensland

Transferring stock or management occurs on a case-by-case basis with consideration given to available stock, tenant needs, ATSICCHO capacity and interest in transfer and registration status. A community housing provider can have a funding relationship with the department if they are registered and maintain compliance in registration, meeting minimum housing and tenancy standards, within a regulated environment (Queensland Government, pers. comm., 1 June 2022).

South Australia

Tika Tirka property and tenancy management and service delivery activities was contracted to an ATSICCHO in January 2021. And in January 2022, 20 Employment and Education Housing properties were contracted for property and tenancy management and tenancy support to an ATSICCHO until 30 June 2024 (SA Housing Authority, pers. comm., 7 July 2022).

Western Australia

The WA Housing Authority transferred 323 properties from state government management to ATSICCHOs in 2012. The WA Government's current policy position is that state owned assets should not be transferred to private interests. However, transfer of housing assets is occurring through native title settlements, including the South West Native Title Settlement and the Yamatji Nation Indigenous Land Use Agreement (WA Government, pers. comm., 9 May 2022).

Tasmania

There have been progressive transfers of ownership over time. ATSICCHOs own the majority of properties that they manage in Tasmania (Tasmanian Government, pers. comm., 5 April 2022).

Northern Territory

Under the NT Community Housing Growth Strategy 2022–32, the NT Government is committed to supporting the growth of ATSICCHOs and the ongoing transfer of assets. The NT Government is working with Aboriginal stakeholders to design housing management transfers models for remote Aboriginal communities. Transfers where ATSICCHOs take on landlord responsibility are community led and based on readiness of the community and the provider (NT Government, pers. comm., 10 May 2022).

An increasing proportion of Aboriginal and Torres Strait Islander people are turning to the private rental market

The share of Aboriginal and Torres Strait Islander households living in private rental properties has increased over the past two decades from 27 per cent in 2001 to 29 per cent in 2011 and 34 per cent in 2021 (ABS 2022j; AIHW 2019a). Like all private renters, Aboriginal and Torres Strait Islander private renters commonly face issues relating to short-term tenure, affordability, low vacancy rates, and a lack of housing options. Aboriginal and Torres Strait Islander tenants in private rentals and in urban areas (rather than remote areas) experience the least stable tenancies, with financial stress, health problems and living away from homelands associated with poorer outcomes (Moskos et al. 2022, p. 2).

The accessibility of safe, appropriate and affordable housing is key to successful tenancies. However, often a limited supply of housing results in high demand and competition, and can price low-income tenants out of the market.

Despite many Aboriginal and Torres Strait Islander households renting privately, a long-standing barrier to obtaining suitable rental housing is race-based discrimination and racial stereotyping (Pawson, Milligan and Yates 2020, p. 247). Experiences of discrimination and racism can materially affect Aboriginal and Torres Strait Islander peoples' housing experiences and have cumulative and detrimental effects on health and wellbeing (Maalsen et al. 2021, p. 39). ANTaR commented that 'racial discrimination in the rental property market is a detrimental and an increasingly experienced barrier for First Nations Peoples' (sub. 15, p. 4). SEARMS Aboriginal Corporation explained that:

Some Aboriginal and Torres Strait Islander people continue to experience discrimination in the housing market making it difficult to access private rental and even sometimes social housing. This could be through direct discrimination where Indigenous applicants are told by landlords or real estate agents that dwellings are not available for rent when in fact they are available. Indirect discrimination can come through strict requirements for evidence of private rental histories, which Indigenous households are less likely to have. (sub. 44, p. 13)

And the Australian Human Rights Commission report *Wiyi Yani U Thangani Women's Voices, Securing our Rights, Securing our Future* reported that:

... too many women reported direct and systemic discrimination when it came to private and social housing. Women with large families, single mothers or women on social welfare were often victims of systemic discrimination in the housing sector, which preferences a Western-centric idea of a household and disregards Aboriginal and Torres Strait Islander cultural norms.

Women reported direct discrimination from neighbours, landlords and real estate agents who assumed they would be disruptive tenants and unable to pay rent. Women expressed their frustrations with the structures limiting their agency to protect themselves from this. (2020, p. 287)

Several participants to this review noted that discrimination was underreported. For example, Darwin Community Legal Service and North Australian Aboriginal Family Legal Service said:

Unfortunately, it is often difficult to establish that discrimination has occurred due to the lack of clear evidence and the wide discretion afforded to landlords and real estate agents. Further, in many instances the power imbalance between tenant and landlord means that those who experience discrimination are discouraged from reporting for fear that it will have negative consequences on their future renting prospects (e.g. applying for rental properties in the future after having made a complaint to a real estate agent). (sub. 89, p. 12)

The Equal Opportunity Commission of Western Australia (2009) conducted an inquiry into whether people from culturally and linguistically diverse backgrounds (CALD) and Aboriginal people were being discriminated against on the basis of their race (either directly or indirectly) in the private housing rental market. It found significant evidence of racial discrimination in the private housing rental market despite very few formal complaints of racial discrimination being made to the Equal Opportunity Commission (or similar organisations) (EOC 2009, pp. 5–6). A common form of reported discrimination was that real estate agents were unwilling to engage with Aboriginal and/or CALD people when the agents became aware of their race. For example, Aboriginal and CALD people reported that they were informed over the phone that a property was available but when they arrived in person were told that the property was not available (EOC 2009, p. 65). The inquiry also found that Aboriginal and CALD individuals were often reluctant to make formal complaints or seek statutory forms of remedy for housing rental issues, such as Magistrates Courts for residential tenancy (EOC 2009, p. 5).

Similarly, Andersen et al. (2016) — through focus groups with Aboriginal and Torres Strait Islander people in Western Sydney — found discrimination from real estate agents and landlords to be a key barrier for Aboriginal and Torres Strait Islander people securing access to rental housing. Focus group participants reported that they were falsely informed that there were no rental properties available or submitted countless unsuccessful applications.

Chapter 9 discusses tenancy measures and reforms in response to discrimination, as well as other issues faced by many Aboriginal and Torres Strait Islander people in the private rental market, such as affordability and security of tenure.

Aboriginal and Torres Strait Islander households are half as likely to own a home as non-Indigenous households

Home ownership continues to be a widely held aspiration of Australians, providing security of tenure and long-term social and economic benefits to home owners. Many Aboriginal and Torres Strait Islander people aspire to home ownership for stability, a sense of ownership and as an intergenerational asset for future generations (Memmot et al. 2009, p. 3).

Home ownership in particular fulfils a psychosocial need of a sense of belonging and place in one's community. Home ownership can lead to positive involvement in social groups and community activities through enhanced stability of tenure and improved independence and control. (IBA and Deloitte nd, p. 11)

Customer surveys from Indigenous Business Australia's (IBA) Indigenous Home Ownership Program (IHOP) found that IBA home owners agreed or strongly agreed that home ownership has:

- reduced their concerns about housing instability, eviction or homelessness (85 per cent)
- helped them and/or their family to feel a sense of stability (95 per cent)
- enabled them to have a more secure place to live (92 per cent)
- helped them and/or their family to feel more secure about the future (91 per cent). (IBA, sub. 46, p. 4)

In addition, there can be economy-wide benefits from higher levels of home ownership including savings for governments. For example, it has been estimated that IHOP has delivered:

- \$895 million in social and economic outcomes for home owners
- \$36 million in rental assistance savings
- \$7 million in avoided homelessness
- \$483 million in economic activity
- 1247 additional jobs (IBA and Deloitte nd, p. 16).

However, Aboriginal and Torres Strait Islander households are almost half as likely to own a home (with or without a mortgage) than non-Indigenous households. Based on 2021 Census data, 41 per cent of Aboriginal and Torres Strait Islander households and 67 per cent of non-Indigenous households own their own home (ABS 2022j).

The lower rates of home ownership for Aboriginal and Torres Strait Islander people are the result of a range of factors, including the impact of persistent socioeconomic inequities and historic policies and their ongoing intergenerational effects. Aboriginal and Torres Strait Islander people have only had unrestricted rights to own property since the 1967 referendum and international research shows that people are more likely to own a property if their parents were home owners (SCRGSP 2020, p. 9.33). Eddie Fry (former Chairman of Indigenous Business Australia) commented that:

Our home plays a major role in our access to education, employment, hospitals, health services, transport, public spaces and our social circles. But more than this, home ownership is a critical step in building inter-generational wealth for our children and our children's children, with research showing that people are three times as likely to own property if their parents are home owners. This means that even though our laws, policies and systems may change over time — the exclusion of Aboriginal and Torres Strait Islander people from home ownership compounds over time and still exists today. (IBA and Deloitte nd, p. 4)

The SA Housing Authority reported a number of barriers to home ownership for Aboriginal and Torres Strait Islander people, including affordability.

Consultation undertaken to inform the [South Australian] Aboriginal Housing Strategy determined that 50% of participants wanted to own their own home; however, many identified that they were unable to do so due to a range of barriers. These included not enough income to save for a deposit, higher unemployment and less intergenerational wealth transfer due to wage disparity and historical legal standing between Aboriginal and non-Aboriginal peoples. In addition, the concept of personal financial wealth is often in conflict with Aboriginal cultural values and beliefs, where care and obligation for family across extended and complex kinship relationships takes precedent to financial savings. (sub. 58, p. 29)

Indigenous Business Australia added that limited financial literacy is a factor that explains why many Indigenous Australians are unable to purchase a home.

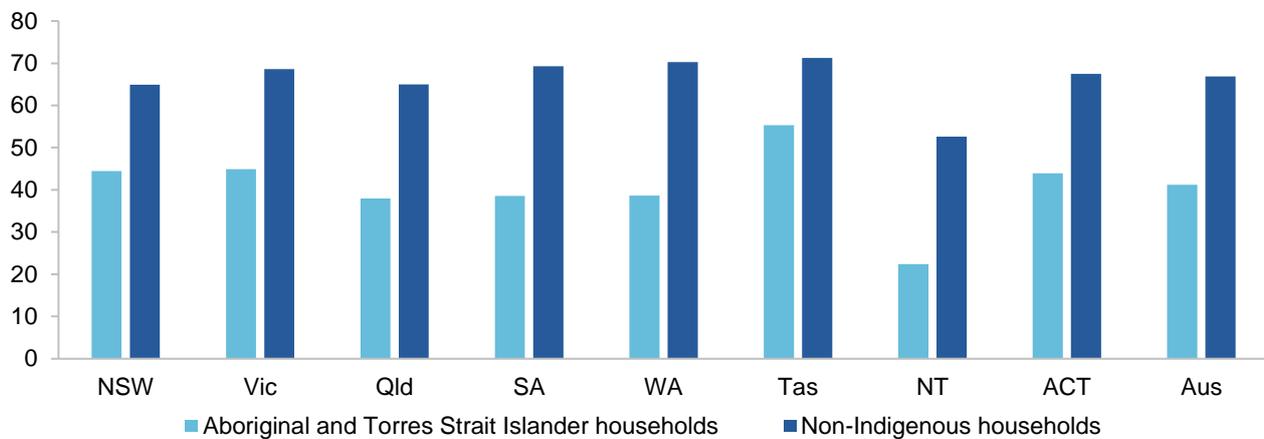
Limited financial literacy is a contributing factor to why many Indigenous Australians are unable to access home loans and other financial products. Limited financial literacy can result in difficulties managing budgets, unnecessary debt accumulation and increased financial stress. A lack of exposure as well as an inability to access financial products as a direct consequence of historical dispossession of land and stolen wages as well as the continued socioeconomic exclusion of Indigenous peoples, means that many communities lack intergenerational transfer of financial knowledge, money management skills and material wealth accumulation. (sub. 46, p. 5)

National data hides the significant variation in outcomes between States and Territories. The percentage of Aboriginal and Torres Strait Islander home owner households is lowest in jurisdictions with large areas of remoteness, including the Northern Territory, Queensland, Western Australia and South Australia (figure 11.8). Most remote areas are economically undeveloped and it is not possible for Aboriginal and Torres Strait Islander people to own homes or rent privately. In many remote areas, local services and community infrastructure is limited, the real estate market undeveloped and there is little opportunity for employment (Pawson, Milligan and Yates 2020, p. 221). A further factor that influences variation by

remoteness is communal-title land in remote areas. Communal-title lands are those in remote Indigenous settlements that are jointly held in a type of trust for the broader community (Memmot et al. 2009, p. 1).

As noted earlier, an increase in the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home is a national performance indicator in the NHTA. Census trends show that the percentage of Aboriginal and Torres Strait Islander households that own their own home (outright or with a mortgage) has been gradually increasing — 32 per cent in 2001, 36 per cent in 2011, and 41 per cent in 2021 (ABS 2022j; AIHW 2019a). Chapter 10 discusses home ownership including affordability, home ownership programs and reform under the NHTA.

Figure 11.8 – Home owner households by jurisdiction
Percentage of households, 2021



Source: ABS (2022j).

Housing is important for breaking the cycle of disadvantage

It is through ensuring that housing and infrastructure is appropriate for the size, structure and preferences of Aboriginal and Torres Strait Islander households, that we have the best chance of breaking a cycle of disadvantage in which inadequate housing is both a symptom and a cause of the entrenched disadvantage affecting some of our most vulnerable families. (AHRC 2020, p. 291)

As discussed in chapter 3, from a social perspective, housing provides a platform for participation in society, to form families and to connect with community. ‘Housing is a critical social determinant of physical health, education and employment outcomes, as well as social and emotional wellbeing’ (Aboriginal Health Council of Western Australia, sub. 7, p. 2). From an economic perspective, housing is connected with employment, family and community, financial security, investment and wealth. Not having safe, affordable and sustainable housing can have detrimental outcomes, including homelessness, poor health, lower rates of employment and education participation and a lack of financial, physical and social security — all of which can lead to social exclusion and disadvantage (AIHW 2021c).

The impacts of the lack of stable housing are pernicious and multifaceted. Poor access to quality housing, as a vital aspect of overall health, can affect life expectancy, child mortality, disability, chronic disease, and family violence. Furthermore, the financial burden and insecurity associated with the lack of access to housing has been shown to stifle individual wellbeing and social inclusion. (ANTaR, sub. 15, p. 4)

The Victorian Coroners report, *Suicides of Aboriginal and Torres Strait Islander people in Victoria*, reported that between 2018 and 2021 Aboriginal and Torres Strait Islander people died by suicide at a rate of nearly three and a half times higher than non-Indigenous people. Lack of access to stable accommodation was reported to be one of the recurring themes in the 92 suicides during that period (Coroners Court of Victoria 2022, pp. 8, 10).

The Torres Shire Council described the longstanding interconnection between poor housing outcomes and poor health and social outcomes in the Torres Strait.

Despite decades of commitment by the Queensland government to address housing shortage and especially homelessness in our region, as well as overcrowding leading not only to rheumatic heart disease but other adverse health and social outcomes, for the majority of our residents, little has improved (Torres Shire Council, sub. 20, p. 2).

The connection between poor housing circumstances and disadvantage can be bidirectional — poor housing circumstances can contribute to disadvantage and disadvantage (such as low income) can contribute to poor housing circumstances. Box 11.7 presents the story of MG whose personal experiences portray the detrimental interconnection between homelessness, disadvantage, incarceration and disability.

Box 11.7 – Disadvantage and its interconnection with housing outcomes

MG is a 28-year-old proud First Nations woman who has a long history of homelessness and incarceration. This goes way back to MG being a child who was exited by the Child Protection (CP) system into homelessness after being part of the CP system since she was 12. From the age of 14 MG reports she slept rough or she exchanged sex for a place to sleep. She reports that some of her 'relationships' were purely so she had somewhere to sleep. At her most recent period of incarceration, MG was unable to get bail or parole as she had no address to provide to the court. This meant that she served her full sentence. On her release, an access point and support service arranged her crisis accommodation for only 3 weeks. At the end of this, MG couch surfed for a short period of time and she then started stealing cars to sleep in. A goal of her support service was to assist MG undertake a neuropsych assessment for her brain injury and also assist her to apply for NDIS [National Disability Insurance Scheme]. But as she was constantly in crisis and often uncontactable as her phone had no charge, the support service and MG were unable to progress these essential support needs. There is now warrants out for MG and she will likely get resentenced and the cycle of homelessness and incarceration continues. MG states that she sees NO hope for her future. Lack of suitable long-term housing has left MG in a very vulnerable space. (Northern Local Area Services Network, sub. 6, p. 4).

Quality of housing influences health and wellbeing

Aboriginal and Torres Strait Islander people experience poorer socioeconomic (summarised earlier in box 11.1) and health outcomes (such as a lower life expectancy, a higher child mortality rate and a higher prevalence of chronic disease such as diabetes, coronary heart disease and kidney disease) than non-Indigenous Australians (AIHW 2020b, p. 49). The causes are multiple and complex, but housing quality is one factor closely related to social and emotional wellbeing, physical and environmental health outcomes.

Housing is a foundational social determinant of health. Poorly built, poorly maintained, overcrowded and dysfunctional housing costs lives and is a major contributing factor in the decades-wide life expectancy and health gaps. (ANTaR, sub. 15, p. 3)

Poor air quality, lack of power and safe drinking water, and inadequate waste and sanitation facilities all contribute to poorer health and welfare.

Quality housing that is affordable, safe and sustainable can protect against a range of health issues. For instance, access to plumbing and proper hardware such as showers, taps and washing machines in addition to potable water, can facilitate food safety and good hygiene. Proper sewerage systems are also imperative to a sanitary home environment. ... Simple behaviours such as handwashing to mitigate the spread of certain diseases is not possible without running potable water and adequate plumbing. (The Lowitja Institute, sub. 72, pp. 7–8)

While most Aboriginal and Torres Strait Islander people live in housing that is of an adequate quality, many live in homes that have significant problems. For example, drawing on interviews with Aboriginal and Torres Strait Islander people, Pollock et al. found that:

Tensions around maintenance were a common topic in the interviews. People talked about properties with uncontrolled pests, asbestos walls, faulty electrics or other unrepaired damage. While some people said they had made maintenance requests that were responded to promptly, others complained about not being listened to or believed about how the damage had occurred. Maintenance requests would not be processed if the tenant had outstanding rent; therefore, this could compound already difficult living conditions. (2021, p. 21)

According to the National Aboriginal and Torres Strait Islander Health Survey, in 2018-19:

- one in five Aboriginal and Torres Strait Islander households were living in dwellings that did not meet an acceptable standard⁸
- 33 per cent of Aboriginal and Torres Strait Islander households were living in dwellings with at least one major structural problem
- Aboriginal and Torres Strait Islander households in remote areas were more likely to live in dwellings with structural problems than those in non-remote areas (46 per cent and 31 per cent respectively)
- 9 per cent of Aboriginal and Torres Strait Islander households had no access to working facilities for food preparation (AIHW 2021c).

For social housing, dwelling condition is measured as the proportion of households living in houses of an acceptable standard⁹ and varies by type of social housing. In 2021, the proportion of Aboriginal and Torres Strait Islander households that were living in houses that were not an acceptable standard was: 34 per cent for public housing, 36 per cent for SOMIH, and 29 per cent for community housing. In 2018-19, 22 per cent of Aboriginal and Torres Strait Islander households were living in Indigenous community housing that was not an acceptable standard (SCRGSP 2022b, tables 18A.36 to 18A.39).

An association between poor quality housing and health outcomes for Aboriginal and Torres Strait Islander people is particularly prevalent in remote areas.

⁸ As defined in the National Aboriginal and Torres Strait Islander Health Survey as having at least 1 basic household facility that was unavailable or having more than 2 major structural problems.

⁹ A house is assessed as being of an acceptable standard if it has at least four working facilities (for washing people, for washing clothes/bedding, for storing/preparing food, and sewerage) and not more than two major structural problems.

ATSICCHOs operating in remote areas face a number of challenges related to the delivery of quality housing including:

- a lack of skilled tradespeople
- the high cost of transporting tradespeople, building materials and equipment
- harsh climates with extremes of hot and cold, dry and wet
- particular geological or hydrological conditions that put significant stress on dwellings
- the higher number of people living in the dwellings. (Sharam et al. 2021, p. 46)

In remote communities, inadequate water supplies, sanitation and overcrowding have the greatest impact on the health of Aboriginal and Torres Strait Islander people, leading to diseases such as skin infections and parasitic infestations, respiratory, eye and ear infections, diarrhoeal diseases and rheumatic fever (Brackertz and Wilkinson 2017, p. 20). Poor living conditions coupled with a lack of access to health services (in remote and regional areas) often means that infections may not be managed, resulting in higher disease transmission; increased risk of long-term complications; and greater disease burden on individuals and communities (AIHW 2020a, p. 115).

There is increasing concern that the impact of poor housing on health will worsen with climate change.

While the issue of inadequate housing and infrastructure has been raised by our peoples for a long time, in recent years we are seeing those issues intensified by the impacts of climate change and global warming. Aboriginal and Torres Strait Islander peoples and Indigenous peoples around the world are at the frontline. (The Lowitja Institute, sub. 72, p. 12)

And there is also concern that 'inappropriately designed and located housing continues to be a major issue, particularly for Aboriginal and Torres Strait Islander people with disability and complex needs where it is critical to be located either close to families and/or to support services' (NATSIHA 2022, p. 4) (chapter 14).

Policy responses aimed at addressing disadvantage

Addressing the disadvantage experienced by many Aboriginal and Torres Strait Islander people improves their lives and provides broader benefits to Australian society and the economy (for example, increased social inclusion and economic output if Aboriginal and Torres Strait Islander participate in the workforce at increasing rates).

The importance of social determinants such as housing on the health and wellbeing of Aboriginal and Torres Strait Islander peoples and their communities cannot be overstated. Making adequate and safe housing available should be a first order policy objective as part of the national agenda to close the gap. Housing must meet cultural needs. It must be sustainable and it must be secure. (ANTaR, sub. 15, p. 5)

Efforts to improve outcomes for Aboriginal and Torres Strait Islander people have centred on individual service sectors such as health, infancy and early childhood, education, employment and economic development (Brown and Hamilton nd). A connected approach to policy and addressing issues such as housing, education and health has long been on the agenda for Aboriginal and Torres Strait Islander people and recognised in various reports such as *A National Aboriginal Health Strategy* (National Aboriginal Health Strategy Working Party 1989) and the Royal Commission into Aboriginal deaths in custody (Johnston 1991).

Most recently, the importance of housing outcomes to achieve wider policy objectives is reflected in the:

- *National Agreement on Closing the Gap 2020*, which included housing in its key national socioeconomic targets to improve life outcomes for Aboriginal and Torres Strait Islander people (box 11.5).

- *National Aboriginal and Torres Strait Islander Health Plan 2021–2031*, which included healthy environments, sustainability and preparedness as a priority area under the outcome that ‘capacity building and development is undertaken to ensure that Aboriginal and Torres Strait Islander people have access to safe and healthy environments with sustainable housing, sanitation, water security, and food security’. (Department of Health 2021, p. 46).
- *National Plan to Reduce Violence Against Women and their Children 2010–2022* which includes outcomes to strengthen Aboriginal and Torres Strait Islander communities and services to meet the needs of women and their children experiencing violence including an increase in the numbers of families who maintain or secure long term safe and sustainable housing post-violence (COAG 2011b, p. 25).

Understanding the wider benefits of addressing housing need are important for better connected public policy and program development. For example, policies and programs to improve the condition of housing for Aboriginal and Torres Strait Islander people can be an effective way to improve health outcomes for Aboriginal and Torres Strait Islander people. In a similar way, programs to improve the rates of home ownership for Aboriginal and Torres Strait Islander people can provide financial security, physical and emotional security and safety for participating families.

11.2 Is the NHHA improving housing outcomes for Aboriginal and Torres Strait Islander people?

Housing policy for Aboriginal and Torres Strait Islander people: historical context

Since the Australian Government acquired the power to make laws for Aboriginal people (at the Constitutional Referendum in 1967), housing policy for Aboriginal and Torres Strait Islander people has been one of continual change (table 11.3) (Brackertz, Davison and Wilkinson 2017, p. 67). Early policy was focused on segregated housing programs for Aboriginal and Torres Strait Islander people. SOMIH, funded through Australian Government special purpose grants, was generally managed separately from public housing, including through government welfare agencies. The community housing sector was small in scale, housing very few Aboriginal and Torres Strait Islander people (Milligan et al. 2016, p. 76).

In the 1980s, the Aboriginal Rental Housing Program and the Community Housing and Infrastructure Program (CHIP) were put in place to meet the housing needs of Aboriginal and Torres Strait Islander people unable to access mainstream public housing programs or the private rental market or purchase their own home. Funding was directed to a mix of state government departments, state housing authorities, private contractors and Indigenous Community Housing Organisations (ICHOs) (PwC 2007, p. 16).

Table 11.3 – A summary of housing policy history for Aboriginal and Torres Strait Islander people

Program that has influenced housing policy	
Pre-1970s Guardianship and assimilation	<ul style="list-style-type: none"> • State and church administered housing on reserves and missions under guardianship legislation • Policy of assimilation established for urban residents via successive Australian and State Government housing agreements (from 1945) • Following the 1967 referendum Aboriginal and Torres Strait Islander people counted in Census. • 1968-69 first Australian Government funding for Indigenous public housing
1970–1990 Citizenship and self-help	<ul style="list-style-type: none"> • 1972-73 Australian Government funding for Indigenous Community Housing Organisations (ICHOs) • 1973-74 Aboriginal Hostels Ltd established • 1974-75 Indigenous Home Ownership program established • 1979 Aboriginal Rental Housing Program (ARHP) established
1990–2004 Self-determination	<ul style="list-style-type: none"> • 1982 Community Housing and Infrastructure Program (CHIP) established • 1990 Aboriginal and Torres Strait Islander Commission (ATSIC) established • 1992 COAG National Commitment to Improved Outcomes in the Delivery of Programs and Services for Aboriginal Peoples and Torres Strait Islanders • 2002 Building Better Futures — 10-year national Indigenous housing plan (largely not implemented) overseen by officials' Steering Committee on Indigenous Housing, later disbanded
2004–2017 Mainstreaming	<ul style="list-style-type: none"> • 2004 ATSIC abolished • 2007 CHIP abolished and Indigenous community housing responsibilities devolved to states and territories • 2007 NT Emergency Response included the transfer of housing responsibilities for housing services from ICHOs to the NT Government • 2009 ARHP ceased as a tied funding program leading to increased responsibility for state housing authorities and mainstream community housing providers to meet Aboriginal and Torres Strait Islander housing need in urban areas • 2008 <i>National Partnership Agreement Remote Indigenous Housing</i> (NPARIH) agreed • 2008 Overarching strategy was the <i>National Indigenous Reform Agreement</i> (NIRA); a number of partnership agreements sat below NIRA; the National Integrated Strategy for Closing the Gap to address Indigenous disadvantage • 2016, the National Partnership on Remote Housing (NPRH) was negotiated between the Australian, Northern Territory, Queensland, South Australia and Western Australia Governments
2018–current A focus on outcomes	<ul style="list-style-type: none"> • 2018 <i>National Housing and Homelessness Agreement</i> was signed • 2019 following the expiration of NPRH a new <i>National Partnership for Remote Housing Northern Territory</i> (NPRHNT) was signed between the Australian and Northern Territory Governments. Remote funding for Western Australia, South Australia and Queensland ceased after a once-off funding contribution from the Australian Government • 2020 <i>National Agreement on Closing the Gap</i> included agreement by government parties to implement measures to build the Aboriginal and Torres Strait Islander community-controlled sector to deliver services, with the housing sector one of the initial priority areas.

Source: Pawson, Milligan and Yates (2020, pp. 225–227).

The establishment of the Aboriginal and Torres Strait Islander Council (ATSIC) in 1989 provided more opportunity for Aboriginal and Torres Strait Islander people to directly administer programs, including housing programs. ATSIC increased the development of ICHOs through funding from CHIP (Brackertz, Davison and Wilkinson 2017, p. 67).

Over time, separate housing policy for Aboriginal and Torres Strait Islander people became associated with a number of negative consequences including a lack of coordination in functional responsibilities and funding programs between the Australian and State and Territory Governments and a lack of attention to building capacity for governance, financial, asset and tenancy management within the ICHO sector (Habibis et al. 2016, p. 16; Milligan et al. 2016, p. 76). Many ICHOs were not financially viable because of low rental revenue and high costs and this led them to cross-subsidise housing with funds from other programs such as the Community Development Employment Program and delay the maintenance of stock (Habibis et al. 2016, p. 16).

In 2004, ATSIC was abolished, followed by the end of CHIP in 2007. Funds from CHIP were redirected away from Aboriginal and Torres Strait Islander organisations to mainstream state and territory government or non-government organisations (Brackertz, Davison and Wilkinson 2017, p. 67). ICHO numbers declined significantly as they became subject to mainstream competitive funding, policy and regulatory regimes and reforms under the NPARIH that required State and Territory Governments take on responsibility for remote housing management (Milligan et al. 2016, p. 77).

Limited support was provided to ICHOs to strengthen capacity and transition to the new regulatory environment. However, the establishment of Aboriginal Housing Victoria as a large Indigenous-specific housing service provider, and the specialised governance and regulation of the ICHO sector in New South Wales under the Aboriginal Housing Act (1998), were key exceptions to this trend (Milligan et al. 2016, p. 78).

Between 2008 and 2018, NPARIH and NPRH delivered significant remote housing outcomes (section 11.1). Under NPRH, policy focus moved from establishing new systems of services and programmes to improving outcomes for tenants, for example by linking funding with specific milestones, including Indigenous employment and business targets (NIAA 2020a). When the NPRH ended, the NPRHNT was signed between the Australian and Northern Territory Governments to improve housing outcomes in remote communities of the Northern Territory (table 11.3) (NIAA 2020b).

The commencement of the NHHA in 2018 further signalled that the contemporary focus of housing policy for Aboriginal and Torres Strait Islander people had pivoted towards an outcomes-based approach. And the 2020 NACTG signalled a renewed drive for a shared decision-making approach between governments and Aboriginal and Torres Strait Islander organisations to improve outcomes for Aboriginal and Torres Strait Islander people. Key elements included strengthening the capability of Aboriginal and Torres Strait Islander organisations and transitioning service delivery towards community-controlled organisations.

The NHHA's contribution to improving housing outcomes for Aboriginal and Torres Strait Islander people

The NHHA is an opportunity for governments to articulate how they are working together to address the persistent inequality in housing outcomes that Aboriginal and Torres Strait Islander people face. Participants to this review reported that housing outcomes and the housing needs and priorities of Aboriginal and Torres Strait Islander people are not articulated in the NHHA. A participant in the Commission's roundtable on Aboriginal and Torres Strait Islander housing (26 April 2022) commented that 'the NHHA is weak on what needs to be delivered for Aboriginal and Torres Strait Islander housing'.

The NHHA commits to the overarching outcome of contributing to improved housing outcomes for Aboriginal and Torres Strait Islander people.¹⁰ But, beyond high level aspirations, the NHHA does not articulate specific objectives, outcomes, actions or targets for Aboriginal and Torres Strait Islander housing. NATSIHA commented:

The National Housing and Homelessness Agreement does not clearly specify the objectives and housing outcomes for Aboriginal and Torres Strait Islander communities. It is vital that the next version of this Agreement does so. (sub. 55, p. 9)

Similarly ANTaR said:

... the NHHA is failing to provide access to affordable, safe, and sustainable housing for Australia's First Nations Peoples ... Further review of each sub agreement with the State and Territory jurisdictions under the umbrella of NHHA needs to be considered carefully to consider the specific objectives and their adequacy. The umbrella of NHHA does not provide clear specific objectives, is too broad and does not give place to community-led solutions. (sub. 15, pp. 3, 6)

The NHHA requires that State and Territory Governments have strategies in place for housing. Schedule A of the NHHA lists six housing priority areas which should be incorporated into each jurisdiction's housing strategy 'where appropriate to its needs'. However, the housing needs of Aboriginal and Torres Strait Islander people are not included in the schedule despite their poorer average outcomes (section 11.1). The NSW Government commented:

Under Schedule A of the NHHA there is no mention of Aboriginal people and communities, or more specifically remote Aboriginal communities after the NPARIH ended. The NHHA priority areas should strike a balance between resolving existing issues preventing future issues (next 5-10 years) clients face when trying to enter, maintain tenancy and exit social and affordable housing. Existing issues include long waiting times and housing that does not match current needs of Aboriginal communities. Future issues include the growing population, an increasing need for social and affordable housing, and the ongoing maintenance and repairs of ageing Aboriginal housing stock, especially community owned. (sub. 69, p. 38)

There are two key mechanisms under the NHHA that together should measure and provide feedback on how the NHHA is meeting its objectives — national performance indicators and statements of assurance. However, despite these mechanisms being in place, it is not clear to what extent the NHHA is contributing to improved outcomes for Aboriginal and Torres Strait Islander people.

There is only one performance indicator in the NHHA measuring outcomes for Aboriginal and Torres Strait Islander people

NHHA performance indicators for Aboriginal and Torres Strait Islander housing do not capture the information required to determine whether housing outcomes are improving for Aboriginal and Torres Strait Islander people. The NHHA establishes a single performance indicator on housing outcomes for Aboriginal and Torres Strait Islander people — an increase in the proportion of Indigenous Australians purchasing or owning their own home (section 11.1). It also states that reporting on performance under the Agreement will include disaggregation of each national performance indicator (where appropriate) to identify Indigenous Australians and other priority homelessness cohorts however, this has not occurred.

Because home ownership is an aspiration of many Aboriginal and Torres Strait Islander people and it is interconnected with health and well-being and economic and social participation (section 11.1), the national performance indicator is important and highly relevant. However, on its own, it only describes outcomes for

¹⁰ NHHA paragraph 15(c).

Aboriginal and Torres Strait Islander people who are on one part of the housing spectrum. As the NSW Government said:

The NHHA fails to place importance on improving specific outcomes to address the needs of Aboriginal people and communities. This means it has been limited in how it can contribute to improving access to affordable, safe, and sustainable housing across the housing spectrum, in comparison to the growing need from Aboriginal communities. (sub. 69, p. 38)

Understanding and measuring changes in outcomes for Aboriginal and Torres Strait Islander people that are experiencing rough sleeping, living in overcrowded or poorly maintained housing and trying to secure long-term tenure in the private rental market, are particularly important. The development of indicators and targets under the next NHHA are discussed in section 11.3.

It is not clear what programs for Aboriginal and Torres Strait Islander people are being funded under the NHHA

Annual statements of assurance allow States and Territories to provide information on how they are using NHHA resources to fund key programs targeted at improving housing and homelessness outcomes for Aboriginal and Torres Strait Islander people. However, the NHHA only has limited reporting requirements on NHHA expenditure targeted at improving outcomes for Aboriginal and Torres Strait Islander people.

The NHHA requires that each State and Territory Government reports on actual homelessness expenditure disaggregated to separately identify each of the national priority homelessness cohorts (including Aboriginal and Torres Strait Islander people). The New South Wales, South Australia, Tasmania and Northern Territory Governments also report expenditure on SOMIH. Australian governments spent over \$260 million on homelessness services for Aboriginal and Torres Strait Islander people in 2020-21.

The proportion of this spend funded through the NHHA varies by jurisdiction. In New South Wales in 2020-21, just over 50 per cent of expenditure on homelessness services for the Aboriginal and Torres Strait Islander priority group was sourced from NHHA. In contrast, in Western Australia in 2019-20 and 2020-21, expenditure on homelessness services for the Aboriginal and Torres Strait Islander priority group was funded entirely by the State Government. A number of jurisdictions did not provide a breakdown of expenditure data into NHHA and state or territory own funding components (table 11.4).

NHHA statements of assurance do not articulate the specific types of programs that are being provided by governments to improve housing outcomes for Aboriginal and Torres Strait Islander people. Participants to this review suggested greater transparency and accountability for NHHA expenditure was needed, in particular for jurisdictions to showcase where they are achieving 'value for money' (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022).

Table 11.4 – Expenditure on homelessness services for Indigenous Australians as a priority homelessness cohort**As reported in statements of assurance**

	2018-19	2019-20	2020-21
New South Wales			
State expenditure on Indigenous priority group (\$ million)	46.0	58.1	64.9
NHHA expenditure on Indigenous priority group (\$ million)	58.8	60.8	67.3
Victoria			
Total expenditure on Indigenous priority group (\$ million)	17.8	21.2	11.6
Queensland			
State expenditure on Indigenous priority group (\$ million)	25.8	33.7	36.9
NHHA expenditure on Indigenous priority group (\$ million)	21.8	22.9	23.8
Western Australia			
State expenditure on Indigenous priority group (\$ million)	na ^a	4.7	4.9
NHHA expenditure on Indigenous priority group (\$ million)	na ^a	0	0
Total expenditure on Indigenous priority group (\$ million)	3.9	4.7	4.9
South Australia			
Total expenditure on Indigenous priority group (\$ million)	5.3	5.4	5.6
Tasmania			
State expenditure on Indigenous priority group (\$ million)	1.1	2.3	3.3
NHHA expenditure on Indigenous priority group (\$ million)	2.0	1.8	2.3
Northern Territory			
Proportion of SHS clients that were Indigenous (per cent)	80.6	82.8	84.9
Total expenditure for all homelessness services (not just the Indigenous priority group and including NHHA) (\$ million)	35.6	39.7	48.0
NHHA expenditure for all homelessness services (not just the Indigenous priority group) (\$ million)	na	8.6	11.9
ACT			
Total expenditure on Indigenous priority group (\$ million)	1.2	1.2	1.2
Estimated total expenditure on homelessness for the Indigenous priority group^b (\$ million)	211.6	245.0	262.6

a. Not reported. b. Estimates for total expenditure assume that in the Northern Territory the percentage of Indigenous clients supported by homelessness services is a proxy for the percentage of expenditure on homelessness services for Indigenous Australians.

Source: State and Territory Governments (2022).

It is difficult to attribute Aboriginal and Torres Strait Islander housing outcomes to the NHHA

The word 'contribute' in the NHHA's objective (to contribute to improved housing outcomes for Indigenous Australians) is important because it alludes to the fact that there are programs and initiatives outside the NHHA that also contribute to housing outcomes for Aboriginal and Torres Strait Islander people.

In addition to the NHHA, the Australian Government provides a range of housing assistance programs and initiatives that influence the housing outcomes for Aboriginal and Torres Strait Islander people including:

- Commonwealth Rent Assistance (CRA), a non-taxable income supplement payable to eligible people who rent in private or community housing rental markets (chapter 9). CRA is the most common form of housing assistance received by Aboriginal and Torres Strait Islander households. As at June 2020, 100 866 income units receiving CRA reported having an Aboriginal or Torres Strait Islander household member (this was 5.9 per cent of all CRA income units, an increase from 3.6 per cent in 2009) (AIHW 2021c).
- The NPRHNT under which the Australian and Northern Territory Governments have committed joint funding of \$1.1 billion over five years to improve housing outcomes in remote communities of the Northern Territory (NIAA 2020b).
- the IHOP administered by Indigenous Business Australia (a corporate Australian Government entity), which delivers concessional home loans, with low and flexible interest rates and deposit requirements, to low-income Aboriginal and Torres Strait Islander people who want to purchase their first home but are unable to access mainstream financing. Since its inception in 1975, IBA has written over 20 400 home loans and there is strong demand for the program. For example, in 2020-21, IBA received over 8000 expressions of interest (IBA, sub. 46, pp. 3–4).
- temporary hostel accommodation and support services assisting Aboriginal and Torres Strait Islander people to access a broad range of education, employment, health and other services, administered by Aboriginal Hostels Limited (AHL), a not-for-profit company wholly owned by the Australian Government. AHL accommodates about 20 000 Aboriginal and Torres Strait Islander people each year across a network of 45 multi-purpose, education, and medical hostels (AHL, sub. 60, p. 1).

State and Territory Governments also fund programs and initiatives outside the NHHA to improve housing outcomes for Aboriginal and Torres Strait Islander people. For example, the Queensland Government reported that spending of NHHA funding is not readily attributable to specific programs. However, overall NHHA funding contributes about a quarter of total revenue for the provision of housing and homelessness services, including programs to improve housing outcomes for Aboriginal and Torres Strait Islander people. State funding and tenant rent revenue make up the main additional funding sources, with all funding sources consolidated into the Queensland Housing Fund (Queensland Government, pers. comm., 1 June 2022).

Similarly, the Northern Territory does not report separately on housing spending targeted to Aboriginal Territorians. In 2020-21, total expenditure on housing and homelessness in the Northern Territory was \$415 million of which about \$20 million was provided through the NHHA (NT Government, pers. comm., 10 May 2022). Box 11.8 shows the range of programs the Northern Territory has in place to improve housing outcomes for Aboriginal and Torres Strait Islander people.

There is also a range of other policies and programs, outside of housing, that can contribute to housing outcomes. For example, homelessness outcomes are not only influenced by housing assistance but by health, employment, and education assistance programs.

It is difficult to decouple NHHA outcomes from the impact of other initiatives and programs funded outside the NHHA. However, this does not mean that outcome measurement, through performance indicators, is not an important element of the NHHA. Outcome measurement is instrumental in understanding whether outcomes are improving, identifying where resources should be allocated for best use and to re-evaluate approaches where outcomes are not being achieved. The next NHHA needs to include more open and transparent reporting on how State and Territory Governments are using NHHA funding to improve outcomes for Aboriginal and Torres Strait Islander people, and a broader set of performance measures are required to understand the range of outcomes for Aboriginal and Torres Strait Islander people being achieved across the housing spectrum.

Box 11.8 – Northern Territory programs for improving housing outcomes for Aboriginal and Torres Strait Islander people

Remote housing

To address severe overcrowding and improve living conditions, the Northern Territory Government is delivering the ten year remote housing program, *Our Community. Our Future. Our Homes*, at a cost of \$1.1 billion. The program focuses on the construction of new dwellings and additional living spaces through community-led decision making and engagement with communities. Under the program, Aboriginal Business Enterprises are used wherever possible to deliver works and provide sustainable local employment for Aboriginal Territorians living in remote communities. The program is complemented by the five year funding commitment of \$550 million under the *National Partnership for Remote Housing Northern Territory*.

Remote property and tenancy management

The Department of Territory Families, Housing and Communities (TFHC) is the landlord for 5230 remote public housing dwellings located across 72 remote Aboriginal communities, 17 Alice Spring town camps and seven Tennant Creek community living areas. The remote property and tenancy management program delivers social landlord responsibilities with a focus on improving health outcomes for tenants through the Healthy Homes Program. Healthy Homes aims to integrate healthy living practices into housing services across remote communities and selected town camps, working with tenants to better understand the management of their homes, house inspections, and repairs and maintenance.

Town Camps Infrastructure Program

Under the Town Camps Housing and Infrastructure Program, the Northern Territory Government has delivered \$41 million of critical housing, municipal and essential services infrastructure upgrades across town camps. This investment has focused on nine healthy living principles established in the Healthy Homes Program with significant investment in the upgrades of water infrastructure, the health hardware of homes and critical functional areas of housing in bathrooms, kitchens and bedrooms.

Homelands Program

There are about 500 homelands with 2400 homes housing around 10 000 Aboriginal people in the Northern Territory. The Homelands Program contributes to the delivery of municipal and essential services and housing maintenance. TFHC provides grant funding through the Municipal and Essential Services, Housing Maintenance Services, Homelands Jobs and Homelands Capital Grants programs.

Indigenous essential services

The Northern Territory Government provides grant funding to Indigenous Essential Services Pty Ltd to provide power, sewerage and water services and infrastructure to 72 remote Aboriginal communities and 79 outstations.

Specialist homelessness services (SHS)

The Northern Territory Government funds the delivery of SHS across the Northern Territory under five year grant funding agreements. In 2021-22, \$32 million in NT and Australian Government NHHA funding was allocated to the delivery of 61 SHSs including accommodation services, drop-in centres, tenancy sustainability programs, peak body services and support services.

Source: NT Government (pers. comm., 10 May 2022).

11.3 Improving outcomes under a renewed NHHA

The next NHHA must be aligned with government commitments made under the NACTG, including the four Priority Reforms (formal partnerships and shared decision making; building the community-controlled sector; transforming government organisations, and shared access to data and information at a regional level), the Aboriginal and Torres Strait Islander housing target and the national sector strengthening plan for housing. While the NACTG is an important platform for shared reform, it does not (and should not be expected to) provide detail on what is required in the Aboriginal and Torres Strait Islander housing sector to improve outcomes. Therefore the NACTG does not replace the need for a NHHA that can more broadly and directly target housing outcomes for Aboriginal and Torres Strait Islander people.

NHHA is the anchor for all housing and homelessness services nationally, however cross cutting national agreements such as the National Agreement on Closing the Gap (CTG) must be recognised and acknowledged into the new NHHA to streamline national, state and territory coordination, accountability mechanisms and reporting requirements to avoid duplication. In addition, the CTG Agreement should not replace the overall responsibilities of the NHHA as the new CTG agreement has only one housing target and is not reflective of housing and homelessness conditions across jurisdictions. (Aboriginal Housing and Homelessness Forum, sub. 86, p. 8)

Drawing on discussions with Aboriginal and Torres Strait Islander people and organisations (including a roundtable held by the Commission on Aboriginal and Torres Strait Islander housing) and submissions to this review, this section provides first-principles guidance on the key requirements for the NHHA to contribute to improving housing outcomes for Aboriginal and Torres Strait Islander people. This includes:

- a schedule on Aboriginal and Torres Strait Islander housing developed with a new National Committee on Aboriginal and Torres Strait Islander Housing
- effective State and Territory housing and homelessness strategies for Aboriginal and Torres Strait Islander people
- clearly defined roles and responsibilities for remote Aboriginal and Torres Strait Islander housing
- commitment to self-determination and increasing the proportion of services delivered by Aboriginal and Torres Strait Islander organisations
- identifying unmet housing need for Aboriginal and Torres Strait Islander people
- indicators and targets to measure outcomes and progress
- transparency and accountability to the community.

A schedule on Aboriginal and Torres Strait Islander housing

The NHHA is missing the voice of Aboriginal and Torres Strait Islander people on housing needs and priorities, principles to guide the provision of housing assistance to Aboriginal and Torres Strait Islander people and targets to drive improvements in housing outcomes. The Lowitja Institute stressed the importance of a mechanism in the NHHA to allow Aboriginal and Torres Strait Islander housing policy to be led by Aboriginal and Torres Strait Islander people.

It [the NHHA] must include a mechanism to ensure that Aboriginal and Torres Strait Islander communities lead the design, implementation and evaluation of housing policy. This should include adequate governance systems to enable meaningful partnerships with government at all levels. (The Lowitja Institute, sub. 72, p. 12)

Reflecting the NACTG and its commitment to partnership, a new schedule for the NHHA should be developed through a co-design process with Aboriginal and Torres Strait Islander people as a way of better addressing their housing needs. The Aboriginal Housing and Homelessness Forum said:

To date the NHHA has not effectively addressed Aboriginal Housing and Homelessness needs...
A new NHHA should reflect the policy drive for Housing and Homelessness reform, supporting national coordination that is measurable, appropriately resourced and outcome focused.

... a new Aboriginal and Torres Strait Islander schedule should be included to lock in priority settings and actions, indicators and targets. (sub. 86, p. 7).

A schedule can be developed separately to the main body of the NHHA, similar to the development of sector strengthening plans under the NACTG. To this end the NHHA should establish a new National Committee on Aboriginal and Torres Strait Islander Housing. The Committee would be responsible for working with the Australian, State and Territory Governments to develop a NHHA schedule on Aboriginal and Torres Strait Islander housing.

To give issues associated with housing for Aboriginal and Torres Strait Islander people the status in policy making reflected by the NACTG (under Priority Reform One, formal partnerships and shared decision making), the Committee should meet directly with Ministers overseeing the development of the next NHHA.

A diverse group on the Committee is important. The Committee should include NATSIHA and Peak Bodies or housing and homelessness representatives from each state and territory to cover variation in housing governance models, geography, cultures and policy priorities.

Content of the new schedule on Aboriginal and Torres Strait Islander housing will need to align with governments' commitments under NACTG and the housing outcome.

NHHA's overarching national outcomes should include the outcome negotiated between Governments and the Coalition of Peaks in the National Agreement on Closing the Gap; namely that Aboriginal and Torres Strait Islander people secure appropriate, affordable housing that is aligned with their needs and priorities. (NATSIHA, sub. 55, p. 10)

The schedule should clearly articulate the housing needs, priorities and principles to guide housing assistance for Aboriginal and Torres Strait Islander people. NATSIHA has developed a list of underpinning principles that identify what is important to Aboriginal and Torres Strait Islander people in the context of housing, which could be considered under the proposed schedule (box 11.9). Principles in the schedule should operate in concert with the overarching housing principles in the main body of the NHHA (chapter 5).

The Aboriginal Housing and Homelessness Forum suggested that a cultural statement be included.

A new NHHA should include a cultural statement which can then be underpinned by cultural principles. In turn audited cultural performance indicators should also be applied. The cultural statement should recognise self-determination and the Treaty process which is relevant to Victoria and current national conversations. CHIA [Community Housing Industry Association] Victoria in partnership with AHV [Aboriginal Housing Victoria] has developed the Community Housing Aboriginal Cultural Safety Framework and supported by ten principles which could be elevated to a new NHHA embedding culturally appropriate systematic reform and practice. (sub. 86, p. 9).

And the Australian Medical Association argued that the interconnection between housing and health should be acknowledged in the NHHA.

We emphasise that Aboriginal and Torres Strait Islander communities and organisations are best-placed to advise how the NHHA can support their diverse housing needs, and that the NHHA should also recognise the linkages with housing and health in this particular context. For example, the impacts of overcrowding on communicable disease and the disproportionate prevalence of other illness such as Rheumatic Heart Disease and Otitis Media in Aboriginal and Torres Strait Islander communities. (sub. 78, p. 3)

Box 11.9 – NATSIHA’s underpinning principles for responding to the housing needs of Aboriginal and Torres Strait Islander people

- Self-determination - as per the United Nations Declaration on the Rights of Indigenous Peoples (articles 3 & 4)
- The Australian Government recognising the role and responsibility of the national peak and each jurisdiction’s peak and involving them in policy and decision making.
- Recognition that the Aboriginal and Torres Strait Islander housing sector is a specialist, specific sector that has expertise and strengths which can effectively challenge, inform and influence Governments to make improvements to the housing system and can drive the way to do effective business in future.
- Necessity for a partnership between the Australian and State and Territory Governments and the Aboriginal and Torres Strait Islander housing sector to achieve better outcomes.
- Striving for an integrated housing system in recognition that safe, secure and culturally appropriate housing is critical to social, economic and cultural infrastructure.
- Recognition of the differences across the States and the Territories that requires flexible and tailored policy and program responses that are culturally appropriate.
- Valuing investment and innovation in early intervention and prevention which funds support services to prevent homelessness and sustains tenancies.
- Safe, secure and suitable housing that meets the housing, locational and cultural needs of individuals and families.
- Recognition of the importance of Aboriginal community-controlled delivery of capital works programs and management of housing organisations.
- Investing and exploring innovative and proven housing models which are tailored to meet the needs of Aboriginal people in the environment they’re living in, and not settling for a ‘one size fits all’ approach.
- Recognition that policy and program responses need to be long term, with financial commitments which provide delivery certainty to enable outcomes to be achieved.
- Adopt an approach to valuing learnings and core knowledge through a ‘knowledge repository and clearing house’ which captures and shares knowledge to draw on for future programs.
- Recognising that the fabric of community infrastructure is more than bricks and mortar and requires relevant government departments involvement in planning and financing ‘hard’ and ‘soft infrastructure’.

Source: NATSIHA (sub. 55, pp. 5–6)

The schedule should be framed around the four NACTG Priority Reforms for joint national action, namely formal partnerships and shared decision making; building the community-controlled sector; transforming government organisations and; shared access to data and information at a regional level (Coalition of Peaks and all Australian Governments 2020).

The four Priority Reforms provide a new platform for addressing the challenges around Indigenous housing in Australia. Those challenges have constituted a ‘wicked problem’ since colonisation first began in Australia and the COVID 19 pandemic has exposed that the nation is heading for another Indigenous housing crisis. For the first time, however, there is an agreed framework through the four Priority Reforms that allows representatives of Aboriginal and Torres Strait Islander communities to solve the challenges on an equal footing with all Australian Governments. (NATSIHA, sub. 55, p. 2)

In particular, many participants to this review spoke of the need to strengthen the capacity of Aboriginal and Torres Strait Islander community-controlled sector to deliver an increasing proportion of housing and homelessness services and that the NHHA should include meaningful and measurable indicators and targets. These are both discussed later in this section.



Recommendation 11.1

An Aboriginal and Torres Strait Islander Housing schedule in the NHHA

A National Committee on Aboriginal and Torres Strait Islander Housing should be established under the National Housing and Homelessness Agreement to work with Australian and State and Territory Governments to develop a schedule on Aboriginal and Torres Strait Islander housing.

The Aboriginal and Torres Strait Islander housing schedule should:

- align with the housing outcome in the *National Agreement on Closing the Gap 2020* (NACTG)
- articulate the housing needs, priorities and principles for Aboriginal and Torres Strait Islander housing
- be framed around the four Priority Reforms, and commitments made by governments under the NACTG
- include indicators and targets for monitoring and evaluation (recommendation 11.6).

Effective State and Territory housing and homelessness strategies

Effective strategic planning clearly articulates objectives and priorities, actions needed to make progress, as well as how to determine whether outcomes are successful (evaluation). Under the NHHA, State and Territory Government housing and homelessness strategies include improving outcomes for Aboriginal and Torres Strait Islander people.

State and Territory Aboriginal and Torres Strait Islander housing and homelessness strategies vary significantly between jurisdictions. Variations include whether strategies for Aboriginal and Torres Strait Islander housing are presented as stand-alone documents, the level of input that Aboriginal and Torres Strait Islander people had in developing the strategies and the detail of objectives, outcomes, priorities and actions. With such variation across the jurisdictions, some guidance on best practice for how housing and homelessness strategies can improve housing outcomes for Aboriginal and Torres Strait Islander people could help lift the bar on the quality of strategies.

Stand-alone strategies for Aboriginal and Torres Strait Islander housing have benefits

Victoria, New South Wales (relating to social housing), Queensland (action plan), and South Australia have developed stand-alone documents to communicate strategies for improving housing outcomes for Aboriginal and Torres Strait Islander people. In other jurisdictions, strategies for improving housing outcomes for Aboriginal and Torres Strait Islander people are included in strategy documents for housing policy more generally.

The effectiveness of strategies for Aboriginal and Torres Strait Islander housing does not hinge on whether they are presented in stand-alone or all-encompassing housing documents. However, stand-alone documents can provide an effective means of communicating directly to Aboriginal and Torres Strait Islander people and organisations on how governments are seeking to improve housing outcomes. This in turn can promote community 'buy in' to housing programs.

Housing strategies for improving outcomes for Aboriginal and Torres Strait Islander people require genuine engagement: co-design is best practice

Strategic planning can provide opportunities for States and Territories to incorporate Aboriginal and Torres Strait Islander people's perspectives, priorities and knowledges into housing policy and decision-making under the NHHA.

Engagement with Aboriginal and Torres Strait Islander organisations and people in policy development and implementation in all spheres of policymaking is fundamental to building trust in government agencies, overcoming past injustices and achieving cultural proficiency in policy and service delivery. Ongoing government commitment to ways of co-working with Aboriginal and Torres Strait Islander people is needed to inform culturally appropriate program design and implementation that is tailored to city, regional and remote contexts (Pawson, Milligan and Yates 2020, p. 231).

Governments and Aboriginal and Torres Strait Islander organisations have been gradually moving away from consultative approaches towards shared decision-making processes known as co-design (Dillon 2021, p. 6).

Engagement with Aboriginal and Torres Strait Islander peoples in the past has often consisted of consultation rather than leadership roles. Meaningful engagement of Aboriginal and Torres Strait Islander peoples at any point in implementation, monitoring, data collection and evaluation cycle will add value and ensure that targets are achievable rather than aspirational. (The Lowitja Institute, sub. 72, p. 19)

Co-design processes are important for providing a voice for Aboriginal and Torres Strait Islander organisations and are considered best practice in policy. Definitions of co-design are generally broad in nature and vary widely, depending on the nature of the work being undertaken. But, co-design is intended to be more than just consultation, where views and advice are exchanged between government and Aboriginal and Torres Strait Islander people. Co-design is about joint ownership, authority and responsibility in policy design, decision-making and evaluation. Co-design usually involves: a design-led process (iterative, person-centred and action oriented); participatory principles (enabling and empowering people affected by a policy or program to make decisions); and tools to get those affected by a policy or program to talk about, enact or propose solutions (PC 2020a, p. 19).

A key principle under NACTG is that, when Aboriginal and Torres Strait Islander people have a degree of authority in the design and delivery of services that affect them, better life outcomes are achieved.

... codesign aligns with the long-standing aspirations of Indigenous people for greater control over their lives, for community control of service delivery, for self-determination, for autonomy, and for greater recognition of their unceded sovereignty. (Dillon 2021, p. 7)

The Coalition of Peaks' report on *Engagements with Aboriginal and Torres Strait Islander People to Inform a New National Agreement on Closing the Gap* identified collaboration as a major theme.

... to work better with Aboriginal people, mainstream services and governments need to co-design services with Aboriginal communities and their organisations ('build with us, not for us') and to increase the number of Aboriginal people, including community members, employed by them in designing and delivering those services. (Coalition of Peaks 2020, p. 58)

In the context of the NHHA, co-designed housing strategies for Aboriginal and Torres Strait Islander people provide a means for Aboriginal and Torres Strait Islander people and governments to agree on how to best work towards the objectives, outcomes and targets of the NHHA at the jurisdictional level, including how NHHA commitments should be implemented and the funding allocated for best-use. As such, housing

strategies for Aboriginal and Torres Strait Islander people are a key enabling instrument for Aboriginal and Torres Strait Islander people’s self-determination in housing policy and decision-making.

In Victoria, Queensland, South Australia and New South Wales, stand-alone strategies or action plans for improving housing outcomes for Aboriginal and Torres Strait Islander people have been developed through significant engagement with Aboriginal and Torres Strait Islander organisations and people or through co-design processes. For example, the *Victorian Aboriginal Housing and Homelessness Framework* was developed by the Aboriginal community (led by Aboriginal Housing Victoria) with support of the Victorian Government (AHV 2020). And the *South Australian Aboriginal Housing Strategy 2021–2031* was created in consultation with Aboriginal people and communities and ‘based upon the interest, knowledge, lived experience and solutions generously shared by them’ (Government of South Australia 2021a, p. 9). Engagement included consultation with more than 70 Aboriginal Councils and Corporations, two online engagement platforms, 20 service providers including Community Housing Providers, three co-design workshops (with representatives from Aboriginal communities and leaders, community housing organisations, peak bodies, financial organisations, and the SA Housing Authority), Local and State Government and the Aboriginal Advisory Committee to the South Australian Housing Trust Board (Government of South Australia 2021a, p. 9).

The NHHA does not require strategies for Aboriginal and Torres Strait Islander housing to be co-designed. However, co-design is best-practice, consistent with commitments made by governments under NACTG and should be embedded in the next NHHA. Approaches to co-design can vary but should be driven by the degree to which Aboriginal and Torres Strait Islander people and organisations want to be involved.

Clearly defined objectives, priorities and actions are essential

The key housing strategies in each state and territory for improving outcomes for Aboriginal and Torres Strait Islander people are summarised in table 11.5.

Table 11.5 – State and Territory Government housing strategies for Aboriginal and Torres Strait Islander people

	Key policy
<p>New South Wales^a</p> <p>2018 Strong Family, Strong Communities: A strategic framework for Aboriginal social housing in New South Wales</p> <p>NSW Homelessness Strategy 2018–2023</p>	<p>Housing pillars</p> <ul style="list-style-type: none"> • Deliver housing solutions with Aboriginal people informed by evidence of demand for social and affordable housing. • Achieve better outcomes with Aboriginal tenants by facilitating partnerships across human services agencies, Aboriginal organisations and creating opportunities for economic participation. • Strengthen and grow Aboriginal Community Housing Providers through capacity building, regulation and transfer of housing and asset management. • Enhance data collection, evaluation and analysis functions. <p>Homelessness</p> <ul style="list-style-type: none"> • Build understanding of cultural and spiritual aspects of homelessness and strengthen service responses.
<p>Victoria^a</p> <p>Mana-na worn-tyeen maar-takoort, Every Aboriginal person has a home: the Victorian Aboriginal Housing and Homelessness Framework</p>	<p>Strategic Goals</p> <ul style="list-style-type: none"> • Secure housing improves life outcomes. • Build supply to meet the needs of a growing Aboriginal population. • Open doors to home ownership and private rental. • An Aboriginal focused homelessness system. • A capable system that delivers Aboriginal housing needs.

	Key policy
<p>Queensland</p> <p>The Aboriginal and Torres Strait Islander Housing Action Plan 2019–2023</p>	<p>Shared principles</p> <ul style="list-style-type: none"> • Access to safe, appropriate and sustainable housing. • Local communities will be at the centre of decision-making. • Housing assistance will target those most in need. • Culturally-responsive housing services developed in partnership with communities using the best available evidence. • Maintenance of housing is the shared responsibility of housing providers, families and individuals. • The delivery of housing assistance programs will increase local job, training and business opportunities.
<p>Western Australia^a</p> <p>All Paths Lead to a Home, 10 year Strategy on Homelessness 2020–2030</p> <p>WA Housing Strategy 2020–2030</p>	<p>Focus area on improving Aboriginal wellbeing</p> <ul style="list-style-type: none"> • Strengthen the role of Aboriginal organisations and communities in designing and delivering culturally appropriate responses. • Ensure government policies and practices impacting homelessness reflect an understanding of Aboriginal cultures and values. • Ensure homelessness response services are culturally responsive and flexible to better meet the needs of Aboriginal people. • Increase the availability of appropriate accommodation and service options for Aboriginal people and families. <p>Housing outcome</p> <ul style="list-style-type: none"> • Aboriginal people have secure homes that enable their wellbeing
<p>South Australia^a</p> <p>Aboriginal Housing Strategy 2021–2031</p>	<p>Strategic pillars</p> <ul style="list-style-type: none"> • Housing sector reform: putting Aboriginal voices at the centre. • Service reform: changing the way government does business. • Economic participation: more jobs for Aboriginal peoples and businesses. • Homelessness and crisis services: making more safe places to stay when and where you need them. • Housing Supply: better access to housing. • Home ownership: pathways that are accessible and ethical.
<p>Tasmania</p> <p>Tasmania’s Affordable Housing Strategy 2015–2025</p> <p>Tasmania’s Affordable Housing Action Plan 2019–2023</p>	<p>Strategic housing objectives^a</p> <ul style="list-style-type: none"> • New affordable supply — prevention. • Better Access — targeted early intervention. • Rapid assistance — response and recovery.
<p>Northern Territory</p> <p>A Home for all Territorians, Northern Territory Housing Strategy 2020–2025</p> <p>Pathways out of Homelessness, Northern Territory Homelessness Strategy 2018–23</p> <p>Everyone Together, Aboriginal Affairs Strategy 2019-2029</p>	<p>Strategic housing objectives^b</p> <ul style="list-style-type: none"> • Create a housing and homelessness system that is contemporary, flexible and accessible. • Improve the long-term sustainability of the housing system in the NT. • Provide appropriate housing aligned to the needs and aspirations of households and communities. • Strengthen access for Territorians to a range of housing options, including social and affordable housing, private rental and home ownership. <p>Homelessness priority actions^b</p> <ul style="list-style-type: none"> • Strengthen interagency responses and support to reduce exits into homelessness from out-of-home care, health services and correctional settings.

	<p>Key policy</p> <ul style="list-style-type: none"> • Streamline and strengthen preventative support to people at risk of homelessness. • Improve departmental policy and practice to better respond to homelessness and the risk of homelessness.
<p>ACT</p> <p>ACT Aboriginal and Torres Strait Islander Agreement 2019–2028</p> <p>ACT Housing Strategy</p>	<p>Core area in the Agreement</p> <ul style="list-style-type: none"> • Aboriginal and Torres Strait Islander people have equitable access to affordable, secure and appropriate housing suitable to their needs. <p>Goals^b</p> <ul style="list-style-type: none"> • An equitable diverse and sustainable supply of housing. • Reducing homelessness. • Strengthening social housing assistance. • Increasing affordable rental housing. • Increasing affordable home ownership.

a. 'Aboriginal' refers to both Aboriginal and Torres Strait Islander people. b. These relate to general housing strategies for the jurisdiction, rather than specifically focused on housing for Aboriginal and Torres Strait Islander people.

Source: Aboriginal Housing Office (2018); Aboriginal Housing Victoria (2020); ACT Government (2018, 2019a); DLGHCD (NT) (2019); Government of South Australia (2021a); NSW Government (2018); NT Government (2018, 2019); Queensland Government (2019); Tasmanian Government (2015, 2019); WA Department of Communities (2020, nd)

Reflecting differences in demography, geography and housing issues, priorities established in the strategies vary between jurisdictions. However, some common themes are discernible (figure 11.9).

What is important for strategies is that objectives, priorities and actions are clearly defined and associated planning documents are publicly available. Many of the housing strategies for Aboriginal and Torres Strait Islander people identified in State and Territory planning documents are broad in nature and would benefit from more detail. The more detailed, the easier it is to target actions to meet objectives and to assess whether objectives are being achieved and outcomes are improving.

Figure 11.9 – Key themes in State and Territory Government strategies to improve housing outcomes for Aboriginal and Torres Strait Islander people

	Placing local communities at the centre of decision-making about local housing services
	Facilitating partnerships between human services agencies and Aboriginal and Torres Strait Islander organisations
	Strengthening and growing Aboriginal and Torres Strait Islander Community Controlled Housing Organisations
	Improving access to a range of housing options, including social and affordable housing, private rental and home ownership
	Providing homelessness services that are culturally responsive and flexible to better meet the needs of Aboriginal and Torres Strait Islander people

Interconnections and complementary objectives should be acknowledged

Section 11.1 discussed the interconnectedness between housing and broader policy objectives. Housing strategies, policy and programs should consider where improving housing outcomes can have broader benefits in other policy domains such as health and wellbeing, employment, education, and economic and social participation.

The *Victorian Aboriginal and Homelessness Framework* is a comprehensive framework that acknowledges the importance of housing in achieving broader policy outcomes.

Secure housing is fundamental to human safety, economic participation, psychological resilience and physical health. No matter what the human policy question, high quality housing provides a core element of the answer ... Safe, quality housing is seminal to human wellbeing. Broader policy aspirations of Aboriginal people will only be met when housing policy becomes pivotal to the Victorian Aboriginal Affairs Framework. (AHV 2020, p. 23)

The framework focuses on a Housing First approach, acknowledges the challenge of the 'symbiotic' relationship between mental health and homelessness and discusses the importance of tenancy programs to not only support sustained tenancy, but to improve: physical and mental health; engagement/re-engagement with family and community; education and training; and economic participation and employment (AHV 2020, pp. 30, 32, 75). In particular, many participants to this review spoke of the interconnection between housing and disability outcomes for Aboriginal and Torres Strait Islander people. NACCHO commented:

Aboriginal and Torres Strait Islander people are over twice as likely to experience a disability than other Australians (9% with a severe condition compared to 4% for non-Indigenous). Currently, 7.1% of NDIS participants are Aboriginal and Torres Strait Islander people (35,773 active participants as at 31 December 2021) which is considerably less than the percentage believed to have a significant disability. Existing housing and community infrastructure overall is not accessible and provides barriers for Aboriginal and Torres Strait Islander people with a disability to living in community. Research highlights the need for specialist housing facilities for Aboriginal and Torres Strait Islander people with disability. These must be designed and built in consultation with the local community and stakeholders; and the NDIA [National Disability Insurance Agency] must understand and account for the housing challenges facing Aboriginal and Torres Strait Islander people with disability. (sub. 56, p. 6)

And the Darwin Community Legal Service and North Australian Aboriginal Family Legal Service said:

The undersupply of social and public housing in the NT means that people with disability are often living in inappropriate housing if they are housed at all. Again, this undersupply has a disproportionate impact on Aboriginal and Torres Strait Islander people who experience higher rates of disability and more complex disability while having greater difficulty in accessing appropriate housing and support services. (sub. 89, p. 7)

State and Territory Government strategies under the NHHA for improving housing outcomes should contribute to broader outcomes and be interlinked with other agreements and obligations such as those in the areas of health, social and economic participation for example, under the NACTG, and the National Disability Strategy.

Implementation plans and timelines provide clarity and transparency

Implementation plans outline the steps that are required to execute strategic initiatives. They provide clarity about what needs to be done, by whom and when. Timelines are important for long-term housing strategies, allowing governments and stakeholders to assess whether strategies and implementation actions are

on-track. For example, one of the strengths of the *South Australian Aboriginal Housing Strategy 2021–31* (Government of South Australia 2021a) is that it includes an implementation plan and detailed timeline.

For clear communication and transparency, implementation plans and timelines should be included in all State and Territory strategies for improving housing outcomes for Aboriginal and Torres Strait Islander people.

Monitoring, evaluation and reporting is key

Evidence is central when designing strategies, initiatives and programs to improve the lives of Aboriginal and Torres Strait Islander people. Monitoring outcomes and targets, evaluation (particularly when targets are not being met) and public reporting is important for improving outcomes, transparency, accountability and building public trust and credibility about the way funding is allocated to achieve outcomes.

Collecting monitoring data, and reporting this data, is essential — not only to assess whether targets are being met and/or outcomes and outputs are being achieved — but also to engender ‘buy-in’ from Aboriginal and Torres Strait Islander people and communities. It can also help to develop trust between Aboriginal and Torres Strait Islander people and governments by demonstrating that funding allocated to improve outcomes for Aboriginal and Torres Strait Islander people is being used in ways that achieves this.

Some State and Territory frameworks already incorporate elements of public reporting — for example the *2018 Strong Family, Strong Communities: A strategic framework for Aboriginal social housing in NSW* has an ongoing quarterly reporting process. Snapshots highlighting achievements against the framework’s four pillars (housing solutions, client outcomes, growing the sector, data and evidence) are published on the Aboriginal Housing Office website (AHO 2022a). The Victorian Aboriginal Housing and Homelessness Framework also has an annual report card to track progress (AHV 2021).

Robust, fit-for-purpose public reporting should be the norm. However, reporting by itself is not sufficient. Evaluation is also required to understand what is and is not working and why. NATSIHA commented:

The extent to which state and territory programs to support better Indigenous housing outcomes have been successful is not clear as NATSIHA is not aware of any specific audits or evaluations completed in recent times. (sub. 55, p. 10)

A fundamental requirement for effective evaluation of Aboriginal and Torres Strait Islander policies, programs and initiatives is that evaluation is centred around culturally informed monitoring and evaluation frameworks and incorporates the perspectives, priorities, knowledges and lived experiences of Aboriginal and Torres Strait Islander people. The Commission’s *Indigenous Evaluation Strategy* (PC 2020c, pp. 8–11) provides a whole-of-government framework for Australian Government agencies to use when selecting, planning, conducting and using evaluations of policies and programs affecting Aboriginal and Torres Strait Islander people. The Strategy recognises the importance of putting Aboriginal and Torres Strait Islander people at the centre of policy development and the need to draw on the perspectives, priorities and knowledges of Aboriginal and Torres Strait Islander people if outcomes are to be improved. This principle should be embedded in future housing strategies.

Evaluation is particularly important when objectives, outcomes and targets are not being achieved and is essential for learning and adaptive management. Housing strategies, initiatives and management actions require feedback loops to ensure that the knowledge gained through experience continuously improves policy principles, frameworks, practices and decision-making. An ongoing commitment to adaptive housing strategies and management, through monitoring, evaluation and reporting, centred on the voices of Aboriginal and Torres Strait Islander people is key to improving housing outcomes for Aboriginal and Torres Strait Islander people.



Recommendation 11.2

Effective housing and homelessness strategies for Aboriginal and Torres Strait Islander housing

States and Territory Governments should have housing and homelessness strategies in place for improving Aboriginal and Torres Strait Islander outcomes that:

- are developed using co-design processes
- clearly specify objectives and priorities
- include an implementation plan with clear timelines and the responsible agencies identified
- link to other strategies, agreements and outcomes such as in the areas of health, and social and economic participation
- include a monitoring and evaluation strategy measuring and publicly reporting on progress on housing outcomes from the perspectives of Aboriginal and Torres Strait Islander people
- are based on continuous improvement processes.

Clearly defined roles and responsibilities for remote Aboriginal and Torres Strait Islander housing

State and Territory Governments are responsible for funding remote housing in Aboriginal and Torres Strait Islander communities. However, the Australian Government has provided funding contributions for remote housing, most recently through the NPRHNT (table 11.3).

Over 15 years to 2022-23, the Australian Government has provided \$2.7 billion towards remote housing in the Northern Territory (ANAO 2022, p. 6). Remote housing in the Northern Territory, under the NPRHNT is expected to be reviewed in 2022.¹¹ Before the 2022 Federal election, the Australian Labor Party signalled its intention to negotiate a new remote housing agreement with the Northern Territory Government when the agreement expires (in 2023) as well as allocating \$100 million to start work immediately on housing and essential infrastructure upgrades in Northern Territory homelands (ALP 2022d).

Overcrowding and health concerns connected with poor housing outcomes also remain a significant concern in remote areas outside of the Northern Territory (figure 11.4 in section 11.1). Specific funding from the Australian Government for Aboriginal and Torres Strait Islander remote housing (NPRH) outside of the Northern Territory has expired (section 11.2). This has led to questions about the responsibility of the Australian Government and the role of the NHHA in remote housing (box 11.10).

Since the mid-2018 expiry of the Remote Housing Program, there have been ongoing and at times fractious negotiations between the Commonwealth and the remaining participant jurisdictions about any replacement program and the contribution of the Commonwealth in particular. (Pawson, Milligan and Yates 2020, p. 239)

¹¹ Clause 44 of the *National Partnership for Remote Housing Northern Territory* states that an independent review of the Agreement should be published 12 months prior to its expiry. Under clause 12, the agreement will expire on 30 June 2023, or on completion of the project, including final performance reporting and processing of final payments against performance benchmarks or project milestones.

Box 11.10 – Selected participants comments on funding for remote housing**National Aboriginal and Torres Strait Islander Housing Association (NATSIHA)**

While responsibilities with housing do overlap in Australia, with respect to Indigenous housing, the Commonwealth has taken policy and funding leadership since the Referendum. To have denied responsibility following its decision not to renew the National Partnership on Remote Indigenous Housing was inappropriate and unfair. NATSIHA considers that Indigenous housing should be a national responsibility led by the Commonwealth and to that extent a new National Housing and Homelessness Agreement should clarify roles and responsibilities between the Commonwealth and States to resolve the confusion. (sub. 55, p. 12)

NSW Government

Since the end of the NPARIH in 2018, there has been no specific funding to address the supply and maintenance issues of Aboriginal housing in remote communities despite representations from many state and territory governments, including NSW. This lack of any Commonwealth support in NSW (and many other states) for NPARIH style funding is leading to growing challenges for Aboriginal housing support in rural and regional areas. (sub. 69, p. 39)

Queensland Government

Renewed, ongoing funding to Queensland for remote housing outcomes is needed to support achievement of the Closing the Gap housing target. Through NPARIH and NPRH, Queensland received \$1.126 billion in Commonwealth funding, and invested \$618 million in state-own funding to support remote housing ... The Queensland Government seeks ongoing Australian Government funding for Aboriginal and Torres Strait Islander housing. (sub. 27, p. 11)

SA Housing Authority

SA's commitment to service provision in remote communities requires continuity of funding to ensure that living standards, access and suitability of housing stock can be maintained and improved. A lack of clarity around ongoing funding for Remote Indigenous Housing is concerning to the Authority, which manages a high volume of remote housing across a wide span of communities. With limited infrastructure and a vast geographical catchment, providing housing services in the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands and other remote communities comes with significant overheads and supply shortages. (sub. 58, p. 29)

Shelter WA

Remote communities and their residents are subjected to the most extreme housing disadvantage in the nation, and this is exacerbated by climate change. Ongoing costs of remote housing are significant and require long-term sustainable funding commitments from the Commonwealth. The National Partnership Agreement on Remote Indigenous Housing provided \$1.164 billion to WA over ten years. Loss of this funding has significant implications, and we believe the 2023 NHHA should include a dedicated funding stream to address this gap. (sub. 98, p. 16)

The *Remote Housing Review of the National Partnership Agreement on Remote Indigenous Housing* cautioned that, while significant progress in reducing overcrowding has been made, there continues to be a range of ongoing issues. The Review estimated that, after accounting for population growth, an additional 5500 homes will

be required by 2028 to reduce levels of overcrowding in remote areas to more acceptable levels.¹² This includes 2700 dwellings in the Northern Territory, 1300 in Western Australia, 1100 in Queensland, and 300 in South Australia (PM&C 2017, pp. 2, 24). Noting that high structural costs are a feature of remote housing, the review reported that, based on budget projections by Nous Group, urban social housing expenditure on ongoing management of properties can be largely offset by rental revenues. In contrast, on average only 16 per cent of the recurrent costs of maintaining remote housing stock are covered by rental income (PM&C 2017, p. 70). The review recommended that future programs should protect recent investment, address continued need and develop better structures for design, implementation and oversight (PM&C 2017, p. 4).

Similarly, Michael Dillon commented that:

... overcrowding is not a static objective, but is a dynamic process that requires both regular repairs and maintenance to be undertaken, and from time to time major upgrades and renovations. Housing asset lifespans in remote Australia are much shorter than in the mainstream housing system, and regular repairs and maintenance will extend assets lifespans considerably. This requires specific funding to be allocated and locked in. (sub. 4, p. 10)

Before the 2022 Federal election, the Australian Labor Party signalled its intention to allocate \$200 million from the Housing Australia Future Fund for repair, maintenance and improvement of remote housing in Western Australia, South Australia, Queensland and the Northern Territory (ALP 2022d). However, a statement was not made on the proportion of funding from the Housing Australia Future Fund that would be allocated to new housing and infrastructure builds in remote areas.

To improve housing outcomes for Aboriginal and Torres Strait Islander people, remote housing requires clear and ongoing funding. Given the commitments made by all governments under NACTG to address the disadvantage faced by Aboriginal and Torres Strait Islander people, the roles and responsibilities of each level of government in contributing to improved remote housing outcomes for Aboriginal and Torres Strait Islander people need to be clarified. This includes consideration of funding contributions, the need for a better understanding of housing stock and unmet need in remote areas (discussed later), consideration of how governments can work together to set and meet new housing supply targets and consideration of how to build the capacity of Aboriginal and Torres Strait Islander community-controlled organisations to deliver housing outcomes in remote areas (also discussed later).

Bilateral agreements under the NHHA are an opportunity for governments to establish a division of roles and responsibilities for remote housing. Funding for remote housing should be allocated according to need. To better understand need the Commission recommends that State and Territory Governments identify the unmet housing needs of Aboriginal and Torres Strait Islander people and undertake stocktakes of social housing for Aboriginal and Torres Strait Islander people. This is discussed later (recommendation 11.5).



Recommendation 11.3

Roles and responsibilities for Aboriginal and Torres Strait Islander remote housing

Bilateral agreements under the next National Housing and Homelessness Agreement should clarify the roles and responsibilities of each level of government for improving remote housing for Aboriginal and Torres Strait Islander people.

¹² This includes 3000 dwellings to address needs to 2018 and 2500 dwelling required by 2028 to meet population growth. Estimates were based on 2011 ABS Census data and housing need is calculated based on households requiring three bedrooms or more and people estimated as homeless (PM&C 2017, p. 24).

Commitment to self-determination and increasing the proportion of services delivered by Aboriginal and Torres Strait Islander organisations

Investing in the capacity of ACCOs (Aboriginal Community-Controlled Organisations) to deliver housing and homelessness services provides Aboriginal and Torres Strait Islander people with the opportunity for greater participation and control over community housing policy and implementation.

Recognising the importance of self-determination, a key principle under NACTG is that, when Aboriginal and Torres Strait Islander people have a genuine opportunity to engage in and/or lead the design and delivery of services that affect them, better life outcomes are achieved. As the Australian Human Rights Commission put it:

... when housing services are informed and controlled by our own communities, services are more effective. ICHOs [Indigenous Community Housing Organisations] can be far more responsive to community needs, adapting mainstream commercial approaches to focus on community capacity, ensuring that housing is constructed where people need it, and removing cultural and language barriers. (2020, p. 297)

Place-based approaches and program innovation can enable self-determination

Place-based approaches can be a key tool to enable self-determination as governments support the transfer of power and resources to Aboriginal and Torres Strait Islander communities and organisations to pursue their economic, social and cultural priorities. Innovative, place-based approaches can support communities and organisations to identify and work towards priorities and outcomes that reflect community aspirations (Victorian Government 2021a, p. 33). For example:

Local Housing Plans enable communities to prioritise and progress housing and homelessness responses at the local level. In remote and discrete communities, local housing plans are co-designed to deliver structural, service and economic reforms. In urban and regional areas, the local housing plans map available services and pathways for responding to community aspirations and needs. (Queensland Government, pers. comm., 1 June 2022).

Top-down or centrally-led approaches can miss opportunities to develop effective or innovative solutions to improving outcomes. Place-based approaches target the specific circumstances of a place and engage local people as active participants in development and implementation. Focusing on place can help ensure evidence-based policy decisions are implemented effectively across different local circumstances.

The benefits of placed-based approaches include that they:

- allow for holistic and systematic approaches, for example by linking housing with health, education, employment and social participation outcomes at the local level
- support community engagement
- focus on individual community strengths
- build community connectedness and resilience
- identify where capacity strengthening is required
- provide targeted responses (Victorian Government 2021a).

State and Territory Governments are increasingly looking to innovative placed based initiatives to improve outcomes for Aboriginal and Torres Strait Islander people (box 11.11). In practice, placed-based initiatives use different models, methodologies and strategies depending on the local context and the outcome being targeted. Irrespective of the outcome or model identified, however, place-based approaches should commit to inclusive engagement and include self-determination as a guiding principle.

Box 11.11 – Some examples of innovative and place-based programs

In Western Australia:

- The \$200 million North West Aboriginal Housing Fund invests in the innovative use of housing and person centred supports to build opportunity, prosperity, and wellbeing for Aboriginal people in the Kimberley and Pilbara. The Fund expects to support 300 families, increase school attendance (for at least 600 children), increase participation in jobs and training (for over 300 adults), provide apprenticeships (for 30 young people), create the opportunity for home ownership (for at least 15 families), and provide services and construction contracts for Aboriginal organisations (\$25 million).
- Noongar Mia Mia launched Housing First Principles to help housing providers and support services to create culturally safe environments and housing and support services tailored for Aboriginal people in Perth's metropolitan areas and Esperance region that are experiencing homelessness.
- Boorloo Bidee Mia is the first low barrier homelessness service to offer culturally supportive medium term accommodation for people with complex needs, many who have experienced long-term homelessness. The Boorloo Bidee Mia referral process differs from a walk in or drop in shelter model, as it seeks to provide longer term accommodation together with individualised, wraparound supports that promote a healing environment to aid transition into permanent, stable living arrangements. Wungening Aboriginal Corporation and Noongar Mia Mia have been jointly engaged to implement service delivery of the culturally informed responses, tenancy management and lodging support to residents of Boorloo Bidee Mia (WA Government, pers. comm., 9 May 2022).

In New South Wales, Gunida Gunyah was funded through an open expression of interest process for the Leading Community Demonstrate Site pilot project, where organisations identify a housing need that addresses a social issue. Gunida Gunyah's project, a transitional housing program, is co-designed to meet the needs of Aboriginal people who are in crisis or at the risk of homelessness. It aims to provide an effective, culturally responsive program to Aboriginal people and families who need support to resolve their housing needs as they overcome social and economic challenges. Each client has a designated caseworker who provides holistic and intensive support. The program has been developed around the principles of self-determination and empowerment (NSW Government, pers. comm., 20 April 2022).

In Queensland, the Elders in Residence program links Aboriginal and Torres Strait Islander people using housing and homelessness services with community Elders. The program was developed in accordance with priorities identified by Aboriginal and Torres Strait Islander communities in Logan and the Gold Coast to improve service delivery within their communities. This included the need to create a better connected housing sector, characterised by a more culturally capable workforce with a specific focus on how to effectively interact with the Aboriginal and Torres Strait Islander community to achieve improved housing outcomes (Queensland Government, pers. comm., 1 June 2022).

In South Australia the SA Housing Authority has established the Wali Wiru (Good Homes) program to proactively work with APY and other remote community residents to succeed with their tenancies in metropolitan Adelaide. The program takes on a proactive approach to self-identify prospective and existing tenancies in need of support and engage with tenants as necessary using a long-term, holistic approach (SA Housing Authority, pers. comm., 7 July 2022).

Strengthening the Aboriginal and Torres Strait Islander housing sector

While progress has been made, more work is needed to strengthen and grow the Aboriginal and Torres Strait Islander housing sector. NATSIHA said:

There has been some progress to rebuild a community-controlled sector and its involvement in programs in the past three years. However, it has not reached the standards anywhere that have been agreed to by Australian Governments under the National Agreement on Closing the Gap which commits all parties, under Priority Reform One, to “building and strengthening structures that empower Aboriginal and Torres Strait Islander people to share decision making authority with governments to accelerate policy and placed based progress against Closing the Gap”. (NATSIHA, sub. 55, p. 9).

A participant at the Commission’s roundtable also said that ‘Aboriginal and Torres Strait Islander people should be running housing programs and governments need to put more faith in the sector’ (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022).

Participants to this review reported a range of barriers to the further development of the Aboriginal and Torres Strait Islander housing sector including:

- underfunding in the Aboriginal and Torres Strait Islander housing sector
- that ATSIICCHOs can have difficulty attracting and retaining staff, particularly in remote areas
- slow transfers of government housing stock or management to ATSIICCHOs
- that community housing registration processes are difficult to navigate
- that ATSIICCHOs have been unable to access National Housing Finance and Investment Corporation (NHFIC) funding because of an absence of economies of scale. For example, ATSIICCHOs generally do not have a significant asset base to underwrite funding and, some communities have lower rent collections and face higher costs. Recent conversations between the Aboriginal and Torres Strait Islander housing sector and NHFIC have been encouraging for the sector.
- data sharing issues. For example, in some jurisdictions access to the housing data portal differs between mainstream providers and Aboriginal and Torres Strait Islander providers (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022).

A key concern regarding the Aboriginal and Torres Strait Islander’s housing sector’s development is that although a large number of ACCOs provide services for people who are homeless or at risk of homelessness very few receive homelessness services funding. Many ACCOs have not applied for homelessness services funding, despite providing these services, because they do not see themselves as a dedicated homelessness service provider (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022).

Participants called for increased commitment to strengthening the capacity of the Aboriginal and Torres Strait Islander housing sector under the NHHA (box 11.12). Under the NACTG, governments have committed to implementing ‘measures to increase the proportion of services delivered by Aboriginal and Torres Strait Islander organisations, particularly community-controlled organisations (Coalition of Peaks and all Australian Governments 2020, p. 10).

For housing policy, this commitment requires more than a transfer of the ownership and/or administration of government housing to ATSIICCHOs. ATSIICCHOs will need to be well supported and funded to ensure that they have the capacity to manage and grow housing stock and services. In very remote communities, local government and community groups may need to provide significant support. The *Review of the National Partnership Agreement on Remote Indigenous Housing and the Remote Housing Strategy (2008–2018)* reported that, given the lack of ATSIICCHOs across remote communities in Queensland, Western Australia, South Australia and the Northern Territory, the transfer of housing assets and management responsibility to Aboriginal

and Torres Strait Islander organisations in these jurisdictions should be 'deliberate and accompanied by capacity development' (PM&C 2017, p. 54).

Box 11.12 – Selected participants comments: Strengthening the capacity of Aboriginal and Torres Strait Islander organisations to deliver homelessness services

SEARMS Aboriginal Corporation

Homeless Services for Indigenous people, run by Indigenous people, differ radically from mainstream services ... Over the last decade the Aboriginal Housing Office — a NSW Government agency, run by an Aboriginal board — has invested in and supported building capacity of Aboriginal Community Housing Providers. The leader organisations in this sector such as SEARMS are now regulated under the same strict rules as non-Indigenous CHPs. We suggest the same approach is needed for SHS providers. While funding is important (and more needed), Governments need to invest in building the strength of the Indigenous organisations that are best placed to deliver these services, as well as look to reform and modernise regulatory structures. (sub. 44, p. 18)

Shelter WA

Of particular concern, the proportion of all clients of homelessness services with met need in WA who are Aboriginal and/or Torres Strait Islander has been growing, rising ten percentage points between 2016-17 and 2020-21. It is essential the 2023 NHHA commit funding to addressing barriers faced by First Nations Peoples in accessing safe, secure and appropriate sustain able housing. The 2023 NHHA must drive investment in Aboriginal Community Controlled Organisations, including homelessness service providers and Aboriginal Community Housing Organisations. (sub. 98, p. 16)

Yfoundations

... there are currently no Aboriginal-controlled youth SHS in NSW that provide accommodation. We must remedy this by considering cultural customs such as accommodating extended family and kinship care relations. Young Aboriginal and Torres Strait Islander people also need to be at the centre of service design and development and should be supported to lead the development of solutions alongside their communities, recognising and respecting the cultural differences that young people will bring to this work. Through co-creation, the service will respond directly to the needs of the community leading to better, more sustainable outcomes. ... This includes establishing programs that are driven by demand, flexible in scope, and provide intensive person-centred mentoring and employment support, while also being culturally appropriate for Aboriginal and Torres Strait Islander young people. (sub. 94, pp. 22–3)

Darwin Community Legal Service and North Australian Aboriginal Family Legal Service

The NHHA needs to ... emphasise the importance of Aboriginal community-controlled housing sector and support further capacity building and funding to ensure that the housing and homelessness sector is more culturally appropriate, responsive, and accountable to the communities they work with and for. (sub. 89, p. 16)

The review suggested that ATSI CCHOs that are 'well supported and resourced' should be a part of a suite of delivery options for remote housing but cautioned that:

Transferring housing to ICHOs is not a solution to funding deficits. Care needs to be taken not to revert to large numbers of small, unsustainable ICHOs with inadequate funding to maintain houses. (PM&C 2017, p. 55)

A national sector strengthening plan for housing¹³ has been developed under the NACTG to 'enable a national, joined-up approach' with a focus on increasing the number of National Regulatory System Community Housing registered and compliant ATSI CCHOs housing providers (DSS, sub. 83, p. 16).

With commitment from governments, and governments working in partnership with ACCOs, the sector strengthening plan for housing should drive improved housing outcomes for Aboriginal and Torres Strait Islander people.

Governments need to support the Closing the Gap Housing Sector Strengthening Plan which is about building capacity in governance and management in the Aboriginal and Torres Strait Islander Housing Community-Controlled Organisations and to achieve sustainability. (SEARMS Aboriginal Corporation, sub. 44, p. 18)

The NHHA, through the proposed schedule on Aboriginal and Torres Strait Islander housing (recommendation 11.1), should be aligned with the NACTG sector strengthening plan for housing.

That said, participants to this review noted that, although increasing service provision by ATSI CCHOs is a priority, access to mainstream services will continue to be important for many Aboriginal and Torres Strait Islander people who choose to access mainstream services or in locations where ATSI CCHOs are not established (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022).

It is important that the next NHHA reflects the need for mainstream services to provide culturally competent service delivery. Priority Reform Three under NACTG (transforming government organisations) focuses on eliminating racism and increasing cultural safety in the provision of mainstream government services.

NATSIHA said that it:

... is certain that there continues to be obstacles for Aboriginal and Torres Strait Islander people accessing mainstream housing programs and homelessness services and that they include racism and lack of cultural sensitivity and safety. This has been acknowledged by Governments and service providers and was a key reason for Priority Reform Three being inserted into the National Agreement on Closing the Gap. Priority Reform Three, which applies to all mainstream services, commits to systemic and structural transformation of mainstream government organisations to improve accountability and to respond to the needs of Aboriginal and Torres Strait Islander people. (sub. 55, p. 11)

A recent AHURI report on Aboriginal and Torres Strait Islander urban homelessness reflected the importance of culturally appropriate services to reduce the rates of homelessness for Aboriginal and Torres Strait Islander people.

- Cultural safety and cultural awareness training are imperative to good practice in the homelessness sector.

¹³ The sector strengthening plan for housing was endorsed on 26 August 2022 by the Joint Council on Closing the Gap (2022).

- A specifically Indigenous approach to service provision — including the affirmative approach to Indigenous employment — means the experience of clients accessing the service can be distinct from mainstream services, overcoming barriers of distrust and establishing reputational credibility.
- Instead of a one-size-fits-all model, services need to adapt to local requirements. Strategies and practices need to be adjusted to fit local client socio-demographics, such as ethnic or language group mix and local service profiles.
- Partnering with Indigenous community-controlled organisations is key to ensuring good practice for clients.
- Developing and maintaining strong networks with local and peak Indigenous health, welfare, legal and financial services is critical to providing effective services. (Tedmanson et al. 2022, p. 3)

The recommendation for a schedule in the next NHHA on Aboriginal and Torres Strait Islander housing (recommendation 11.1) proposed that the schedule be framed around the NACTG four Priority Reforms, including transforming government organisations. This reform area should include a focus on eliminating racism and increasing the cultural safety of mainstream housing programs for Aboriginal and Torres Strait Islander people.

Allocating funding to Aboriginal and Torres Strait Islander organisations

A key commitment under NACTG is that new government funding initiatives should allocate a ‘meaningful proportion’ of funding to Aboriginal and Torres Strait Islander organisations.

Where new funding initiatives are decided by governments which are intended to service the broader population across socio-economic outcome areas of the Agreement, that a meaningful proportion is allocated to Aboriginal and Torres Strait Islander organisations with relevant expertise, particularly community-controlled organisations. A meaningful proportion is an amount which takes into account the number and capacity of Aboriginal and Torres Strait Islander organisations, particularly the existing community-controlled sectors and the service demands of Aboriginal and Torres Strait Islander people, including through the views of Aboriginal and Torres Strait Islander community-controlled peaks organisations in the relevant jurisdiction. (Coalition of Peaks and all Australian Governments 2020, p. 10).

The Aboriginal Housing and Homelessness Forum suggested:

The new NHHA should hypothecate a share of all mainstream social and affordable housing for Aboriginal projects equal to the proportion of Aboriginal homeless clients. In Victoria the rate is at 10% which is equal to the national rate of Aboriginal homelessness. (sub. 86, p. 8)

Ten per cent of Victoria’s Big Housing Build program is allocated to support Aboriginal housing needs (Victorian Government 2020b, p. 2). In Western Australia, the Aboriginal Procurement Policy, introduced in July 2018, requires the WA Government to award a minimum of three per cent of contracts to registered Aboriginal businesses. This directs funding to ACCOs to deliver goods, services, community services and work, and associated capacity building grants to support the implementation of Priority Reform Two under NACTG (WA Government pers. comm., 9 May 2022).

For accountability under the NACTG, State and Territory Governments in collaboration with Aboriginal and Torres Strait Islander housing representatives, should specify (in bilateral agreements) the proportion of NHHA funding that will be allocated to Aboriginal and Torres Strait Islander organisations (particularly community-controlled organisations) to improve housing outcomes for Aboriginal and Torres Strait Islander people. The proportion should be based on need, and take into account the number and capacity of

Aboriginal and Torres Strait Islander organisations and the cost of providing housing or services to Aboriginal and Torres Strait Islander people.



Recommendation 11.4

Strengthening the Aboriginal and Torres Strait Islander community-controlled housing sector

The next National Housing and Homelessness Agreement (NHHA) should be aligned with the *National Agreement on Closing the Gap 2020* sector strengthening plan for the housing sector.

State and Territory Governments, under bilateral agreements, should specify the proportion of funding in the next NHHA that will be allocated to Aboriginal and Torres Strait Islander organisations (particularly community-controlled organisations) to improve housing outcomes for Aboriginal and Torres Strait Islander people.

Identifying unmet housing need among Aboriginal and Torres Strait Islander people

Data is essential for understanding social housing stock and unmet housing need in Aboriginal and Torres Strait Islander communities, for making well informed policy decisions and monitoring and evaluating performance. Communities are reporting that homelessness and overcrowding are substantial issues that are not adequately captured in national data and targets. 'There is a need to improve data, not just from the community organisation and government perspective but also the grassroots level in order to better advocate for what is needed across communities. This will increase understanding of why and where funding is needed' (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022).

The Commonwealth Grants Commission reported a number of issues when requesting data from State and Territory Governments for public housing, SOMIH, community housing and Indigenous community housing.

Most states could not provide sufficient data for mainstream and Indigenous community housing for inclusion in an analysis of remoteness cost weights and Indigenous cost weights. A number of states were also unable to disaggregate public housing and SOMIH recurrent expense data by region and/or indigeneity and a range of data points appeared unreliable, as either unrealistically high or low. Due to these issues, we ultimately confined the analysis to New South Wales and Queensland. The analysis indicated that remote households are generally more costly for both Aboriginal and Torres Strait Islander households and non-Indigenous households. However, given this analysis could only be undertaken for two states, that there was considerable variability in the results for these states, and there were broader concerns around missing data and data quality, the results were not suitable for use in our assessment of housing needs. (sub. 43, p. 1)

NATSIHA commented that data for the Aboriginal and Torres Strait Islander housing sector has not been as comprehensive since the discontinuation of the ABS survey on Community Housing and Infrastructure Needs (CHINS) (NATSIHA 2022, p. 5). CHINS collected housing related information on Aboriginal and Torres Strait Islander communities throughout Australia and was last conducted in 2006. Its aim was to provide information to assist government agencies in policy decisions, program development, and targeting of funding to Aboriginal and Torres Strait Islander communities most in need. Information collected included housing stock, management practices and financial arrangements of Aboriginal and Torres Strait Islander organisations that provided housing to Aboriginal and Torres Strait Islander people, housing related

infrastructure services (such as electricity and sewerage services) and other services (such as transport, communication, education, health and sport services) (ABS 2007a).

Several participants to this review suggested the need for an assessment of data needs that included not only current social housing stock, but also the quality of stock and the need for maintenance. NACCHO recommended that:

... the next NHHA incorporate an independent review and a dedicated data-collection program that identifies the number of current and future houses required for Aboriginal and Torres Strait Islander people nationally as well as current national maintenance needs. The data should be disaggregated. (sub. 56, p. 10)

Michael Dillon said:

One of the reasons for poor policy outcomes in relation to remote Indigenous housing is that governments are reluctant to be transparent about the quantum of the existing and projected shortfalls, and the direct and indirect costs of addressing those shortfalls in a timely way. An independent review would at least provide a baseline for rational policy analysis to emerge. (sub. 4, p. 11)

To improve housing outcomes for Aboriginal and Torres Strait Islander people there is a need to better understand current social housing stock (including quality) and unmet housing need for Aboriginal and Torres Strait Islander people. Community buy-in to data decision making and collection is essential to reduce the risk of under-reporting. Therefore, it is important that Aboriginal and Torres Strait Islander communities and Peak organisations have a role in data improvement and ACCOs are involved in data collection at the local level.



Recommendation 11.5

Identify housing need for Aboriginal and Torres Strait Islander people

State and Territory Governments should identify the unmet housing needs of Aboriginal and Torres Strait Islander people and undertake stocktakes of the supply and quality of social housing for Aboriginal and Torres Strait Islander people. Decisions on data selection and collection should be led by the proposed National Committee on Aboriginal and Torres Strait Islander Housing (recommendation 11.1).

Indicators and targets to measure outcomes and progress

Well-developed indicators and targets are important for monitoring progress, driving improvements in outcomes and understanding whether strategies and programs aimed at improving housing outcomes for Aboriginal and Torres Strait Islander people are effective. But, as discussed in section 11.2, an increase in the proportion of Aboriginal and Torres Strait Islander people purchasing or owning their own home is the only indicator in the NHHA that measures whether the objective of improving housing outcomes for Aboriginal and Torres Strait Islander people is being achieved.

The next NHHA should disaggregate the Closing the Gap housing target by remoteness

Although a national performance indicator related to household overcrowding was included in the National Affordable Housing Agreement (the NHHA's predecessor) it is not included in the current NHHA. Household overcrowding is a persistent problem for Aboriginal and Torres Strait Islander people, particularly in remote areas, and requires ongoing performance monitoring and evaluation.

The NHHA was agreed before the NACTG. NACTG includes the target that, by 2031, the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing is increased to 88 per cent from the 2016 baseline of 79 per cent. This target — which has been jointly developed and agreed to by the Australian governments and Aboriginal and Torres Strait Islander people (through the Coalition of Peaks) — should be included in the next NHHA.

Targets also need to be included in the National Agreement on Housing and Homelessness including the target in the National Agreement on Closing the Gap that commits all parties to increasing the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 88 per cent noting that the Coalition of Peaks sought a more ambitious target in negotiations, which was not endorsed by Australian Governments. (NATSIHA, sub. 55, p. 10)

However, participants to the review commented that the target was irrelevant for jurisdictions such as Victoria, Tasmania and the ACT where the target had already been met (box 11.5 in section 11.1) (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022). As an aggregate target, the national housing target does not take into account differences in housing outcomes between people living in remote and non-remote areas. Figure 11.4 (in section 11.1) highlights the significant gap in overcrowding outcomes between people living in remote and non-remote areas. As the majority of Aboriginal and Torres Strait Islander people live in urban areas the national NACTG housing target is skewed towards the outcomes of people living in non-remote areas. Michael Dillon estimated that demographic population shifts (towards urban areas) will see the NACTG housing target met while significant overcrowding persists in remote Australia.

... achieving 88 percent of the Indigenous population adequately housed will leave some 125,000 Indigenous citizens inadequately housed, including perhaps some 75,000 remote citizens. It will thus contribute to ongoing disadvantage and poverty for a quarter of a million people, and inevitably contribute to inter-generational poverty for their descendants. (Michael Dillon, sub. 4, p. 5)

The NACTG dashboard (PC 2022a) states that future reporting under the NACTG housing target will include data on Aboriginal and Torres Strait Islander people living in appropriately sized dwellings by remoteness areas and other small geographic areas (where available). This data will be reported when ABS Census data for 2021 is available. Including this remoteness indicator is important. However, to drive improvements in housing outcomes for people living in remote areas consideration should be given to including in the NHHA specific, achievable targets (for each relevant jurisdiction) that target overcrowding in remote areas.

Other performance indicators to measure outcomes for Aboriginal and Torres Strait Islander people that could be included in the NHHA

The indicator in the NHHA (on home ownership outcomes for Aboriginal and Torres Strait Islander people) focuses on outcomes in only one segment of the housing spectrum. It is not sufficient on its own to determine the extent that housing outcomes are improving for Aboriginal and Torres Strait Islander people. Areas where indicators and targets should be considered in the next NHHA include:

- homelessness outcomes for Aboriginal and Torres Strait Islander people
- the proportion of housing and homelessness services delivered (to Aboriginal and Torres Strait Islander households) by Aboriginal and Torres Strait Islander organisations. This is important to measure how governments are progressing on the commitment under NACTG to increase the proportion of services delivered by Aboriginal and Torres Strait Islander organisations, particularly community-controlled organisations
- transitions from social housing into private housing markets for Aboriginal and Torres Strait Islander people. As many Aboriginal and Torres Strait Islander people live in social housing, the number of positive transitions out of social housing is a key indicator of whether progress is being made. A short-term

indicator targeting social housing exits was included in the bilateral agreement between the Australian and New South Wales Government (box 11.13)

- Aboriginal and Torres Strait Islander housing supply
- housing quality. The Lowitja Institute (sub. 72, pp. 14–15) commented that central Australian housing is often not built to standard (or not suited to the climate) and energy poverty is a significant issue for many Aboriginal and Torres Strait Islander communities. Climate change is likely to increase energy use and costs.

Box 11.13 – New South Wales targets for Aboriginal and Torres Strait Islander housing

Under the *Aboriginal Outcomes Strategy 2017–21* the New South Wales Government established targets for exits from social housing and tenancy sustainment in public housing (FACS 2018). These targets were included in the National Housing and Homelessness (NHHA) bilateral agreement between the Australian and New South Wales Governments.

Progress against these targets was reported in the New South Wales Government’s 2018-19 NHHA statement of assurance (table below). And the number of Aboriginal and Torres Strait Islander households exiting from social housing to the private rental market or home ownership is published annually in the Annual Statistical Report (DCJ (NSW) 2022b).

Summary of New South Wales state-specific targets under the bilateral agreement for improving Aboriginal and Torres Strait Islander outcomes

Target	Baseline	Progress
Increase by 20 per cent the number of positive exits from social housing by 2021 for Aboriginal social housing tenants. This is a target of 315 positive exits by 2020-21.	There were 258 Aboriginal households that had a positive exit from social housing in 2016-17.	At 2017-18 there were 217 positive exits, 69 per cent of the target. At 31 March 2019 positive exits were 144, 37.7 per cent above the target.
Decrease by 20 per cent the number of negative exits from social housing by 2019 for Aboriginal social housing tenants. This is a target of 182 or less negative exits by 2018-19.	There were 214 Aboriginal households that had a negative exit from social housing in 2016-17.	In 2017-18 negative exits were 12.1 per cent above the target. At 31 March 2019, negative exits were 127, 110 per cent above the target.
Increase the level of priority Aboriginal public housing tenancies sustained for at least 12 months to 85 per cent by 2019.	In 2016-17, 83 per cent of priority Aboriginal public housing tenancies were maintained for at least 12 months.	At 31 March 2019 74% of priority Aboriginal public housing tenancies were sustained for at least 12 months.

Source: NSW Government (2021d).

State and Territory Governments should also consider including in the NHHA measurable and relevant indicators and targets for Aboriginal and Torres Strait Islander housing that address specific jurisdictional priorities. For example, the Northern Territory *Everyone Together, Aboriginal Affairs Strategy 2019–2029* includes a number of specific housing measures (such as increasing the number of housing services delivered by Aboriginal business enterprises, including across homelands and outstations; and increasing

the number of Aboriginal business enterprises engaged in property maintenance in town camps) that could be interlinked with the NHHA (Northern Territory Government 2019, p. 15).

What is important is that governments work in partnership underpinned by shared decision-making with Aboriginal and Torres Strait Islander people to develop indicators and targets.

Our families and communities are best placed to identify the housing issues that we are most impacted by and to determine appropriate solutions. When it comes to how we measure success, Aboriginal and Torres Strait Islander peoples have specific housing needs that may not be reflected in the performance indicators ... We recommend that the Productivity Commission consults with Aboriginal and Torres Strait Islander experts, including health experts, in determining the most appropriate performance indicators for the next housing agreement. (The Lowitja Institute, sub. 72, p. 18)

Indicators and targets should be agreed through the proposed new NHHA schedule on Aboriginal and Torres Strait Islander housing (recommendation 11.1) which is a tri-partisan agreement process between the Australian Government, State and Territory Governments and the proposed National Committee on Aboriginal and Torres Strait Islander Housing. The focus should be on indicators and targets that are achievable and clear in terms of their purpose and baseline data. Indicators and targets should be monitored, publicly reported and evaluated. Evaluation should be centred around culturally informed frameworks that incorporate the perspectives, priorities, knowledges and lived experiences of Aboriginal and Torres Strait Islander people and led by the National Committee on Aboriginal and Torres Strait Islander Housing. And, importantly targets should be revised when they have been met.



Recommendation 11.6 **Indicators and targets to measure progress and drive reform**

State and Territory Governments working in partnership with the proposed National Committee on Aboriginal and Torres Strait Islander Housing (recommendation 11.1) should agree on indicators and targets for the next National Housing and Homelessness Agreement (NHHA) that can be used to monitor and evaluate outcomes for Aboriginal and Torres Strait Islander people, across the housing spectrum.

The *National Agreement on Closing the Gap 2020* housing target, that by 2031 the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing is increased to 88 per cent from the 2016 baseline of 79 per cent, should be included in the next NHHA.

Areas where indicators and targets should be considered in the next NHHA include:

- overcrowding in remote areas
- homelessness outcomes for Aboriginal and Torres Strait Islander people
- transitions from social housing into private housing markets for Aboriginal and Torres Strait Islander people
- the proportion of housing and homelessness services delivered (to Aboriginal and Torres Strait Islander households) by Aboriginal and Torres Strait Islander organisations
- Aboriginal and Torres Strait Islander housing supply
- housing quality, reflecting suitability of housing to climate under the anticipated impacts of climate change.

State and Territory Governments and the proposed National Committee on Aboriginal and Torres Strait Islander Housing should focus on developing clear and achievable targets for Aboriginal and Torres Strait Islander housing.



Recommendation 11.6

Indicators and targets to measure progress and drive reform

Processes for monitoring, reporting and evaluating indicators and targets should be based on the perspectives of Aboriginal and Torres Strait Islander people and led by the proposed National Committee on Aboriginal and Torres Strait Islander Housing. Targets should be revised once they have been met.

Transparency and accountability to the community

Participants to this review expressed the need for improved transparency and accountability under the next NHHA. Many argued that all governments need to be more accountable for contributing to improved housing outcomes for Aboriginal and Torres Strait Islander people.

- Transparency and accountability are important and the NHHA needs to be clearer about what has to be delivered.
- There is more the Australian Government could do across the housing spectrum if it were the policy of the government to do that.
- Some states and territories need to step up a bit more in terms of their contributions to Aboriginal and Torres Strait Islander housing.
- Local government should also be included, particularly because they are a signatory to the NACTG, but they are also an avenue for a funding stream. (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022)

Many participants spoke about the pressing need for the Australian Government to provide more of an oversight role on housing.

There is a need for Commonwealth government leadership on housing and homelessness, including strengthening, monitoring and accountability (oversight) of state and territory governments. The outcome of the 1967 referendum was that the Commonwealth took responsibility for Aboriginal and Torres Strait Islander affairs and it is sorely needed now as much as much as ever. (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022)

As discussed in section 11.2, the reporting under annual statements of assurance is of limited value. It is not clear what programs for Aboriginal and Torres Strait Islander people are being funded under the NHHA.

Participants suggested:

There should be reporting under the NHHA on whether jurisdictions are getting value for money from programs, that essentially showcases how jurisdictions achieve value for money. It may not be about the lowest cost program, but a focus on looking at the short and long term benefits of effective housing programs for Aboriginal and Torres Strait Islander communities. For example, the Aboriginal Housing Office's Aboriginal Community Housing Investment fund sets out to achieve long term benefits to build sector capacity. (Aboriginal and Torres Strait Islander housing roundtable, 26 April 2022)

The Commission recommends that statements of assurance be replaced by a stronger reporting framework under the next NHHA (recommendation 5.6). To improve transparency and accountability to Aboriginal and Torres Strait Islander people, this framework should include reporting on the funding for key programs targeted at improving housing and homelessness outcomes for Aboriginal and Torres Strait Islander people and make the distinction between funding provided under the NHHA and that from separate state funding buckets. Reporting under the framework should also cover (or provide links to) program monitoring and evaluation for Aboriginal and Torres Strait Islander housing programs (recommendation 11.7). The intention of

recommendation 11.7 is not to impose onerous reporting requirements on State and Territory Governments, but to showcase where governments are achieving value-for-money programs that other governments can learn from. It is also to provide visibility to Aboriginal and Torres Strait Islander people on how governments are working to improve housing outcomes for Aboriginal and Torres Strait Islander people.



Recommendation 11.7
Transparency and accountability

As part of the performance monitoring and reporting framework (recommendation 5.6) State and Territory Governments should report on the funding of key programs targeted at improving housing and homelessness outcomes for Aboriginal and Torres Strait Islander people and distinguish between where funding is sourced from State and Territory own funding and the National Housing and Homelessness Agreement funding. This reporting should also provide links to program monitoring and evaluation on these key programs.

Part C: The supply side of the housing market

12. The supply of Australia's housing

Key points

- * **Australia does not have enough housing, particularly in 'middle-ring' suburbs where higher density housing is often not permitted.**
 - The trend towards smaller households has stalled, rental vacancies are low, and rents are rising in regional as well as metropolitan areas.
- * **Housing would be more affordable if Australia built more houses and if the supply of housing was more responsive to demand.**
 - Australia's housing supply is not very responsive to changes in demand. When demand for housing increases (for example, because of a decrease in interest rates or an increase in migration), house prices and rents increase rather than substantially more housing being supplied.
 - One reason why housing supply is not very responsive to demand is zoning, planning, and land use restrictions that control the release of land and restrict higher density housing.
- * **The more responsive housing supply is to demand, the more effective demand side interventions to make housing more affordable (such as income support payments and rent assistance) will be.**
- * **Most new housing in Australia is being built in lower-cost areas. Because housing is an interconnected, dynamic market, new supply in middle- or higher-cost segments results in vacancies across the housing spectrum which can improve affordability in lower-cost segments.**
- * **Supply-side reforms can improve housing affordability for low-income households. Recent policy developments overseas demonstrate that supply-side reforms can lower rents in the short to medium term.**
- * **But supply reforms will not address all issues. Even if more housing could be provided at lower cost, many people will continue to require income supplements or other support to access affordable, safe, and sustainable housing.**

This chapter looks at why housing supply matters for affordability, what factors influence supply, and what supply-side changes could improve housing affordability. It also explores the debate about a 'housing shortage' and related calls for governments to intervene to support low-cost housing.

12.1 What is housing supply?

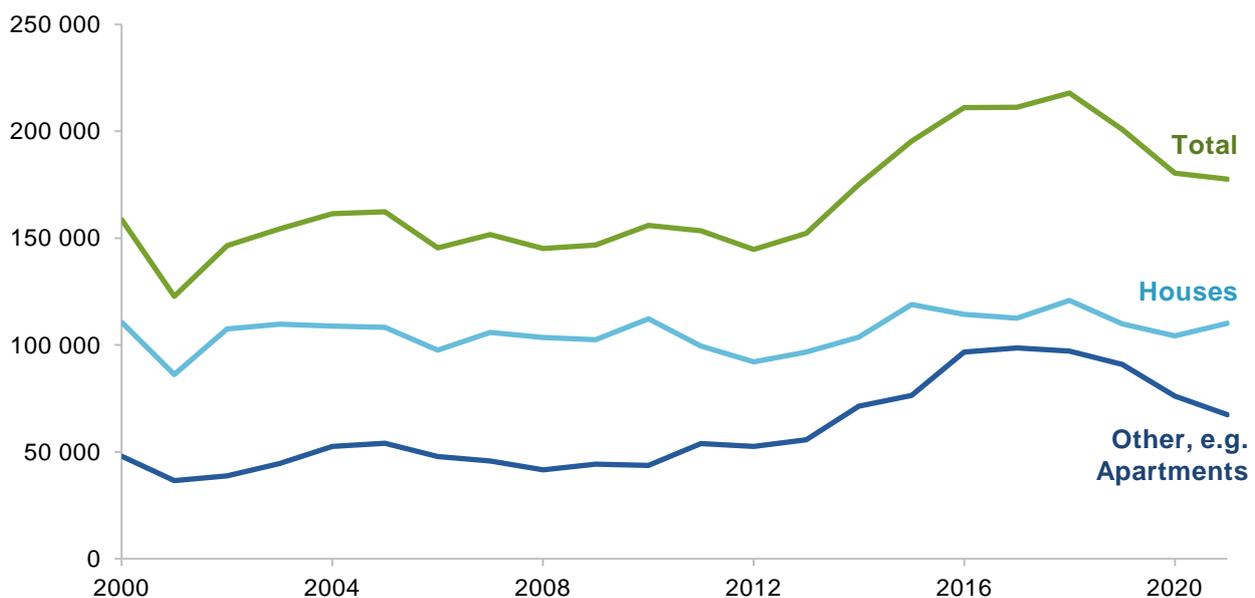
Housing supply refers to the number of homes available for people to live in. A distinction should be made between the *stock* and the *flow* of housing — the stock of housing refers to the total number of homes, while the flow refers to the change in the number of homes over a period of time. As explained in chapter 3, housing affordability is a function of housing costs and people’s incomes. The stock of housing is a key determinant of housing costs. But it is the flow of housing that is influenced by government policy and is often the focus of the debate.

There are around 10.8 million dwellings in Australia (chapter 2). Each year, an average of just under 200 000 new dwellings — or just shy of 2 per cent of the stock — are added to the stock (ABS 2022c).¹

Most new dwellings are detached houses (figure 12.1). However, in recent years, there has been an increase in the number of new apartments and townhouses, particularly in Sydney and Melbourne.

The two years following the beginning of the COVID-19 pandemic has seen an increase in construction starts, in large part because of low interest rates and Australian Government initiatives such as the HomeBuilder policy. However, these starts have not yet translated into higher levels of completions (chapter 14).

Figure 12.1 – Annual residential construction 2000–2021^a



a. ‘Other’ includes buildings other than houses that are primarily used for long-term residential purposes. These include semi-detached, row or terrace houses or townhouses, and flats, units, or apartments.

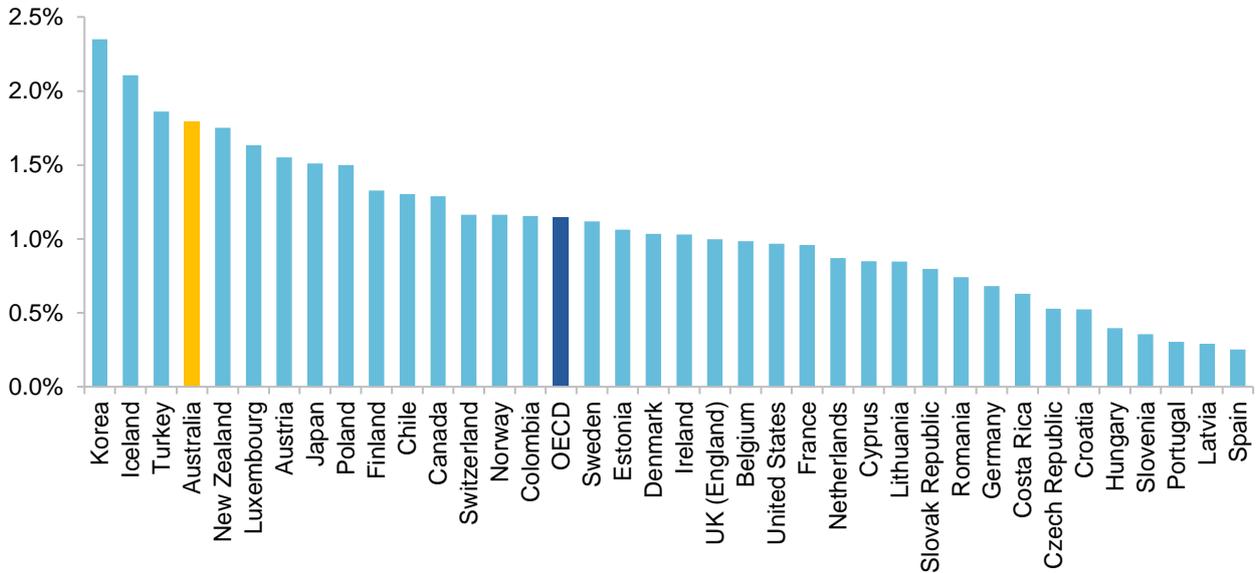
Source: ABS (*Building Activity, Australia, 2022*, Cat. No. 8752.0).

Across the OECD countries, Australia ranks highly in terms of the flow of new housing (figure 12.2 panel a). But this in part reflects an historically low base of housing stock; Australia has fewer dwellings per thousand people than most other OECD countries (figure 12.2 panel b).

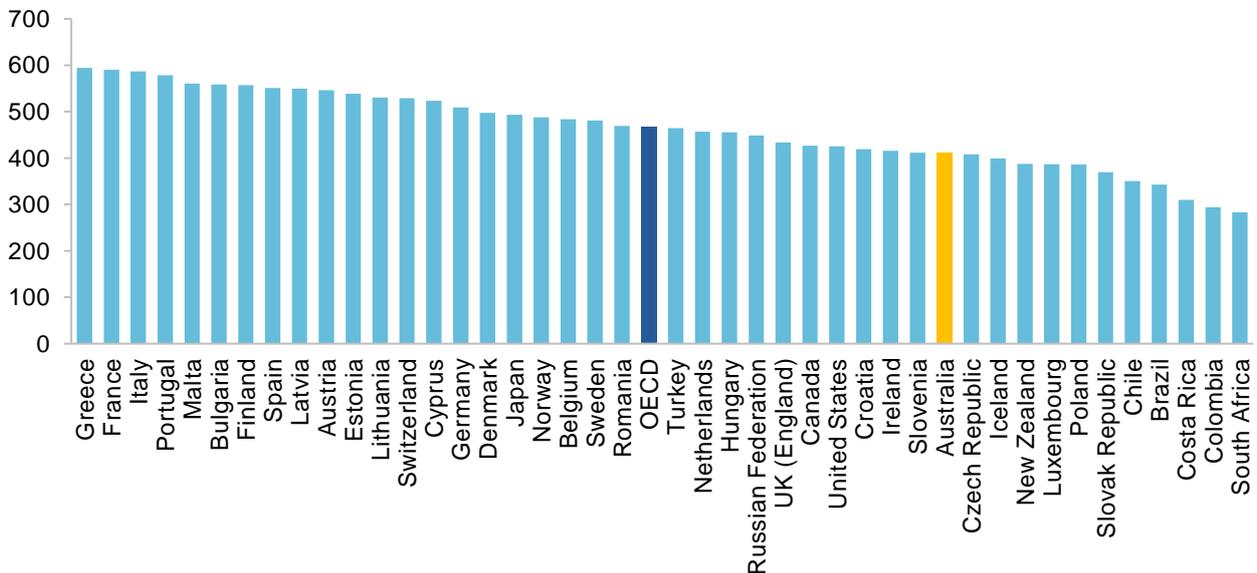
¹ Demolitions have a small impact on the net growth in new housing stock. According to ABS data, around 20 000 dwellings a year have been demolished in the five years to March quarter 2021 (ABS 2021e).

Figure 12.2 – Australia has fewer dwellings per thousand people than most OECD countries – but is building relatively more

a. Share of dwellings completed as a per cent of the total existing stock (2020 or latest available data)



b. Dwellings per 1000 inhabitants (2020 or latest available data)



Source: OECD (2021c).

Housing supply and the NHHA

The supply of housing is relevant to several parts of the National Housing and Homelessness Agreement (NHHA), including the NHHA’s objective of improving access to affordable housing (section 12.2). Housing supply directly affects affordability, and the responsiveness of supply affects the efficiency of the housing assistance dollars provided under the Agreement.

Supply also affects other non-affordability objectives of the NHHA. One outcome is ‘a well-functioning housing market that responds to local conditions’. Supply-side policies affect the capacity of the market to provide new housing that meets the preferences of households, including where people want to live. The objective of the NHHA also mentions supporting ‘social and economic participation’. Supply-side policies can contribute to or detract from the achievement of this objective, because the location and type of new housing can affect labour supply and productivity (section 12.7).

There is only limited mention of the supply side of the housing market in the NHHA. Planning and zoning reforms are listed as one of the ‘housing priority policy areas’² and State and Territory Governments are required to provide details on how they will address this priority area in their housing strategies (‘where appropriate to their needs’).

There are also three national performance indicators that are relevant to housing supply.

- The total number of dwellings relative to the population.
- An increase in the number of dwellings that are permitted by zoning in cities or urban areas.
- A reduction in the average time taken to decide the outcome of a development application or residential building permit (as applicable) in cities or urban areas.

These performance indicators are meant to inform ‘progress towards achieving the objective and outcomes’ of the Agreement and are discussed in chapter 13.

12.2 How does supply affect housing affordability?

Housing affordability is a function of incomes and housing costs. The supply-side of the housing market influences the second half of this affordability equation.

The level of supply matters ...

There is a large body of research that shows the importance of housing supply to the price of housing. For example, across the OECD, countries that built more housing from 1990 to 2015 saw lower growth in real house prices (CIS 2021, p. 9). This is also reflected in Australian research which suggests that:

- adding an extra 50 000 homes a year for a decade could reduce house prices by up to 20 per cent (Daley and Coates 2018, p. 3).
- a 1 per cent increase in the stock of dwellings would lower house prices by 2.5 per cent (Saunders and Tulip 2020, p. 21).

While much of the housing supply debate focuses on house prices, of particular interest in the context of housing affordability is the impact of housing supply on rents. Rents are the price of housing as a service, whereas house prices incorporate both its value as an asset and the housing service (chapter 2).

Rents are primarily driven by vacancy rates, which are determined in large part by new housing supply (chapter 9). The relationship between rents and supply has been the subject of much investigation. For example, Coates and Crowley (2021, p. 16) estimated that every 1 percentage point increase in new housing constructed in a local government area over the last decade decreased the growth rate of rents by 3.7 per cent. Similarly, Tulip and Saunders (2020) found that a 10 per cent increase in building approvals over one year (representing an increase in the overall housing stock of 0.16 per cent) would decrease rents

² The other areas are affordable, social and community housing, home ownership and tenancy reform.

by 0.4 per cent. Recent empirical examples of supply-side reforms internationally have also seen lower rents (section 12.6).

However, some question the relationship between supply and prices. Some of the arguments are that:

- a high rate of new supply in recent years has not seen a decrease in house prices in Australia (Murray 2020a; Pawson, Milligan and Yates 2020; City Futures Research Centre, sub. 87, p. 26)
- other factors influence house prices more than housing supply, such as immigration and interest rates, with even some supply-reform advocates pointing to interest rates as having the largest effect on house prices (Saunders and Tulip 2020)
- the additional building required to have a substantial effect on affordability is not practical. For example, the Grattan Institute proposal to build 50 000 new homes a year would require new housing supply to increase by around 30 per cent for a decade (Murray 2020a). And a 20 per cent decrease in prices would not be enough to offset the one year increase in prices from 2020 to 2021 (CoreLogic 2022b). Some also question whether the construction industry has the capacity to engage in this level of building without escalating costs (discussed further in chapter 14)
- new housing supply is targeted in high-income areas, so it has little direct impact on affordability for people on low incomes (Ong et al. 2017, p. 16).

These contentions arise in part because it is difficult to measure the impact supply has on affordability (box 12.1). It is also difficult to separate out the effects of demand side factors on affordability, such as changes in interest rates, from the supply-side effects.

While it is clear that new supply can help affordability, on its own, it will not be able to lower prices or rents enough to lift all Australians out of rental stress (section 12.6).

Box 12.1 – Finding evidence on the effect of supply reforms is tricky

Finding evidence on how supply affects housing affordability is challenging. One intuitive option is to compare prices in areas with more relaxed supply rules to comparable areas with more restrictive supply. If more supply lowers prices one would expect to see lower prices in the former area, relative to the latter. And if one area relaxed supply constraints you would expect more supply and lower prices in that region (at least in the short term). However, because housing markets are interconnected:

- nearby or substitute areas would have to lower their prices to compete with the high-supply area
- lower prices in the high-supply area would result in increased demand (inward migration), putting some upward pressure on prices.

It is expected that the result would be lower house prices across the region as a whole, rather than lower prices just in the high-supply area. And this is what Tulip and Lanigan (2021) found — areas with more new high rise development did not have lower prices than nearby neighbourhoods.

These empirical issues may be mitigated by observing areas further apart: people are less likely to move between neighbouring cities than neighbouring suburbs, for instance, in response to price changes, so they may be less correlated. But, the further away the areas are, the less likely they are to be good comparisons for one another, as there may be other variables affecting trends.

... as does the *responsiveness of supply*

The housing affordability debate is often focused on ways to increase the supply of housing (or 'shifting the supply curve outward'). The Australian Government's recent 'HomeBuilder' scheme is an example of such a policy.

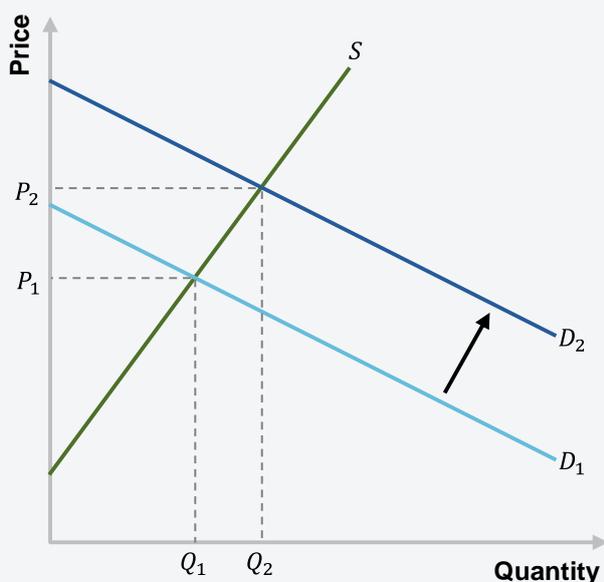
But while the level of supply is important, it is only half the supply side story. The responsiveness of supply to an increase in prices also matters — when there is an increase in prices, how much does supply react? As prices increase from, say, an increase in demand due to falling interest rates, builders and developers have more of an incentive to bring housing to market because of the prospect of increased profits. The extent to which more supply is built is known as the price elasticity of supply (box 12.2).

Box 12.2 – What is the price elasticity of supply?

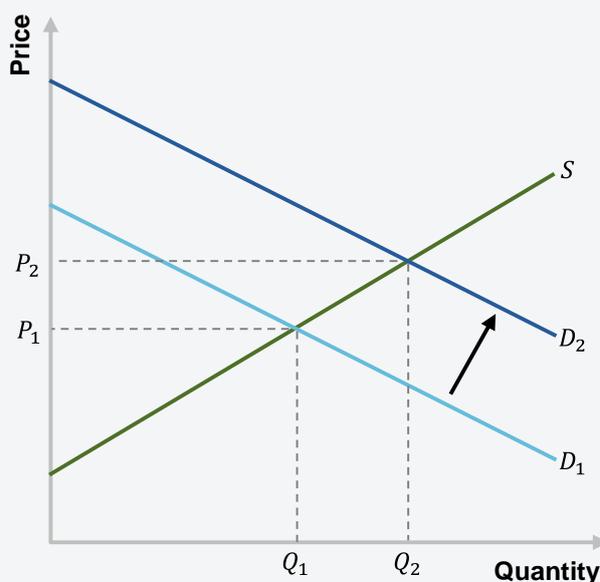
The price elasticity of supply is a measure of the responsiveness of supply of a good or service to a change in its price (all else held equal). It is the percentage change in quantity supplied for a one per cent change in price, and is commonly presented as a single number. A good is said to be inelastic if its elasticity is less than 1; that is if price increases by 1 per cent, there is a less than 1 per cent increase in the good supplied. Inversely, a good is said to be elastic if its supply elasticity is greater than 1.

If the supply response is weak (that is, housing supply is relatively inelastic), an increase in demand will result in higher house prices and rents, and little increase in supply (figure panel a). If housing supply is more responsive (price is relatively elastic), an increase in demand will see firms respond to higher prices by increasing the supply of housing significantly, so there is a smaller increase in price, and a large increase in quantity (figure panel b).

a. Inelastic supply



b. Elastic supply



The evidence suggests supply is inelastic

The evidence suggests that housing supply in Australia is relatively inelastic. What this means is that large increases in prices are required to see sizeable increases in the quantity of housing supplied (Ball, Meen and

Nygaard 2010; Gitelman and Otto 2012; Liu and Otto 2014; Ong et al. 2017; Saunders and Tulip 2020).³ A meta-analysis undertaken by the Grattan Institute (Daley and Coates 2018, p. 46) suggested that the elasticity of housing supply in Australia is generally between 0.3 and 0.5, or put another way, a 10 per cent increase in house prices will result in a 3 to 5 per cent increase in the supply of housing.

The evidence also suggests that:

- the supply of detached housing is more inelastic than the supply of apartments (Gitelman and Otto 2012; Liu and Otto 2014; Melser, Daniel, Ong ViforJ and Wood 2022).⁴ This is probably because detached housing requires more land.
- supply is more inelastic in areas with greater density, probably reflecting that there is less available land or tighter planning restrictions (Cavalleri, Cournede and Ozsogut 2019; Liu and Otto 2014; Melser, Daniel, Ong ViforJ and Wood 2022).

Most of the estimates are either national or focused on Sydney — there is limited research into supply elasticities across geographical sub-markets. Although one recent study pointed to significant variation in elasticities across local government areas, with elasticities higher in areas on the urban fringe (Melser, Daniel, Ong ViforJ and Wood 2022).

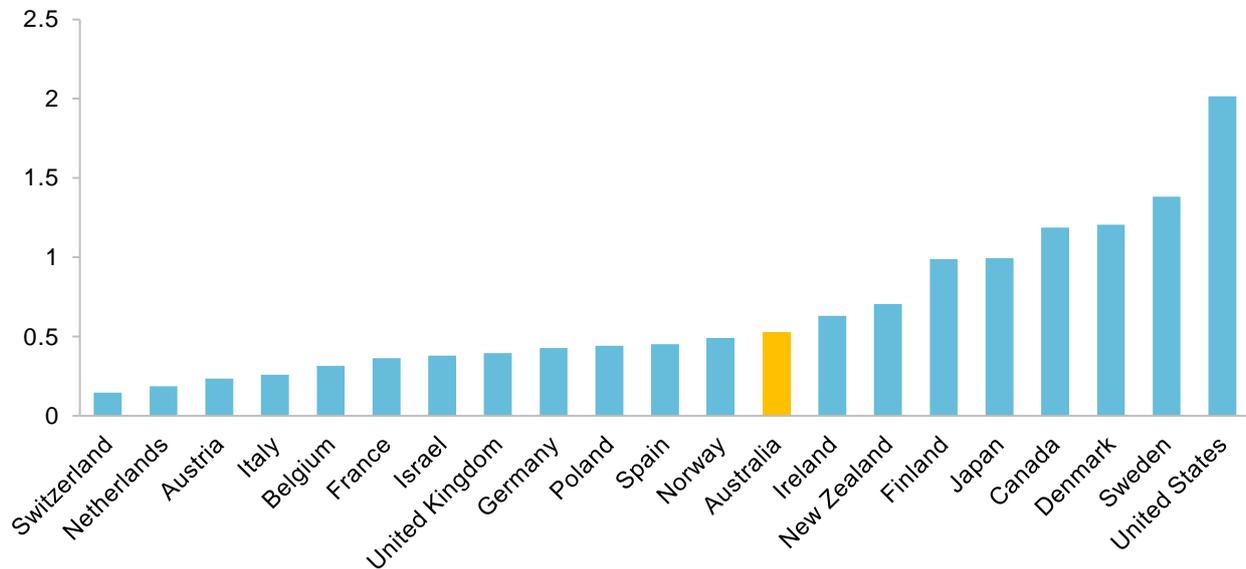
Australia's long-run price elasticity of new housing ranks around the middle when compared with other OECD countries, at around 0.5 (Caldera and Johansson 2013; figure 12.3).⁵ Many OECD countries have elastic supply including Denmark, Canada, and the United States (their price elasticities are greater than 1). And a US study (Saiz 2010, p. 1284) found that elasticities for most US cities ranged from 0.6 to 5.

³ Some papers in the literature do find that the 'flow' of housing (the percentage increase in new housing built, as opposed to the percentage increase in all housing) is, elastic (Ong et al. 2017, p. 2).

⁴ Ong et al. (2017) is an exception to this finding.

⁵ Some more recent estimates suggest that Australia's long-run elasticity is not statistically significantly different from 1 (Cavalleri, Cournede and Ozsogut 2019, p. 15). These estimates are not reported in the body of this chapter as they find higher elasticities across most countries than other international estimates (such as Geng (2018, p. 10) which also finds Australia's elasticity at around 0.5), and appear to be an outlier compared to other domestic estimates. Regardless, the paper finds Australia around the middle of the OECD, consistent with other findings.

**Figure 12.3 – Australia’s price elasticity ranks around the middle of OECD countries
OECD estimates of the price elasticity of supply, 2013**



Source: Caldera and Johansson (2013).

Why supply elasticities matter for housing affordability

Supply elasticities matter for housing affordability because, if developers and builders do not respond to higher prices by increasing supply, consumers must compete for the limited supply and this competition bids up prices. OECD (2019) research finds a negative relationship between supply elasticities and the cost of housing across countries.

Where supply is inelastic, factors that increase demand for housing (for example interest rate reductions, taxation policy, or housing support) can result in substantially higher prices, and little increase in housing. Glaeser et al. (2011, pp. 325–237) estimated that a 100 basis point decrease in interest rates would increase prices by over 10 per cent in inelastic housing markets in the United States, while increasing prices by only around 1.3 per cent in elastic markets.

Reforms that increase the responsiveness of supply are key to improving affordability, because a more elastic housing supply means that additional homes are provided more readily when there is demand for them, without large price increases. It is especially important because many of the policies that lead to an increase in demand do not sit under the remit of housing Ministers and relevant departments. For example:

- Interest rates can have a strong effect on house prices, but they are independently determined and targeted at controlling inflation, not housing affordability.
- Migration has significant benefits to economic growth (both per-capita and aggregate), trade, innovation, foreign direct investment, productivity, the budget balance, and domestic worker wages (Mayda et al. 2022; Niebuhr 2010; Parsons and Vézina 2018; PC 2016a), and changes to migration policy are made with reference to a broad range of issues, not just housing.

If supply was more elastic, demand side policies could achieve most of their benefits, including a greater quantity of housing, without incurring higher prices.⁶ Demand side housing initiatives that aim to improve the affordability of housing across the housing spectrum (from social housing to home ownership) would also be more effective, as they would improve household purchasing power without resulting in as large of an increase in prices.

12.3 Increasing the level and responsiveness of supply

Housing has two main inputs — land and construction. The level and responsiveness of supply are influenced by conditions in these two input markets (chapter 13 and 14). Other factors can also influence supply, including macroeconomic conditions, financial market conditions, and government tax and stimulus, but these factors are outside the scope of this review.

Land

Housing requires land. Because the supply of land is fixed, in theory land should have a perfectly inelastic supply — new land cannot be created or destroyed in response to price changes. In practice, however, land is not perfectly inelastic or fixed in supply because not all of it is suitable for housing. There may be natural barriers to using the land for housing (such as bodies of water, mountainous or sloped terrain, or areas designated as national parks), or it may need to be made suitable with development and preparation, including connection to infrastructure and utilities. Rights to use land also need to be secured, either from the relevant government or a private party, which usually comes at a cost. New land will be made available if prices cover these costs.

The supply of land for housing is highly regulated

The release of development land is highly regulated by governments, usually through zoning, planning, and land use and development regulations (chapter 13). These regulations allow governments to manage the community wide impacts of land development such as urban sprawl, increased pollution and environmental impacts, and infrastructure costs. It also enables them to manage the growth of urban areas and coordinate the provision of infrastructure.

But such regulation also dampens how much housing supply can respond to increases in demand. It leads to the supply and development of land being more responsive to government actions than to price, with substantial price increases needed to stimulate even small increases in land supply. For example, in many parts of Australia, there are zoning restrictions that limit higher density housing in certain areas and effectively cap the number of dwellings that can occupy that space. If these caps are binding (in other words, if developers would like to build more housing than the restrictions allow) prices increase and an inadequate amount of housing is supplied.⁷

There is a large body of international evidence that planning and land use regulations result in lower supply elasticities (although individual studies are often imperfect as they must overcome methodological difficulties

⁶ Inelastic supply is not necessarily an issue. A market with inelastic supply can function well and achieve efficient outcomes, particularly if the good is consumed for leisure or some other, non-essential benefit — for example the market for fine art. However, the essential nature of housing to wellbeing, and the externalities surrounding its consumption (chapter 2) means that high prices have large negative impacts on individuals, communities, and society at large.

⁷ Put another way, housing supply does not keep up with housing need. This is different to a 'shortage', because the market price demand does not exceed supply. However, there is considerable loss to society due to the government restrictions — this is discussed further in section 12.4.

— for example, Bartik 1991; Hilber and Vermeulen 2014; Wheaton, Chervachidze and Nechayev 2014). Evidence in the Australian context is more limited, but still compelling.⁸ Liu and Otto (2014) found that supply elasticities in Sydney are negatively related to the time taken by a local council to process a development application — an imperfect proxy for government restrictions (longer development approval times may be indicative of an aversion to new development in an area). McLaughlin (2011) also found that regulations such as urban growth boundaries may reduce the supply elasticity of new housing (however, these supply restrictions are not commonly seen as the main culprits of higher prices by stakeholders).

But there is evidence that allowing dense housing, and reforms to restrictions on land, does improve supply-side outcomes (both its level and responsiveness). For example, the NSW Productivity Commission (2021a, p. 275) noted that areas undergoing zoning reform experienced fast rates of supply growth. And the Brisbane City Council's *City Plan 2014*, which aimed to increase infill development near the CBD and along transport corridors, was found to be associated with greater multi-unit development (Daley and Coates 2018). There are also recent international examples, including in New Zealand (chapter 13), the United States and Switzerland where greater density through upzoning has led to notable increases in supply (Blumgart 2022; Buchler and Lutz 2021; Dong 2021; Flisrand 2022; Greenaway-McGrevy 2022; Minneapolis City Council 2019).

Box 12.3 – The recent evolution in housing supply research

Economists and other housing researchers have long debated whether restrictions on land — such as zoning, planning, and land use regulations — restrict supply and inflate the cost of housing. But research on housing supply has been historically constrained by two key factors.

First, researchers had limited access to high-quality and granular data on existing dwellings, new construction, and house prices. Second, there were limited policy experiments to be studied — few jurisdictions significantly relaxed their zoning restrictions to allow for empirical comparisons before and after reform. This meant that debate in the literature has relied on theoretical arguments, conceptual modelling, cross-area comparisons, case studies, and methodologies that attempt to measure the impacts of supply restrictions (see, for example, CIS 2021; Daley and Coates 2018; Murray 2020a; Ong et al. 2017).

However, in the past five years, governments globally have begun experimenting with reforms to deregulate restrictions on housing supply. This, combined with better data, has allowed for new empirical research which provides evidence that rezoning for greater density results in an increase in supply across a variety of contexts (Buchler and Lutz 2021; Dong 2021; Greenaway-McGrevy and Phillips 2021). That said, none of this work has been undertaken in Australia.

While the magnitude of these supply-side reform benefits remains to be seen, these examples strengthen the evidence base showing that regulations inhibit supply (box 12.3). They should be studied closely to inform a reform agenda on supply.

Some, however, argue that inelastic and constrained supply in land markets is not due to zoning or land use regulations, but to developers 'landbanking', in which they release supply at a slower than socially optimal

⁸ Estimates on the effects of zoning and land regulation are difficult for two reasons. First, there are meaningful reverse causality issues. Land regulation restricts housing supply, but areas with limited housing supply have incentives to impose stronger land regulations to maintain high land values. Second, it is difficult to measure the degree to which land use is restricted, as the impacts of individual regulations are not directly quantifiable.

rate for higher prices, and long-run profits (Murray 2020b; LGAQ, sub. 63). Selling faster reduces the growth rate of prices, lowering the price for future sales, so developers hold onto land as an 'asset', in expectations of higher future returns. If this were true, inelastic supply would be caused by competition issues within development markets (box 12.4). While this may be plausible in smaller markets with fewer developers, such as in rural areas, zoning and land use explanations are more likely to be stifling the responsiveness of supply than landbanking, particularly in inner urban areas. Landbanking theories also cannot explain why the examples of zoning reform listed above led to greater housing supply.

Box 12.4 – Landbanking

Landbanking is a theory that the supply of housing is constrained by developers withholding land from the market to drive up prices. Some point to evidence that developers hold several years of supply of land as assets, and they sell faster in a 'rising' market where prices are increasing (Murray 2020b). If landbanking occurs, firms will extract economic rents and there will be a lower quantity of housing compared to a freer market.

In a competitive market, a single developer cannot meaningfully influence the market price to increase profits. Therefore, for landbanking to occur, the market for land development needs to be a monopoly or oligopoly, and have barriers to entry. Otherwise, other developers will enter the market, undercut existing developers and sell at a lower price. There are two potential explanations for why the market would not support competition.

- There may be corruption in the market, with developers using political connections to gain a significant market share of land.
- There may be natural local monopolies, where a developer can buy up enough land in a particular area such that they have some control over the local market price.

Landbanking also requires developers to believe that they can 'time the market' — in other words, sell properties when prices are high and hold onto them when prices are low (which would be easier if they had the ability to influence market price). And it requires a general belief that property prices will perpetually rise — if the market price is constant or declining over time, there is no benefit from withholding land from the market.

While zoning restrictions can theoretically raise prices in all markets, it is highly unlikely that landbanking occurs in metropolitan markets as land ownership is highly dispersed. As Tulip (2021, p. 12) said, arguments for landbanking are commonly:

... drawn from locations where one would not expect substantial excess demand, like semi-rural outskirts. That of course does not imply that supply is adequate in the inner suburbs where people most want to live.

Also, landbanking — insofar as it exists — may be perpetuated by zoning restrictions making land more scarce, pushing development to greenfield areas and making developers believe that prices will continually rise because of the restrictions.

While it is unclear the degree to which land is an inelastic input to housing supply, its importance as an input to supply means that government restrictions need to be strongly justified. The empirical evidence on the effects of zoning and planning is discussed further in chapter 13.

Construction

Construction, the other major input into the supply of housing, can also have a significant impact on affordability. Construction costs account for an average of 45–60 per cent of infill development costs (depending on the city), and between 36–53 per cent of greenfield development costs (Urbis 2011, p. 2,4).

While the construction market likely has less of an impact on the elasticity of supply than land, there are areas that, if improved, would result in either more supply, more elastic supply, or both. They are:

- bottlenecks in input markets and the capacity of the industry to scale up to new demand. Murray (2020a) argues that a 15 per cent increase in construction would require 1 per cent of the labour force moving into the construction industry.
- concerns about the quality of multi-unit dwellings that may shift preferences toward detached houses (requiring more land and at a lower density). This can make supply more inelastic, as the supply of detached houses is more inelastic (section 12.2), and reduce total supply.
- concerns that construction productivity has lagged in recent years. Reforms that improve the responsiveness of the industry could improve productivity and mean that more housing can be supplied for the same price (shifting the supply curve out) and may result in new effective practices which make supply more elastic.

These issues are discussed further in chapter 14.

12.4 A ‘housing shortage’ — the reason for declining affordability?

A subject of considerable debate is whether Australia has a ‘shortage’ of housing and whether a housing shortage is responsible for rising prices. Some claim that affordability issues are the result of a long-run, structural shortage of housing supply (Jenner and Tulip 2020; NHSC 2012; NSW PC 2021a; UDIA, sub. 35). Others believe that Australia has a ‘healthy’ level of supply (some even claim a ‘surplus’ of housing has built up in recent years), although these arguments often focus on the flow of new housing, not the stock (box 12.5).

The ‘shortage’ debate warrants investigation — if there is a shortage, then the causes need to be addressed to improve housing affordability. But if not, the solutions to housing affordability are likely to lie elsewhere.

Box 12.5 – A shortage applies to the stock, not the flow of housing

Some researchers believe there is a surplus of housing in Australia. And they point to a high rate of construction over the past few years, particularly the increase in construction during the COVID-19 pandemic, as evidence to support this view. For example, Murray (2021, p. 1) argues that ‘there are more, bigger, better, dwellings per capita in Australia in 2021 compared to any point in history’. Similarly, Rowley, Gurrán, and Phibbs (2017) conclude, based on international comparisons, that ‘Australia is now almost a world leader in rates of new housing production’. And Pawson, Milligan, and Yates (2020) emphasise high construction rates as evidence that there are no barriers to new supply.

Box 12.5 – A shortage applies to the stock, not the flow of housing

A shortage applies to the stock, not the flow, of housing. An increase in the construction of housing in recent years (an increased flow) may point to conditions improving, but it alone does not show that the stock of housing is adequate.

Most shortage advocates acknowledge that, while there is a shortage in the stock of housing, it may be decreasing due to a high 'flow' of new housing. The NSW Productivity Commission's (2021a, p. 268) modelling (discussed further below) highlights this, arguing that since 2016 the shortage of housing has decreased, but still sits in deficit at 54 000 dwellings. According to NHFIC (2020c, p. 3), despite Australia entering the COVID-19 pandemic after a significant period of strong supply, 'construction levels were the bare minimum to keep supply and demand broadly in balance'.

Estimates of housing shortages vary widely ...

There have been many attempts to measure housing shortages in Australia. Recent modelling falls into two groups (figure 12.4).⁹ The first group, which includes modelling by NHFIC (2020c), the now defunct National Housing Supply Council (2012), and the NSW Productivity Commission (2021a) suggests that:

- There was a significant and growing shortage of housing from around 2010. This is consistent with the findings of other researchers, such as Eslake (2017), who noted that the population growth rate exceeded the growth in the housing stock since the turn of the century.¹⁰
- The shortage began to reduce in the middle part of the decade and further declined due to the effects of the COVID-19 pandemic with low population growth rates and high rates of construction.

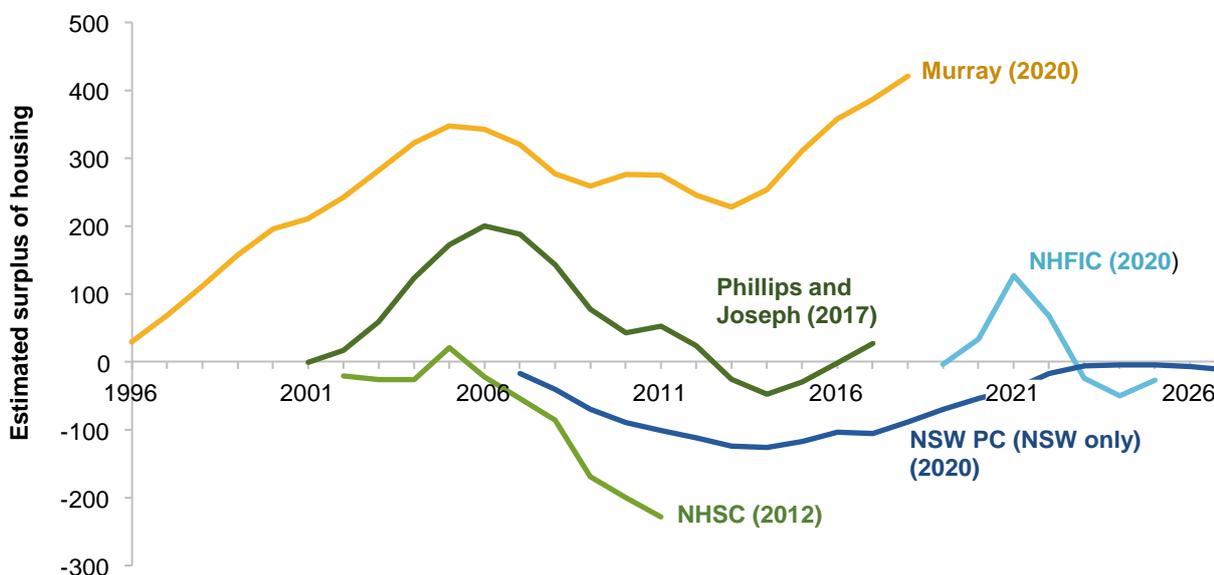
The second group of modelling includes Murray (2020a) and Phillips and Joseph (2017). While they use similar models to the first group, they find an 'oversupply' or 'surplus' of housing over much of the past 20 years.

These two groups of models paint very different pictures of the housing market. The question is: why do models with similar methodologies arrive at different results?

⁹ It is important to note that all modelling assumes that the market is in equilibrium — in that demand is equal to supply — from the first year it was undertaken. For example, NHFIC's modelling suggests that 2021-2022 will see a 'surplus' of housing, but they note that previous work suggested a significant shortage in the early 2010's, so they suggest this 'surplus' may be in fact offsetting a previous 'shortage'.

¹⁰ But this is only a recent phenomenon; in all other decades since the second world war, housing stock has grown faster than the population.

Figure 12.4 – Estimates of housing shortages in Australia vary significantly^a



^a All approaches assume that the housing market is in equilibrium (i.e. the shortage is 0) when they begin their modelling approach. NHFIC (2020c) in particular note that the market was likely in shortage when they began their estimates of the housing shortage.

Source: Commission estimates based on Murray (2020a); NHFIC (2020c); NHSC (2012); NSW PC (2021a); Phillips and Joseph (2017).

... because modelling housing shortages is problematic

Estimates of housing shortages vary because they are sensitive to the assumptions used in the modelling. These assumptions can change not only the size, but also the direction of the conclusion.

Modellers estimate shortages by calculating the difference between supply and demand — if demand exceeds supply there is a shortage within the market. However, estimating demand and supply is difficult, because they are dynamic factors that are constantly responding to changes in prices. So instead of using observed (or actual) demand, modellers use an estimate of the number of new households (the ‘household formation rate’) in a given period as a proxy (box 12.6).

Minor changes in assumptions about average household size (the number of people living in each household) when estimating housing demand can result in large differences in results (Daley and Coates 2017).

Household size is determined by a variety of factors, including cultural norms and broader demographic trends. However, it is also determined by the amount of housing and its affordability; an inadequate amount of housing pushes people to live in larger groups — for example, young adults stay living with their parents for longer or some people occupy ‘share houses’ (Desmond 2016).

While average household size has been historically declining — it fell from 3.6 people to 2.6 people between 1961 and 2001 — it has since stayed steady at around 2.6 (Daley and Coates 2017). Demographic modelling from the ABS from 1999 onwards has consistently forecast a drop in household size to between around 2.2 and 2.5, yet this has never materialised (Daley and Coates 2018, p. 47). According to the Grattan

Institute (Daley and Coates 2018, p. 45), this is due to a lack of housing supply, and if there had been sufficient supply, household size would be smaller, in line with ABS projections.¹¹

Modelling that finds a surplus of housing takes the flatline in household size at face value (Phillips and Joseph 2017). But according to the Grattan Institute, if a household size of 2.5 were used instead, the surplus would become a substantial shortage of 220 000.¹² The difference in modelling inputs is small — a mere 0.1 percentage points — but it does not just change the outputs in magnitude, but also in direction. Modelling that is so sensitive to changes in assumptions is usually of limited use in making real world predictions.

Box 12.6 – How modellers estimate supply and demand for housing

Modellers attempting to calculate a housing ‘shortage’ need to estimate aggregate supply and demand for housing. But this is difficult as supply and demand are always changing in response to dynamic market conditions. Modellers get around this using a technique referred to as *static* modelling.

Under static modelling, demand is measured as the number of new households and calculated using population growth, divided by the average household size:

$$\text{Growth in Demand} = \frac{\text{Population Growth}}{\text{Household Size}}, \text{ or:}$$

$$\text{Aggregate Demand} = \frac{\text{Population}}{\text{Household Size}}$$

For example, if the population was expected to grow by 1000, and on average 5 people lived in each house, the growth in demand would be 200 households. This is sometimes referred to as ‘the household formation rate’. Some modellers, such as NHFIC (2020c, pp. 15–16), then adjust this estimate of demand by economic factors, such as interest rates, rents, and unemployment, which are determined independently of the model.

Supply is measured as the number of dwellings completed in a year, less the number of dwellings demolished. For estimating future supply, modellers use an econometric model based on a range of factors that have historically influenced housing supply, such as interest rates, previous period completions, and house prices.

Another issue with the modelling is that it does not allow household size to respond to market conditions, which it would do in a well-functioning market (that is, it is not determined endogenously in the models). For example, if there is a ‘shortage’ of housing, we would expect this shortage to push the price of housing up and discourage Australians from forming new households (and those that do may form bigger households than they would have otherwise prefer). We would then expect the average household size to increase, which would decrease the demand for housing and offset the shortage, moving the market toward equilibrium.

This adjustment has likely occurred in practice in Australia, with household size holding steady at 2.6 from 2000 until 2018, instead of decreasing in line with ABS projections. The relevant question to answer is: do

¹¹ It is worth noting that the recent 2021 Census found that average household finally fell, declining to 2.5, likely related to factors spurred on by the COVID-19 pandemic (discussed below) (ABS 2022k). But the modelling discussed here and the debate surrounding household size took place prior to this finding, and utilises historical data.

¹² Phillips and Joseph (2017, p. 14) also note that if they were to factor in a decrease in household size, it is likely that the balance in housing supply would shift more towards a shortage of dwellings.

Australians prefer to live with more people or are they doing so because of a lack of available housing? The modelling can never answer this question. But given the broader context (such as the aforementioned ABS projections), it is likely due to a lack of housing.

Housing market and demographic factors during COVID-19 provide further evidence that households may have preferences to form smaller households, with the first material fall in household size in several years (box 12.7). However, further research is required to determine whether this was specific to pandemic related factors or does indeed reflect underlying preferences.

Box 12.7 – Household sizes and COVID-19: A natural experiment

Closed borders due to the COVID-19 pandemic, combined with a perceived ‘healthy’ rate of supply, has caused some stakeholders to question the traditional economic model that prices are determined by the supply and demand for housing. This view was put forward by UNSW City Futures:

As an indication of the difficulty in understanding what is clearly a complex relationship, while Australian housing supply has been highly buoyant in the past two years largely due to government stimulus ... prices have escalated to unprecedented levels despite the cessation of international immigration ... Received economic theory would have predicted exactly the opposite. (sub. 87, p. 26)

This assumes that the market should have cooled because of dampened demand spurred by a halt on international migration. But as reported by Ellis (2022), new demand emerged through lower household sizes.

A combination of a lack of population growth, low interest rates, demand for more space to work-from-home, and temporarily lower rents in major metropolitan areas, saw many Australians form smaller households. For the first time in over 5 years there was a drop in the average household size, as many Australians moved out of arrangements such as share housing into other living arrangements (Ellis 2022). The 2021 Census found that household size fell for the first time in the past few decades (ABS 2022k). Ellis estimates that the 200 000 migrant households who did not arrive in Australia over the past few years because of closed borders were offset by around 140 000 new households created by ‘endogenous household formation’ — the move to live in smaller households.

This natural experiment highlights a few points. First, it suggests that there was pent-up demand for Australians to live in smaller households that began to be offset during the pandemic (which is what the historical ABS modelling suggested). Second, it provides a further example of how shortage modelling that treats household size as fixed will fail to truly capture the dynamic nature of the housing market.

There is a lack of housing

Notwithstanding the shortcomings of modelling a housing shortage, the debate about whether there is a housing shortage or not may reflect the misuse of the term ‘shortage’. In an economic context, the term ‘shortage’ refers to a situation where the quantity demanded exceeds the quantity supplied at a given price. In a well-functioning housing market, a shortage would be temporary — when the quantity demanded exceeds the amount supplied, prices will rise, demand will decrease, supply will increase, and the market will move to equilibrium. That is unless, for some reason, the market is prevented from raising prices, so demand continues to exceed supply (figure 12.5, panel a). But in practice, this does not appear to be the case —

prices have been consistently trending up over the past 2 decades (chapter 3). This calls into question whether the current housing situation can be described as a shortage.

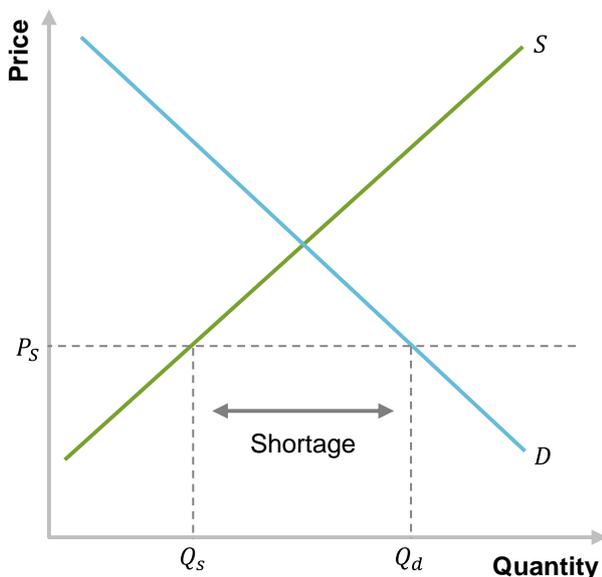
A more likely explanation is that restrictions on supply are affecting the functioning of the market (Jenner and Tulip 2020). This is illustrated in figure 12.5, panel b. The supply of housing is initially inelastic — large changes in prices are needed to increase supply — until no more housing can be built in a given area due to quantity restrictions which prohibit building more dense housing (for example townhouses or low-rise apartments). Demand is equal to supply (the market is in 'equilibrium'), so it is not a 'shortage' per se, but societal welfare could be improved through increasing the quantity of housing.

A market without restrictions is demonstrated by the more elastic (and unrestrained) supply curve entitled $S_{\text{unrestricted}}$ in panel b. Unrestricted supply may not be the best outcome for society — even though prices are lower and quantities higher, there are good reasons why housing supply should be restrained in some cases, as discussed in chapter 13. However, any restrictions need to be well justified, as they reduce welfare and increase prices. These restrictions can be particularly problematic in places where demand for housing is high (such as 'middle-ring' suburbs), as they can significantly restrict the amount of new housing that can be built to satisfy demand.

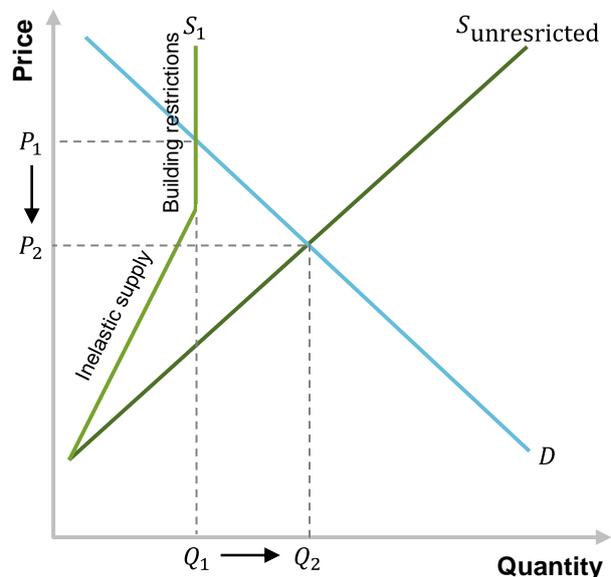
When restrictions on supply affect the functioning of the market, the upshot is — as with a shortage — a lack of housing. But the aim of policy is different. It becomes about addressing impediments to the housing market working well, including how to improve how quickly and flexibly housing supply responds to changes in demand (section 12.3), rather than trying to 'balance the market' or correct for a shortage by simply building or subsidising more houses (without addressing the underlying problems).

Figure 12.5 – The housing market may not be in shortage, but there is not enough housing

a. A 'shortage'



b. Inadequate quantity of housing



This is of particular importance for low-income households, because when supply is restricted and price remains high, they are the first to be out-bid for the limited stock of housing available. Indeed, much of Australia's housing deemed 'affordable' is occupied by middle and high income households (Wulff et al. 2011, p. 26), possibly because there is a lack of housing for these groups, for example, in middle-ring suburbs (Daley and Coates 2018; section 12.5).

When supply restrictions are targeted to certain types of supply, such as density in the ‘middle-ring suburbs’, they result in urban sprawl. Households are pushed further away from areas of economic opportunity, which increases transport costs and can also lower standards of living and opportunities for social and economic participation (section 12.7).

Broader supply reform that addresses the impediments to the market functioning well is also complementary to direct government intervention that adds to the housing supply, such as building social housing. For example, relaxing zoning and land use restrictions can mean land for social housing can be used more effectively, reducing the cost of building social housing. Lower private market rents will also reduce the demand for social housing. And more affordable private housing will result in fewer people falling into rental stress or homelessness. This interconnection of the housing system was well put by the Urban Development Institute of Australia:

In a complex, interconnected system like housing, unresolved problems have cascading effects across the housing spectrum. For example, shortages of suitable land to deliver new dwellings, drives up prices and ordinary Australians are forced to rent for longer at higher rates, inevitably pushing others into social and affordable housing which itself suffers from the same land scarcity. (sub. 35, p. 5)

There is some evidence from the United States that suggests rates of homelessness are highly correlated with rents and the elasticity of supply. Mississippi — one of the poorest states in the United States — has low rents, elastic supply and a very low rate of homelessness, while high-income, high-rent, and supply inelastic states such as California and New York have high rates of homelessness (Colburn and Aldern 2022). Looking at changes in rents and homelessness by Statistical Area Level 4 over the period 2011 and 2016, the Commission found that these relationships might also hold in Australia, particularly in New South Wales and Victoria (although less so in the rest of the country, and rural and regional areas). And work looking at individual level data found similar results:

- Bevitt et al. (2015) found that rates of homelessness, and the probability of remaining in homelessness, are positively correlated with the rent of the local area.
- Johnson et al. (2018, p. 15) suggests that higher rents in an area increases the probability of entry into homelessness.



Finding 12.1
Restrictions on supply are affecting affordability

The supply-side of the housing market is not functioning well, due in part to restrictions on supply, and this is affecting affordability. High rents and house prices are rationing demand and resulting in:

- Australians forming larger households than they prefer
- low-income households being bid out of the market, leaving some people becoming homeless and/or requiring social housing.

Supply-side reforms, particularly reforms that make supply more responsive to price, are needed to improve housing affordability.

12.5 Does housing supply have to be targeted to improve affordability?

Much like the debate about the quantity of housing stock being brought to market, many stakeholders have views on the characteristics of supply in the market and how it affects affordability. Many participants pointed to a shortage of low-cost or 'affordable housing' (AHURI, sub. 52; CFRC, sub. 87; CHL, sub. 5; St Vincent de Paul Society National Council of Australia, sub. 57), referencing several recent papers (Hulse et al. 2019; Lawson et al. 2018; Troy, van den Nouwelant and Randolph 2019a), and calling for more affordable housing to be built.

In order to create housing that is affordable to low-income households, an appropriate proportion of new housing supply has to be targeted at those income groups ... (AHURI, sub. 52, p. 33)

Policy development is urgently required to address the growing shortage of affordable rental housing for households [in the lowest quintile by income] across the nation ... This requires substantial capital investment in new social housing supply with appropriate financing and management models to enable maintenance of affordable rents and allocation to very low-income households or significant increases in Rent Assistance payments for very low-income households. (Hulse et al. 2019, p. 6)

But defining 'affordable housing' is challenging and is often based on judgements about what cost of housing is 'affordable' to people based on incomes, household size, and other costs (for example, transport costs) (chapter 3). For example, a house could go from being affordable to unaffordable for a household during a period of a negative income shock (such as a recession with a decline in average real incomes). This is why it is important to distinguish between *the affordability of housing* — a function of income and rents (section 12.6; chapter 9) — and *affordable housing* — a judgement based on the characteristics of housing stock.

Some argue that affordability issues emerge as new supply is concentrated too heavily at the 'top-end' of the housing market, including (but not limited to) — high-rise and inner-urban structures in wealthy suburbs, inner cities, short-term accommodation (such as Airbnb) and housing designed for international investors and travellers. For example, Ong et. al (2017) argued that most of the growth in new housing supply has been in the mid- to high-income market segments, rather than low-income price segments, and that the market cannot or will not provide 'affordable' housing, justifying some degree of government intervention to correct for this.

Policy thinking around the supply of affordable housing has tended to focus on the number of new approvals and completions of houses and units, with the assumption that 'more must be good' because it eases housing market pressures and expands affordable housing opportunities. The results presented in this report suggest that a broader perspective is warranted ... it is likely that targeted government intervention will continue to be needed to ensure adequate supply of affordable housing. This can be done either through direct subsidies that are targeted in areas in need of affordable housing, including regional and rural Australia, or via indirect measures that improve financial incentives for profit-maximising developers to supply at the lower end of the housing market. (Ong et al. 2017, p. 3)

But the notion that the market is providing to the 'top end of the spectrum' is not borne out in the data. Coates and Wilshire (2018, p. 11) showed that nearly two-thirds of new houses were built in the cheapest half of all suburbs (although most new units and apartments were built in Sydney and Melbourne). In 2016-17, twice as many houses were built in the lowest house price decile relative to the highest price decile. The different results arise from more accurately controlling for the size of Local Government Areas

when making cross-area comparisons. It is unclear why there is such a sustained myth that Australia's housing supply is concentrated to the wealthy end of the spectrum.

With this in mind, two factors explain the lack of affordability for low-income households:

1. Affordability is the result of both incomes and prices (chapter 3). Even when housing is built in low-income areas, some households still may not have enough purchasing power to avoid rental stress. This is discussed in section 12.6.
2. Australia has an inelastic supply curve and an inadequate quantity of housing *overall*, so even though most housing is built at the lower end of the housing spectrum, affordability issues emerge from broader market conditions.

Even if it were the case that most housing was built in higher-income areas, *all* new housing can improve affordability for low-income households, through movement chains and filtering.

Movement (or vacancy) chains

Movement chains is the concept that, as new residents move into newly constructed units, they vacate their old units, and the vacant units are then occupied by new residents whose old units become vacant, and so on. Through this process, new market-rate housing can have moderating price effects in the city's lower-income neighbourhoods, not just its immediate neighbourhood.

There are 'breaks' in movement chains — 100 new houses in higher-income areas do not flow all the way down to the lower end of the housing spectrum. There can also be chain 'leakages', where a move does not result in a vacated home, such as:

- migration into an area, internationally or otherwise
- a house vacated is then not occupied
- endogenous household formation — where new housing supply encourages individuals to form a 'new' household, for example a child vacating their parents' home, or a person leaving a share house to form their own household (section 12.4)
- properties moving into the short-term rental market — such as Airbnb and other home sharing arrangements.

International evidence suggests that construction triggers movement chains. A study in Helsinki, Finland found that 100 new centrally located dwellings resulted in 29 units being vacated in bottom quintile income areas within the first year and 60 in bottom-half income zip codes (Bratu, Harjunen and Saarimaa 2021, p. 3). There are similar findings from the United States where 100 new market-rate units lead to at least 45 people moving out of below-median income areas, and at least 17 people moving out of bottom quintile areas (Mast 2021). And Mense (2021) found that in Germany the effects of movement chains decreased rents in all segments of a region's rental market, as demand softened in lower income areas.

While there are no high-quality studies on movement chains in Australia, there are reasons to believe that the Australian housing market follows the same dynamics. There is considerable mobility across neighbourhoods in Australia (Baker et al. 2016a; Clark and Maas 2016). Around 7 per cent of private renters living in a neighbourhood in the bottom quintile of rents who move migrate to above-median rent neighbourhoods each year, while about 19 per cent of private renters from the top quintile who move migrate to below-median neighbourhoods (Commission analysis of HILDA).

Taking a midpoint estimate of the effects of movement chains (from the studies above) to those in the bottom quintile, if governments eased zoning restrictions in a middle-ring suburb in a major city, such that 100 new market rate dwellings could be built, 25 new dwellings would become vacant in bottom quintile suburbs.

The effects of movement chains put claims about the lack of supply of housing in low-income areas into new light. They imply that, regardless of where it is built, increased supply benefits low-income households. Either new housing supply is concentrated in middle- and low-cost areas, in which case it will directly improve the affordability of the housing stock available by increasing supply directly. Or, if it occurs in high-cost areas, it will trigger movement chains, which will result in a substantial increase in the supply available to them.

Some evidence suggests that a lack of affordable housing stems from lower-cost houses being occupied by people with higher incomes. Wulff et al. (2011) estimate that over a third of a 'shortfall' of affordable housing was due to wealthier households occupying properties with low rents. Others conclude that problems in the housing market stem from barriers to supply in inner-urban and middle-ring suburbs, where wealthier households may prefer to live (Daley and Coates 2018; Jenner and Tulip 2020). This implies that solving broader market issues will improve outcomes for low-income renters.

Filtering

Filtering refers to a scenario where low-income housing is created through the ageing of property. As a dwelling ages, it depreciates, deteriorates, and ultimately ends up being of a lower quality, which becomes more accessible to low-income households. This mechanism can function both in the rental market and for home ownership, and can be thought of as 'downward filtering'.

It is important to distinguish between filtering and movement chains, as they have different effects. Filtering refers to the movement of *property* over time down the housing spectrum. Movement chains, on the other hand, refers to the movement of *people* over time up (and sometimes down) the housing spectrum. Some literature collates filtering and movement chains as the same effect — as both relate to how new housing interacts with older housing stock — but in this report they are considered as different (although usually complementary) effects, as a housing market could be characterised by one and not the other.¹³

'Upward filtering' can also occur when an ageing property is occupied by wealthier individuals, especially in markets where there are high levels of regulation on new construction (Liu, McManus and Yannopoulos 2021).¹⁴ This is because cities that have tight restrictions on land use and construction will see new construction built 'out' rather than 'up': older dwelling stock will be better located (and hence more expensive), whereas newer dwellings will be on the urban fringe.

While there is evidence for filtering occurring internationally (see, for example, Kim, Chung and Blanco 2013; Rosenthal 2014), analysis of filtering in Australia is limited. This is largely because there are no high-quality longitudinal surveys of buildings in Australia. Filtering analysis often requires the tracking of buildings over time to see how the incomes of their occupants change.

Cross-sectional survey evidence from Australia is largely inconclusive. Commission analysis of the Australian Housing Conditions Dataset (2016) suggests that there may be some evidence of filtering occurring in the private rental market. However, across the housing spectrum, there is a positive relationship between price and building age (box 12.8). This may suggest that downward filtering is less common in Australia than overseas, as older dwellings are located in inner-urban areas close to the CBD with high geographical premiums, and newer

¹³ For example, filtering could theoretically occur in a housing market with no new construction. Over time, the existing dwelling stock could filter such that the oldest dwellings are occupied by those at the bottom of the housing spectrum, while the relatively newest dwellings are occupied by those at the top. Movement chains require new construction to occur.

¹⁴ This paper is restricted to analysis of the owner-occupier mortgage market, meaning that it cannot provide evidence directly on filtering in rental markets.

buildings are built in outer-urban suburbs. However, this does not preclude downward filtering occurring within sub-geographic areas, or that filtering could occur in markets if there was more new supply in inner-urban areas.

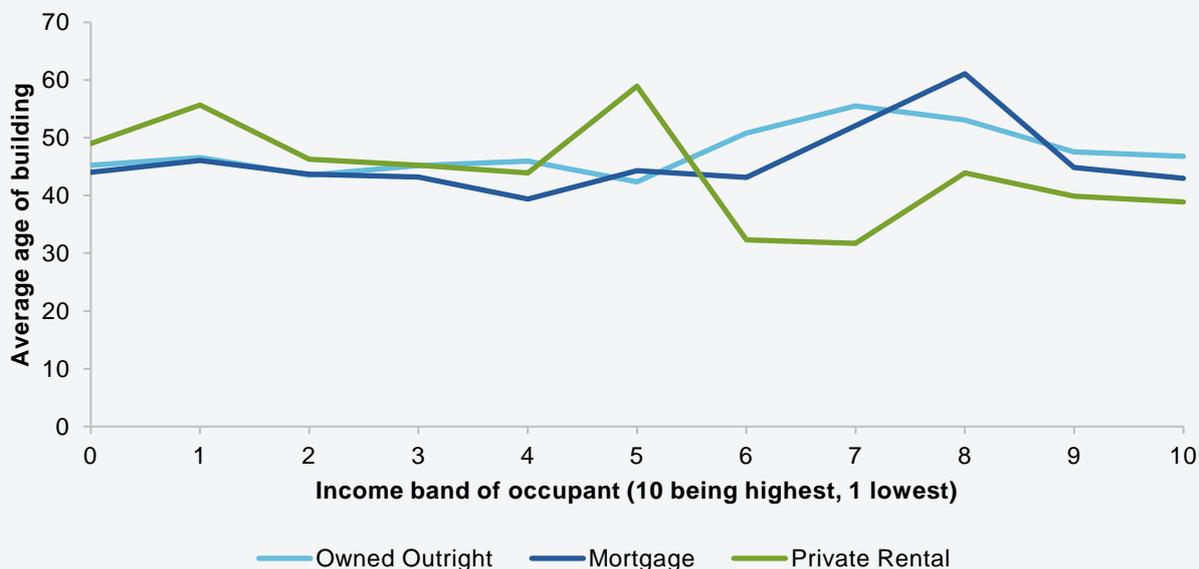
Box 12.8 – Does filtering occur in Australia?

While there is strong evidence that filtering occurs globally, there is limited evidence on filtering in Australia. Few datasets have information on the age of a building and none are longitudinal, making it difficult to track how buildings move throughout the housing spectrum over time.

The Australian Housing Conditions Dataset does record information on how old an occupant’s dwelling is. However, these estimates are self-reported meaning that there is likely some measurement error. Nevertheless, these data provide some insight into how building age correlates with the socioeconomic characteristics of its occupant.

The figure below shows the average age of buildings occupied by individuals across incomes. If filtering occurred within the housing market, we would expect a significant downward slope — in other words, individuals with higher incomes occupy on average newer buildings. Arguably, there is some evidence of this in the private rental market: people with the lowest incomes occupy on average 50 year old buildings, while those with the highest incomes occupy on average 40 year old buildings. But there is little evidence for other tenure types.

Building age and occupant income



Regression modelling also suggests that there is some evidence of reverse filtering — older buildings on average are more expensive to occupy. A one-year increase in building age is associated with its occupant spending 76 cents more a week to occupy it (either through mortgage payments or rent). However, this relationship disappears when geography is controlled for, suggesting that older buildings are more expensive because they are better located.

Source: Australian Housing Conditions Dataset (2016).

The more recent 2020 Australian Rental Conditions Dataset provides stronger reasons to believe that filtering occurs. Dwellings built between 1950 and 2000 were around \$200 cheaper a week to rent than dwellings built post 2000. And once geographic effects were controlled for, this differential was still significant, at around \$121 a month. Another study found that, in aggregate, building age in Melbourne was negatively associated with price (Palm, Raynor and Warren-Myers 2021). However, the study suggested that this effect was due to older units always being designed to target lower- and middle-income market segments, through being low-cost housing or former social housing that was sold off.

The bottom line is that, while there is limited evidence on filtering within Australia, filtering could plausibly occur, particularly if regulations on zoning and land use are relaxed. Filtering could be tapped into as a mechanism by governments to benefit low-income households, provided that new supply is sufficiently provided in high-income and gentrifying areas. Further work would be beneficial to draw stronger conclusions, but such work will require better data.



Finding 12.2

More supply — in any segment of the market — can improve affordability for low-income households

Most new housing is being built in lower-cost segments of the market, but there is still a housing affordability problem because the overall level, and responsiveness, of housing supply is inadequate.

Given the effects of 'movement chains' and 'filtering', *any* increase in the supply of housing can improve housing affordability for people on low-incomes, irrespective of where it occurs in the housing spectrum.

12.6 How far can supply go to improving affordability?

Housing for low-income households can be made more affordable by increasing both the elasticity and level of supply. However, some stakeholders questioned the size of the benefits, claiming that supply, and supply-side reform, will have only a small impact on affordability (section 12.2). For example, City Futures Research Centre said:

... there is little hard empirical evidence from Australia or from overseas that increased housing supply has much impact on housing prices, and therefore affordability, over the longer term ... a focus on the supply side as the key to improving housing affordability begs the obvious question as to how much *additional* supply would be required to materially affect house prices ... Dwelling prices and rents reflect an interplay between the many factors that impact both the supply *and* demand for housing, a position supported by many of Australia's leading economists. (sub. 87, pp. 26–27)

Others pointed out that more supply has not directly lowered house prices (Limb and Murray 2021). For example, AHURI argued that:

... between September 2011 and March 2017 the number of residential properties in Australia rose by 9.5 per cent, outpacing Australia's population increase of 8.2 per cent for the period. Despite this, the mean value of residential properties rose by 36.5 per cent (from \$490,800 to \$669,700) in March 2017. (sub. 52, p. 34)

As noted above, unresponsive supply means that demand-side changes have outsized impacts on dwelling prices. What this means is that supply reform in of itself cannot significantly reduce house *prices* in the short-run, particularly with large changes in demand-side factors. Higher house prices over recent years are

likely explained by higher demand, which has been stimulated by lower interest rates and amplified by constraints on the supply response. This is consistent with the views of those who are supportive of supply-side reform: the Tulip and Saunders (2020) model of the Australian housing market suggests that factors such as interest rates likely have the largest impact on house prices. Even New Zealand, which has recently undertaken large scale supply reform (see below), is not expecting to see significantly lower house prices in the short-run (PwC 2021).

In the long-run, changing regulations to allow the building of more dense housing would likely see house prices approach the marginal cost of provision, and would see lower price volatility in response to changes in demand (driven, for example, by interest rates). And more supply in the short-run would lower house prices relative to any counterfactual where that housing was not built. For example, house price growth over the past 5 years in Auckland, where large scale upzoning has taken place, has been around 5 per cent, while the rest of New Zealand's house price growth has been over 10 per cent (REINZ 2022).

But supply can have a more sizeable and immediate effect on household *rents*, which are important to the outcomes of low-income households in the housing market. This is because rents are largely driven by vacancy rates, which are determined in part by the level of supply (chapter 9), and are more stable as they are not as affected by interest rates (Chapter 3; Saunders and Tulip 2020). Evidence of recent reforms overseas provides evidence that supply reforms can quickly translate into lower rents and improved affordability (box 12.9).¹⁵ For example, since the city of Auckland adopted supply-side reforms, the rate of rental growth has been 57 per cent lower than the national average. And some have noted that similar reforms in Australia could have a big impact on housing supply and reduce housing costs (Razaghi 2022).

But, as discussed in chapter 9, rental affordability is a function of both rents and income. Even with supply reform to reduce rents, many households may still not be able to afford housing in the private rental market.

For some households, the issue is low incomes — they would have to pay a very low rate of rent to not be in rental stress. For others, the issue is relatively high rent — this may be a geographic reason (they may be situated in a high-cost market, such as Sydney or Melbourne), a characteristic of the household (they may be a large family requiring several bedrooms), or it may be personal preference to live in more expensive housing. Therefore, the effects of a rent reduction are idiosyncratic, and will vary from household to household.

Measures to decrease rents and support incomes can occur simultaneously and are complimentary. Together, they can reduce rental stress from both directions. But rents may not need to be reduced a lot for many households to be lifted out of rental stress (defined as those spending 30 per cent or more of their income on rent).¹⁶ The Commission estimates that a 5 per cent reduction in rents could reduce the proportion of households experiencing rental stress by around 8 per cent, while a 10 per cent rent reduction could reduce it by around 18 per cent. Based on the Tulip-Saunders Model of the Australian housing market,¹⁷ which suggests that a 1 per cent increase in the stock of housing reduces rents by 2.5 per cent, the supply response required to reduce the proportion of households experiencing rental stress is not completely unrealistic. For example, an extra 2 per cent added to Australia's dwelling stock, which could reduce rents by 5 per cent, equates to around 217 000 dwellings (which is more than the average number of dwellings built in Australia every year

¹⁵ It is worth remembering that rents do not have to fall to improve affordability. As the price of other goods and services generally increase over time (due to inflationary pressures) and household incomes also increase over time in nominal terms, affordability will meaningfully increase if rents are stagnating or growing slowly.

¹⁶ The Commission has noted in several places throughout this report that rental stress is an imperfect measure of affordability, but it is reported here for simplicity.

¹⁷ The Tulip-Saunders Model is a macro, rental-sector wide effect, but does not account for distributional impacts across the housing spectrum and does not allow for household-level behavioural responses. While this model does not allow for household responses, it is still a useful way to illustrate that an increase in supply can have a sizeable impacts on affordability.

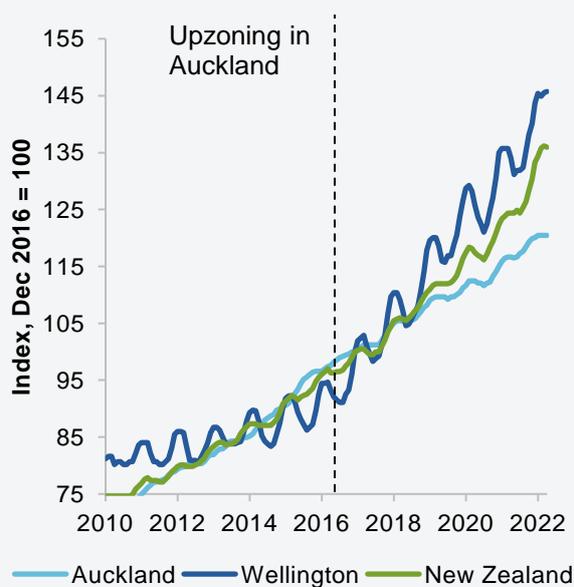
(section 12.1)). If an additional 22 000 dwellings were built each year, it would take 10 years to achieve this impact.

Box 12.9 – Supply reforms can be a quick way to improve affordability

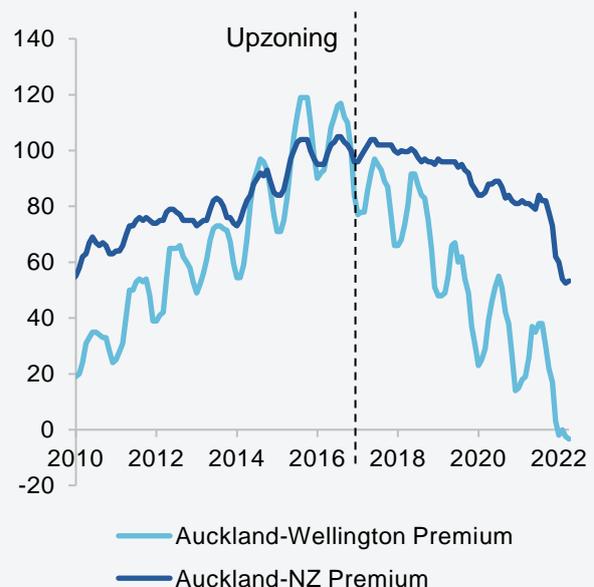
Auckland has seen record breaking supply since the adoption of ‘upzoning’ policies in 2016 (the supply effects and merits of this policy are discussed in more detail in chapter 13). Rents have grown at a substantially slower rate than the national average since, and the cost of renting in Auckland relative to other parts of the country has declined dramatically. From June 2021 to June 2022, rents in Auckland increased by under 2 per cent, while rents for New Zealand as a whole increased by 8 per cent.

Increased supply and upzoning likely led to lower market rents

New Zealand Rental Prices, relative to the time of upzoning (Dec 2016 = 100)



Nominal \$NZ difference between Auckland and other areas



Source: Commission analysis of Tenancy Services data (2022).

Median rent to median incomes in Auckland fell from 22.7 per cent in 2016 to 20.5 per cent in 2022 while New Zealand as a whole saw a small increase from 21.5 per cent to 22.1 per cent over the same period (Infometrics 2022).

Other recent examples found similar effects. The City of Minneapolis in the United States also saw supply increase following the adoption of upzoning, pro-density and pro-supply policies over the past decade. Commission analysis suggests that rents declined in real terms since 2018, in spite of an inflationary environment and rising rents elsewhere (Flisrand 2022; Commission analysis of HousingLink 2022). Other examples include:

- The Brisbane City Council's *City Plan 2014* was associated with increased supply and saw stagnating rents over the following few years (Daley and Coates 2018).

Box 12.9 – Supply reforms can be a quick way to improve affordability

- Policies that allowed greater density in Zurich are argued to have lowered rents across the entire city (Buchler and Lutz 2021).

There is some international evidence that reforms to zoning systems can generate responses of this magnitude, and quickly. Upzoning in Auckland, for example, increased the stock of housing in the city by just under 4 per cent in 4 years (chapter 13). And while the same supply response may not be possible in Australia, a supply response half as large as that in Auckland could still reduce rents by around 5 per cent (Razaghi 2022) and potentially lift many Australian households out of rental stress.

However, rent reductions can only do so much to improve rental stress. For many, even significantly lower rents are not enough to achieve housing affordability. The Commission estimates that there are around 180 000 households in the private rental market who have incomes of less than \$500 per week (Commission analysis of SIH 2019-20 data). For these households not to be in rental stress, they would need to find a rental property for less than \$150 per week, and to not be in severe rental stress, their rent would have to be less than \$250. While low-cost rental options may be a possibility for these households — for example, secondary dwellings such as granny flats (chapters 13 and 14) — the private rental market may not have enough options for these households without a rise in wages, or reforms to Australia's income support system.

Supply is only one half of the affordability story — incomes, and income support, play an equally important role in improving the affordability of the private rental market (chapter 9). And relaxing supply constraints will not address all issues for vulnerable low-income renters. People with multiple and complex needs can face barriers other than affordability in the private rental market — including discrimination and issues with accessibility (chapter 9). They may not be able to find a housing solution in the private market and may require social housing. Supply-side reforms, however, are complementary to these other policy solutions. Improving supply conditions should make other forms of government intervention cheaper and more effective.



Finding 12.3 Supply reform can put downward pressure on rents

Supply-side reforms can lift rental vacancy rates and decrease rents, leading to improved rental affordability for low-income households over the short to medium term.

However, supply, and its effects on rents, is only one side of the affordability story. Without changes to lift incomes, and income supports, many households will not be able to find affordable rental housing.

12.7 How does supply affect safety, sustainability and participation?

The NHHA objectives cover more than affordability. Safety, sustainability and social and economic participation are also important aims, and can be influenced by the supply of housing.

Safety and sustainability

A lack of supply reduces the bargaining power and choice for people in the housing market. As low-income households are likely to be outbid and forced out of the market, they are likely to end up with the least safe, sustainable, and quality housing. More elastic supply allows for more choice, in this sense (chapter 9).

New supply is generally safer and more sustainable than the existing stock of housing. As discussed in chapter 14, most of Australia's housing stock was built before 'energy star' ratings were introduced, meaning that dwellings are relatively poor at regulating temperatures. New housing stock is built to a higher regulatory standard. Furthermore, although there are concerns about the prevalence of building defects in new housing stock, occupants in newer dwellings are more satisfied with the quality of their dwelling than those in older dwellings (chapter 14).

Denser housing results in lower carbon emissions, as transport emissions are reduced — there is less car usage, for instance, and a greater use of public transport (chapter 14). And denser buildings require less energy usage. With greater density, improved environmental sustainability can be achieved at the building (rather than individual home) level, through green cooling initiatives.

Therefore, the more new stock is added each year, the more the overall average safety and sustainability of Australia's housing system will rise.

Productivity and social and economic participation

The NHHA includes objectives related to social and economic participation. Here, the type and location of dwellings added matters: building more density near urban hubs and transportation improves productivity and socioeconomic participation, compared with detached housing in outer suburbs. The Grattan Institute commented that:

Fewer restrictions on land use and subdivision can also increase economic growth by enabling more people to access more jobs, while allowing firms to optimise their location. Such flexibility is likely to be especially important in managing changes in where Australians live and work in response to the COVID pandemic. (sub. 70, p. 20)

The main benefit of density is agglomeration: cities, and denser areas within cities, are more productive and innovative than other areas in the economy. Agglomeration economies arise due to labour market pooling, input and output sharing, lower transport costs, specialisation, economies of scale, and knowledge spillovers (Trubka 2011). The general rule of thumb is that the more dense an area is, the more efficient and productive it will be.

Wages are higher in urban areas — the evidence (mostly out of the United States) is that higher employment density increases labour productivity (Brülhart and Mathys 2008; Ciccone and Hall 1996; Wheeler 2001). And it is not just that workers are more productive in dense areas, they become permanently more productive. Glaeser and Mare (2001) found that workers in cities earn around a third more than non-urban workers. This is not just because of selection biases (people who are more productive move to cities). This premium increases over time and stays with them even when they leave cities, suggesting that living in high-density areas results in accumulated human capital.

Studies show that agglomeration effects occur in Australia (Meekes 2021; Trubka 2011). Leishman et al. (2021) found that agglomeration benefits emerge in Australian cities in the form of higher wages, and these begin to emerge once a city hits around 100 000 people. However, they suggest that the benefits of agglomeration on wages may be lower than in the United States.

Density also facilitates innovation. Glaeser (2011, p. 207) summarised this by arguing that ‘ideas spread easily in dense environments’. Carlino and Kerr (2014) found that patenting is more common in urban areas, and is more likely the more dense the city is. According to Ahlfed and Pietrostefani (2019, p. 43), a 10 per cent increase in urban density is associated with a 2.1 per cent increase in patent activity.

The alternative to density is urban sprawl. Urban sprawl results in longer commute times, car usage, and congestion. Kulish et al. (2011, p. 10) highlighted that Australians are commuting more, in part due to density restrictions, and the Commission (PC 2021c, p. 94) noted that the cost of congestion continues to grow over time across major cities.

Density can help with these issues, with the right infrastructure support and urban design. Guerra and Li (2021) analysed the 100 largest cities across the United States and Mexico and found that increased density is associated with greater public transport usage, lower commute distances, and importantly, lower commute times. However, if infrastructure is not well designed, then density can increase road congestion. But, density can still result in other transport benefits, such as increased walking and public transport, and lower infrastructure costs, as infill development also has lower infrastructure costs than greenfield development (chapter 13).

Hsieh and Moretti (2019, p. 2) argued that aggregate growth in the United States was reduced by 36 per cent because workers were misallocated¹⁸ and unable to access high productivity cities like New York and San Francisco due to a lack of housing. The authors also calculated that although New York, San Francisco, and San Jose contributed 12 per cent to GDP growth from 1964 to 2009, the contribution was only 5 per cent once adjusted for their impact on the spatial misallocation of workers.

There are no studies that look at quantifying the effect of spatial misallocation of workers in an Australian context, but Australian cities are some of the least dense in the world (Augustin and Nobel 2021). And Sydney and Melbourne — the two largest cities — experience net-negative internal migration. In other words, workers are moving away from our largest cities where in theory they would be the most productive (ABS 2022)).

PWC (2017) argued that key workers (for example, nurses and teachers) are increasingly being pushed to the urban fringes in search of affordable housing. This has labour market impacts — it makes it harder for inner-urban businesses to attract workers and means they may have to pay higher wages.¹⁹ Maclennan et al. (2019) argue similarly that unaffordable housing pushes low-income workers to the urban periphery and diverts consumption to rent and travelling costs.

The gains to economic participation, the reduction in infrastructure costs, and the decrease in carbon emissions can justify greater supply in dense urban areas, even if the aggregate level of supply does not increase.

¹⁸ The other way that they describe this effect is that eased land use and zoning restrictions in these cities would have increased the growth rate of aggregate output by 36 per cent.

¹⁹ Although on the face of it this benefits the worker, a significant portion of this may be taken up by higher transport costs and times, meaning they may not be better off overall.

13. Land use planning and zoning

Key points

- ✳ **The planning system affects the number, type and location of new dwellings built in Australia. Planning and zoning regulations can both facilitate and constrain new housing supply, affecting affordability.**
 - State and Territory Governments are reforming land use planning and zoning, but more needs to be done to ensure housing supply responds to demand.
- ✳ **Some States set targets or benchmarks to ensure new housing supply will meet future housing demand. All State and Territory Governments should set public targets for new housing supply in major urban areas — greenfield and infill — and work with local governments to achieve them.**
 - State Governments should, if necessary, provide financial support to local governments to meet the targets or transfer responsibility for approving development assessment applications to independent panels.
 - States and Territories should report annual progress against rolling long- and short-term land supply targets for major growth areas.
- ✳ **Accelerating the shift to greater density in well-located urban areas will help deliver more housing at lower cost.**
 - State, Territory and local governments should revise planning rules to facilitate greater diversity in housing types, including lower cost housing models.
- ✳ **The timely delivery of economic and social infrastructure to greenfield and infill development sites is critical to the supply of new housing. Governments should improve co-ordination of infrastructure planning and delivery. Developer charges should be levied on a consistent and equitable basis to avoid inflating development costs.**
- ✳ **The National Housing and Homelessness Agreement (NHHA) identifies planning and zoning as a policy priority. However, the NHHA has not driven governments to reform planning and zoning. Planning indicators are of limited value and reporting on them is patchy. The next NHHA should acknowledge the importance of increased housing supply to improving housing affordability and replace planning reforms with housing targets.**

Land use planning and zoning policy affects the number, type and location of new dwellings supplied to the Australian housing market. It influences how well and how quickly the supply of housing responds to housing demand.

This chapter examines the way land use planning and zoning policy contributes to affordable, safe and sustainable housing, and how infrastructure supports housing supply. It suggests ways to reform land use

planning and zoning to better achieve the objective of the National Housing and Homelessness Agreement (NHHA).

The chapter:

- provides an overview of land use planning and zoning (section 13.1) and discusses how planning and zoning regulations affect housing affordability (section 13.2)
- explores the relationship between infrastructure and housing supply (section 13.3)
- identifies how planning systems can improve (or reduce) the responsiveness of housing supply to changes in demand, which affects affordability (section 13.4)
- identifies how planning systems can facilitate (or constrain) lower cost housing types, which lowers (or raises) the minimum cost at which a dwelling can be supplied (section 13.5)
- assesses whether the NHHA has encouraged planning and zoning reform (section 13.6)
- looks at what could be achieved under a future NHHA (section 13.7).

This chapter should be read in conjunction with chapters 12 and 14. Chapter 12 explores why and how increasing aggregate housing supply helps make housing more affordable for low-income households. Chapter 14 discusses the cost of constructing dwellings, which also affects housing supply and affordability.

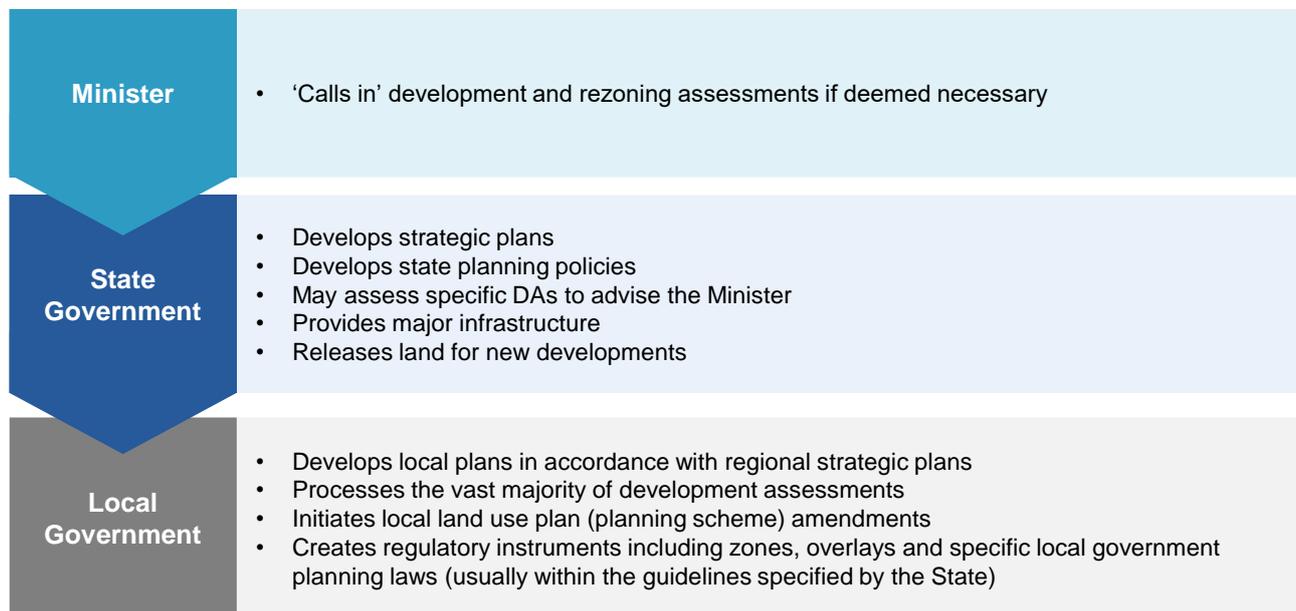
13.1 An overview of land use planning and zoning

State and Territory Governments are responsible for land use planning and zoning. While planning systems vary across jurisdictions, State and Territory Governments are responsible for:

- developing strategic plans for metropolitan and regional areas, which are then implemented through local government planning schemes
- releasing land for new developments
- providing major infrastructure to support development
- setting overarching planning and development policies for State or local approval authorities.

Local governments¹ are responsible for developing and implementing land use plans at the local level, with local plans expected to be consistent with metropolitan strategic plans or regional plans and applicable state planning policies. Local governments also process most development proposals (figure 13.1).

¹ In the Northern Territory and the ACT, land use planning is conducted at the Territory level. The NT has a single planning scheme (the NT Planning Scheme 2020), with land use and development assessment determined by the NT Government (DIPL 2020). The ACT has the Territory Plan, which establishes key planning strategies, zones and development categories for across the ACT.

Figure 13.1 – A simplified representation of planning functions and responsibilities

a. Responsibilities may be spread across the Minister, planning departments/commissions, supra-council decision-making bodies, State Government developers, and State bodies with specific planning/development responsibilities.

Source: PC (2021b, p. 7).

How do governments deliver land for development?

Planning is important for ensuring adequate and timely delivery of land for urban uses. A stylised framework for understanding the supply of residential land is shown in figure 13.2. The shaded area is where planning systems have the greatest impact.

Most States identify growth corridors for their capital cities where most land releases occur. In regional areas, State Governments work closely with local governments to identify areas for new supply. In the Territories, the NT Planning Scheme and ACT Planning Strategy identify land for residential use and schedule its release (NHFIC 2020c, pp. 26–27).

How do governments approve developments?

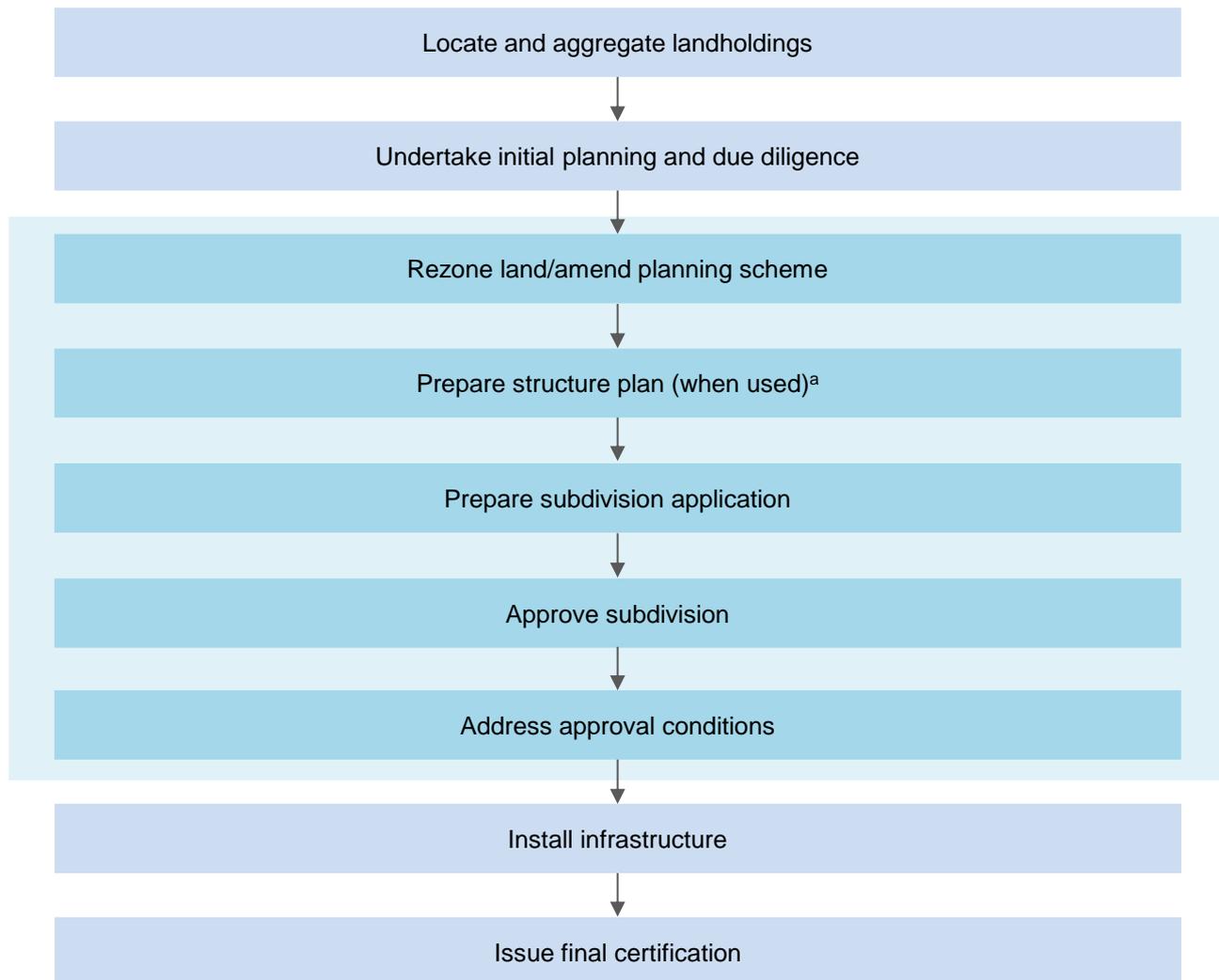
Development assessment (DA) is the process of assessing and approving an application for development such as building works, a change in land use or land subdivision. It ensures that a proposed development is consistent with the plans, zones and other instruments specifying how the land is to be used. While the steps vary across jurisdictions, the process generally involves:

- an application being lodged with the relevant authority
- the application being assessed (this may require the application being referred to other agencies for consideration and/or a public notification and consultation process)
- a decision made (either by a local government or a Minister) on whether the development can proceed (with or without conditions).

Some decisions can be appealed, and approved developments may be subject to post-approval processes (figure 13.3).

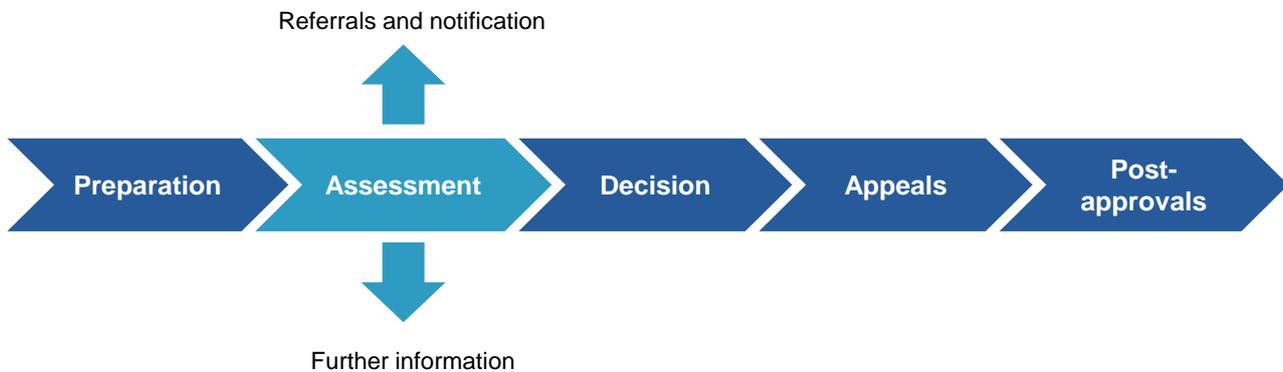
Figure 13.2 – Stylised land supply process

Shading denotes primary impact and influence of planning systems



a. A structure plan is a land use plan that sets a long-term vision for how an area will develop in the future. It provides certainty for community members and developers about what change is expected in an area and can respond to considerations about land use and development, transport and parking, building and urban design, heritage, character, employment, open spaces, infrastructure provision and other matters. The structure plan is implemented through a planning scheme amendment which rezones the land.

Source: PC (2011b, p. 139).

Figure 13.3 – Steps in development assessment

Source: PC (2021b, p. 16).

There are many paths through the DA process depending on the nature and scale of the proposed development and the requirements of the relevant State, Territory or local government. Some developments do not require formal assessment while others may be subject to a lengthy and complex process (requiring multiple documents to be submitted as part of the assessment, often to multiple agencies). Assessments for certain developments can be fast-tracked as 'state significant' projects with a decision made by the Minister rather than the usual assessment authority.

13.2 How planning and zoning regulations affect housing affordability

Land use planning policy supports well-functioning cities ...

Planning and land use regulations and policies are important for well-functioning cities. These regulations allow governments to manage the growth of urban areas, to coordinate the provision of infrastructure and to minimise negative impacts such as pollution, noise, congestion or poor-quality development. Although objectives vary, common aims of planning systems are to accommodate population growth, promote economic development and support social wellbeing.

The Commission's performance benchmarking report on planning and zoning found that State and Territory Governments consider planning to have the most influence on greenfield development, accommodating population growth, the transition to higher densities, diverse/appropriate housing and the protection of biodiversity (PC 2011b, p. 11).

... and can facilitate or constrain housing supply

Planning and zoning policies can facilitate supply by providing a pipeline of approved development sites, coordinating infrastructure delivery, allowing changes in land use such as urban infill or agricultural to urban land uses, and allowing increased density (such as through changed height limits).

But land use and zoning policies and regulations can also constrain housing supply, with adverse impacts for affordability. For example, land use policies can unduly restrict land supply, employ overly restrictive zoning, or be administered inefficiently, increasing the costs of development.

Land use policies may restrict land supply

By determining the amount and location of land available for residential, commercial and industrial use, land supply and planning policies influence the type and cost of residential dwellings. If too little land is released, prices for land — and consequently, housing that is built on it — can be more expensive than it needs to be.

Some stakeholders identified shortages in the supply of lots for development. For example, the Urban Development Institute of Victoria highlighted shortages in:

- Sydney — there was a *total* supply of 20 000 unconstrained² lots, against an annual average consumption of 11 500 lots
- Brisbane — 5905 approved lots were in the pipeline at December 2020, which represents 3.1 years of average supply
- Gold Coast — there were an estimated 3372 lots in December 2020, representing 1.7 years of average supply (UDIA 2021, p. 19).

Others pointed to the incentives that governments face — for example Master Builders Australia argued that governments have an interest in maintaining land prices and may be tempted to time land releases to avoid price falls (sub. 64, p. 23).

The Housing Industry Association said that urban growth boundaries, a key strategy used by State Governments to manage urban growth, introduce a 'severe distortion in the market for development land' by withholding or controlling the supply of land to private developers (sub. 66, p. 11). Melbourne and Adelaide have legislated urban growth boundaries, while other capital cities have less rigid, but clearly set geographic boundaries for future expansion.

However, not all land supply constraints result from government actions.

Fragmented ownership at the urban fringe can impede housing supply (Hsieh, Norman and Orsmond 2012, p. 14). A study by the Australian Housing and Urban Research Institute (AHURI) found that, for greenfield development sites, the size of the development holdings was an important factor for development viability and supply. Where greenfield sites are large, developers can incorporate the services that buyers want, such as retail precincts and schools, making development viable, whereas greenfield sites made up of small, fragmented lots pose difficulties for land assembly and coordinating services and amenities, reducing their viability (Rowley et al. 2020, p. 55).

There are also natural limits to land supply. Pawson, Milligan and Yates (2020, pp. 73–74) argued that housing supply in Australian cities is constrained more by geography than in other countries. The National Housing Finance and Investment Corporation (NHFIC) noted that Sydney is the main housing market where land availability is a significant constraint on supply. Brisbane, Melbourne and Perth are less constrained by topographies and are more able to expand by releasing land on the urban fringe (NHFIC 2020c, p. 31).

Restrictive zoning can make housing less affordable

Zoning regulations can limit the efficiency of urban land use. While there are very good rationales for restrictive zoning (for example, to achieve urban design outcomes or minimise congestion), restrictions — by definition — constrain supply where they are applied. And this affects housing affordability, not just in the local area, but potentially across a city or region because of moving chains (chapter 12).

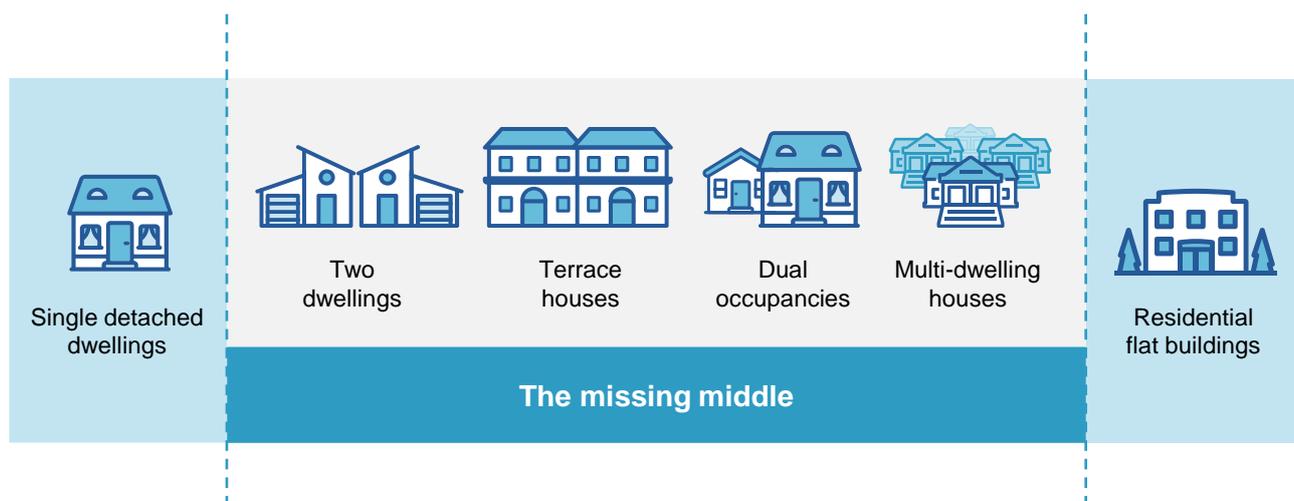
² Land may be constrained for a number of reasons, such as the land being flood-prone, a riparian corridor, the land having a transmission easement, or contamination.

By governing the *location* where housing can be built, land use and zoning policies and regulations can restrict the supply of housing in the 'right places' where demand is highest, such as the inner and middle rings of larger Australian cities (Grattan Institute 2021, p. 9). High demand for housing in inner- and middle-ring suburbs reflects more job opportunities, higher amenity values, and better access to public transport, infrastructure and services. However, when planning and zoning constraints restrict how much housing can be built in these suburbs, potential residents miss out on the opportunities and amenities of more desirable locations. This undermines the NHHA objective of supporting social and economic participation.

Zoning regulation also governs the *form* that housing can take. It determines whether development allows for high- or medium-density housing (as opposed to detached houses), a variety of lower cost housing models and housing that is accessible to people with disability or who are elderly. Some stakeholders point to a 'missing middle' of housing types — townhouses, terraces and similar small-footprint developments in and around existing urban areas and activity centres (figure 13.4) — which are needed to diversify housing choice and improve affordability (Infrastructure Australia 2021a, p. 157). Sometimes the restrictions are due to provisions within planning and zoning regulations; other times it is the application of DA processes that create additional hurdles or costs.

Figure 13.4 – The missing middle

Medium-density development in the spectrum of residential accommodation



Source: Adapted from Department of Planning and Environment (NSW) (2016).

Several studies have assessed the effect of planning and zoning restrictions on housing supply and affordability (box 13.1).

Box 13.1 – Estimating the impact of planning and zoning restrictions on housing supply and affordability

There is a large body of empirical research showing that less restrictive planning and zoning regulation results in lower property prices. Much of this research is international, while evidence in the Australian context is more limited (Been, Ellen and O'Regan 2019).

- Cross-sectional studies show that stricter land use regulation is associated with less new construction and higher prices (Gyourko and Molloy (2015)).

Box 13.1 – Estimating the impact of planning and zoning restrictions on housing supply and affordability

- Some studies using panel data found stricter land use regulation led to lower supply and higher prices (for example, Jackson (Jackson 2016) in Californian cities and Zabel and Dalton (2011) in Massachusetts).

In Australia, Lejczak, Rambaldi and Tan (2020), using the approach of Hilber and Vermeulen (2014), estimated the effect of land supply restrictiveness on property price growth in Greater Melbourne. This study found that a 10 per cent increase in greenfield development led to a 5 to 8 per cent reduction in prices, with changes in land supply impacting property prices differently in the inner-city area relative to the outer regions of Melbourne (p. 25). This is explained by spillover effects of densification, which put upward pressure on the price of remaining detached residential land within a 21 km radius of the city.

An alternative approach is to estimate the effect of planning restrictions as the difference between sale prices and the cost of supply. When land use regulations prevent suppliers from providing more housing, the result is a ‘wedge’ between price and marginal cost. This approach, first employed by Glaeser and Gyourko (2003), was applied to the Australian market by Kendall and Tulip (2018) and Jenner and Tulip (2020).

- Kendall and Tulip (2018, p. 10) found the ‘zoning effect’ or the legal right to put a dwelling on a property added \$489 000 to the value of the average Sydney property, \$324 000 in Melbourne and \$159 000 in Brisbane.
- Jenner and Tulip (2020) looked at the zoning effect for apartments. They found that, in 2018, the average Sydney apartment cost \$519 000 to supply but sold for \$873 000, meaning that land use restrictions added \$355 000 to the price of the average Sydney apartment.

These approaches are not without shortcomings. Phibbs and Gurran (2021, pp. 459–460) noted that it is difficult to determine the impact of planning and zoning regimes, because it is hard to:

- disentangle whether local regulations respond to or cause growth pressures without time-series data
- separate regulation (land use zones) from the geographic constraints which underpin those zoning designations (such as steep slopes or wetlands)
- accurately model the effects of land use regulation via indirect methods such as used by Kendall and Tulip (2018).

Other studies, such as Ong et al. (2017), suggest that planning systems are not a major contributor to price increases, or are part of more complex dynamics in Australia’s urban housing markets (Phibbs and Gurran 2021).

The costs and benefits of planning and zoning restrictions need to be assessed carefully to ensure the right balance between local community preferences and wider social benefits. Local governments will be more influenced by ‘not in my backyard’ sentiments than State and Territory Governments; States and Territories may need to take on more responsibilities for local planning and approvals to support the delivery of more housing.

Planning inefficiency can be costly

Planning systems impose costs on developers directly through fees, charges and levies, and indirectly through delays and uncertainty.

Inefficient development assessment processes can put added pressure on systems already under strain and impose unnecessary costs (PC 2021b, p. 16). Unnecessary delays associated with development assessment restrict housing supply and reduce affordability (Daley and Coates 2018, pp. 56–58; NSW PC 2021a, p. 274; PC 2021b). Common causes of delays in the development assessment process include:

- a lack of clarity on application requirements
- disproportionate requirements for users to meet at each stage of the DA process
- insufficient coordination between and within agencies involved in the DA process
- limited accountability in monitoring and adhering to timeframes
- for some smaller or regional local governments, a lack of resources to process high volumes of DAs (PC 2021b, p. 16).

Delays can have a greater impact on properties at the lower end of the price spectrum than on higher priced segments. The Property Council of Australia said:

In price sensitive and lower-margin areas, even six month delays have a big impact. With no scope to absorb additional cost, projects either do not proceed or stay carefully aligned to a 'path of least resistance'. This is at the expense of innovation, quality, and diversity of built form in our communities — the very outcomes the planning system seeks to facilitate. (2021b, p. 7)

Studies looking at the cost of planning delays are summarised in box 13.2.

Box 13.2 – What is the cost of planning delays?

Estimates of 'holding costs' or planning delays

Studies looking at the costs of planning delays estimated that:

- reducing waiting times by six months from a baseline of 18 months could reduce costs by \$6000 per dwelling (DAE 2016, p. 14)
- planning delay costs added \$4000–\$12 000 to the cost of a dwelling where average waiting times exceeded the minimal expected (the best case scenario). Costs varied between greenfield and infill developments and between States (CIE 2011, p. 47)
- development holding costs were adding \$15 000 to \$20 000 to the cost of a dwelling prior to Queensland's planning and development assessment systems being reformed (Department of Infrastructure (Queensland) 2007).

Estimates of the costs of planning uncertainty

The Centre for International Economics looked at the difference in risk premiums between low- and high-uncertainty environments to quantify uncertainty as the additional profit that would be needed to assure developers of a project's viability. It found the 'hidden cost' of planning uncertainty was \$17 000–\$27 000 per dwelling for both greenfield and infill developments (CIE 2011, p. 46).

13.3 How infrastructure affects housing supply

Economic infrastructure (water and sewerage, transport, information and communication networks) and social infrastructure (such as parks, schools, libraries and hospitals) are essential for the efficient functioning of cities.

New or improved local infrastructure in existing communities can also assist with mitigating some of the potential negative impacts of new development — for example, improved roads can ease traffic congestion, more or better green space can maintain or improve amenity and new social infrastructure can offset increased demand for local services. New or improved infrastructure can therefore help communities accept development.

Challenges with providing infrastructure to support new development include:

- aligning delivery of infrastructure with housing development
- determining who should pay for what.

Lagging infrastructure is a constraint on housing supply

New housing supply and population growth needs to be matched with infrastructure delivery, and careful staging is needed (Rowley et al. 2020, p. 4). State Governments commented on the challenge of delivering timely infrastructure in submissions:

Planning and delivery of infrastructure and services is not always well sequenced or prioritised to align with housing supply. Access to, and congestion in, public transport, roads, schools and public spaces are a constraint on growth in metropolitan Sydney. Connection to water and other essential services are issues for greenfield developments in Greater Sydney ... Delivery of critical infrastructure to service increasing housing supply is an issue in regional NSW. (NSW Government 2021g, p. 13)

... a considerable barrier to new development is the cost of enabling and catalyst infrastructure. In addition, for larger growth areas the fragmentation of land results in a situation where neither the local government or an individual developer can afford the upfront funding of necessary infrastructure creating a significant barrier to new development. (DSDILGP (Qld) 2021, p. 1)

The Australian Local Government Association pointed to a lag in infrastructure provision and lower infrastructure investment per capita in greenfield areas, typically the outer ring of cities:

Fast growing outer suburbs generated 35% of population growth and 25% of jobs growth between 2011–2016 but only received 13% of infrastructure investment. On a per capita basis, asset provision in the fast-growing outer suburbs is 20% below the metropolitan average. ... These outer areas are under-serviced and under-resourced in infrastructure and service provision. In 2016, a \$50 billion backlog in health and transport infrastructure in these fast-growing outer suburbs was identified, as compared to neighbouring middle-ring suburban LGAs. (2019, pp. 11–12)

And many submissions noted the importance of infrastructure for development.

Infrastructure unlocks the land that can be developed for residential use. While residential land development is primarily a private sector undertaking, development can only occur where government investment in infrastructure facilitates urban growth, and there is a commitment to provide public infrastructure to support new communities. (HIA, sub. 66, p. 12)

Gaps in the delivery of enabling infrastructure — such as new regional roads, water, electricity and wastewater — are often the final delay to the creation of new housing supply. (UDIA, sub. 35, p. 37)

The Reserve Bank of Australia also said that underinvestment in transport infrastructure has constrained growth in the supply of well-located land (Lowe 2015).

Regional areas may face particular hurdles. The NSW Government commented that regional councils in the State 'have limited funding to expand or upgrade infrastructure services, with less capacity to recoup costs through developer contributions and lower overall profit margins for regional developments' (NSW

Government 2021g, p. 13). It called for Australian Government co-funding of major and local infrastructure projects to support regional housing supply. The Regional Australia Institute noted:

Local infrastructure costs are often a barrier to land release [in regional areas]. Bringing shovel-ready land to market in a timely way to meet the additional demand would help alleviate such growing pains. Smaller local governments (in areas where private development isn't occurring) often lack the financial capacity to invest in local housing infrastructure. (RAI 2021, p. 18)

Planning constraints that restrict density in infill locations drive more development to greenfield sites on the urban fringe. But this works to increase the costs of delivering infrastructure to support the additional dwellings, as greenfield sites typically cost more to service than infill locations. For example, Infrastructure Victoria found that providing infrastructure to greenfield lots cost two to four times more than infill development because of spare capacity in established areas.

How can coordinating infrastructure and services support more housing?

Lags and deficits of social and economic infrastructure in greenfield growth areas can make it harder for developers to sell to the market. And because the initial essential infrastructure required for new housing developments can also be used by future developers in the area, first-mover developers often do not capture the full benefits of their investment — resulting in development being held back (NHFIC 2021a, p. 4).

These lags and deficits partly reflect disjointed planning, scheduling and delivery of infrastructure. Better alignment of Australian, State and Territory and local government infrastructure priorities and delivery would assist. As the first step, States and Territories should assess their infrastructure arrangements against leading practice to identify opportunities for improvement (box 13.3).

Box 13.3 – Leading practice in coordinating infrastructure to support new housing development

The Commission's 2011 benchmarking report on Australian business regulation identified 'leading practice' across jurisdictions' approaches to providing infrastructure for new housing developments. These leading practices were:

- an approach to the coordination of infrastructure that is grounded in detailed land use planning and supplemented by infrastructure-specific planning
- a designated body responsible for the coordination of infrastructure in new development areas with:
 - a wide remit. If the body is not responsible for an entire metropolitan area, then responsibility for those areas planned to accommodate the majority of the city's growth would focus attention on the locations most in need of infrastructure co-ordination
 - responsibility for engaging all infrastructure providers — both public and private — as part of the planning process
 - sufficient power to direct or otherwise bind infrastructure providers to their commitments to deliver the immediate and near-term infrastructure needs of settlements (as determined and agreed through a structure planning process)
 - the ability to elevate significant strategic issues and/or decision making to the level of Cabinet when it is relevant to do so.

Source: PC (2011b, pp. 223–224).

Governments should also consider policy approaches that recognise the dependency of new housing supply on enabling infrastructure.

- Greater consideration should be given to the timing and alignment of infrastructure. This requires coordination at State and local government levels. Regional infrastructure planning processes, such as the Queensland Government's approach to the South East Queensland growth area, are helpful examples of better practice.
- The Australian Government could consider major infrastructure investments as opportunities to partner with State governments to achieve housing outcomes in tandem with well-delivered infrastructure projects.

How should infrastructure be financed?

Ensuring adequate funding for infrastructure — through upfront charging, borrowing or through general revenue — needs to be a policy priority for governments aiming to increase housing supply.

Development contributions or broad-based revenue?

Development contributions are upfront contributions that property developers make to State or local governments and authorities to supply community facilities and infrastructure on the land they develop. This can be in the form of land transfers (land 'gifted' to the government), works-in-kind (works constructed then transferred to public authorities), or financial payments (developer charges covering the cost of infrastructure or land). Development contributions are used by all States and Territories.

Development contributions are intended to make developers contribute to the cost of new infrastructure for housing developments. The rationale is that the cost of providing new infrastructure should be borne by those who create the need for it. Through development contributions, part of the cost of new infrastructure to support a housing development is paid initially by developers, who then typically pass the cost on to new home buyers. In theory, this helps encourage housing to be built in locations at least cost to the community and avoids the need for existing residents to pay for infrastructure that is only required because of new developments.

However, a review of development contributions by NHFIC found that, over time, development contributions have broadened in scope from funding economic infrastructure where there is a clear nexus to new housing (water and drainage, for example), to social infrastructure traditionally funded by State budgets (such as community centres and schools) (NHFIC 2021a, p. 3).

In particular, New South Wales, Victoria and Queensland have extensively used developer charges to fund social infrastructure. In New South Wales, infrastructure contributions raise more than \$1 billion a year (NSW PC 2020, p. 17). NHFIC estimated that, of the five Sydney councils it analysed, an average of 63 per cent of all funds raised by development contributions between 2017 and 2020 were earmarked for social infrastructure rather than economic infrastructure (NHFIC 2021a, p. 17).

Funding social infrastructure through development contributions acts like a tax on new housing and can reduce affordability for prospective home owners. And the costs are non-trivial. NHFIC's case studies showed that developer contributions are between 8 and 11 per cent of total construction costs, which amounts to:

- \$25 000 to \$85 000 per dwelling in New South Wales
- \$37 000 to \$77 000 per dwelling in Victoria
- \$29 000 to \$42 000 per dwelling in Queensland (NHFIC 2021a, p. 4).

There is also a hidden cost from development contributions, which results from the complexity, variability and unpredictability of the levies. This uncertainty affects developers' margins and can impede new housing supply, particularly for projects where margins are smaller, such as those with more affordable dwellings.

NHFIC found that different reporting requirements across jurisdictions obscure the source of funds and what they are being spent on (2021a, p. 15).

The Housing Industry Association argued that developer charges restrict housing supply and add significantly to the cost of new homes.

Levies and charges applied to development to cover physical and social infrastructure significantly affect new housing affordability. The charges being applied through development levy schemes have become increasingly significant. This is partially due the large range and high quality of facilities being requested by authorities and in many cases a decision to shift the majority of the upfront costs of these types of infrastructure onto new developments. Councils apply their own approach to the types of infrastructure deemed essential which results in more levies and variations in the amounts being charged. The levies are now so significant they are impeding supply of housing and significantly adding to the upfront costs of new homes. (sub. 66, p. 12)

The Commission has previously identified principles and leading practices for levying developer contributions (box 13.4). The appropriate allocation of the capital cost of infrastructure hinges on the extent that infrastructure provides services to people in a particular location relative to the community more widely. When new local infrastructure to support housing provides broad-based benefits to the wider community (as opposed to concentrated benefits for just new residents), government funding from a broad-based revenue source is likely to be more appropriate than development contributions.

Box 13.4 – Principles and leading practice in levying developer contributions

The Commission's 2011 benchmarking report on Australian business regulation identified the following principles and leading practices for the efficient and effective use of developer contributions.

- **Need and nexus** — the need for the infrastructure included in the developer contribution plan must be clearly demonstrated (need) and the connection between the development and the demand created should be clearly established (nexus).
- **Transparency** — both the method for calculating the developer contribution and the way it is applied should be clear, transparent and simple to understand and administer.
- **Equity** — developer contributions should be levied from all developments within an area based on their relative contribution to need.
- **Certainty** — all developer contributions should be clearly identified and methods of accounting for escalation agreed upon at the commencement of a development.
- **Efficiency** — developer contributions should be justified on a whole-of-life capital-cost basis consistent with maintaining financial discipline on service providers by precluding over recovery of costs.
- **Consistency** — developer contributions should be applied uniformly across a 'developer contribution area' and the methodology for applying contributions should be consistent.
- **Right of consultation and arbitration** — land owners and developers should have the right to be consulted on the manner in which developer contributions are determined, and to seek a review by an independent third party.
- **Accountability** — there should be accountability in the way developer contributions are determined and expended.

These principles underpin leading practices:

Box 13.4 – Principles and leading practice in levying developer contributions

- Upfront charging should be used to finance **major shared infrastructure** — such as trunk infrastructure — for new developments where the incremental costs associated with each development can be well established and where such increments are likely to vary across developments. This would also accommodate ‘out-of-sequence’ development.
- For **infill development** where system-wide components need upgrading or augmentation that provide comparable benefits to incumbents, funding should occur through borrowings and be recovered through rates or taxes (or the fixed element in periodic utility charges).
- For **local roads, paving and drainage**, it is efficient for developers to construct them, dedicate them to local government and pass on the full costs to residents (through higher land purchase prices) on the principle of ‘beneficiary pays’.
- For **social infrastructure which satisfies an identifiable demand** related to a particular development (such as a neighbourhood park) the costs should be allocated to that development with upfront developer charges an appropriate financing mechanism.
- For **social infrastructure where the services are dispersed more broadly**, accurate cost allocation is difficult if not impossible and should be funded with general revenue unless direct user charges (such as for an excludable service like a community swimming pool) are possible.

Source: PC (2011b, pp. 202, 215).

Borrowing to finance infrastructure

Borrowing is an alternative method to infrastructure contributions that local governments can use to fund local infrastructure. However, as NHFIC noted (2021a, p. 2), local governments in Australia appear to be averse to incurring debt. Some local governments may lack large-scale financial capabilities. Rate capping also limits the capacity of local governments to borrow and service loans. This situation is despite a range of debt options being available to help local governments raise finance, including:

- borrowing through the National Housing Infrastructure Facility (NHIF) of NHFIC, which offers concessional loans, grants and equity finance to help fund critical housing infrastructure, including new or upgraded infrastructure for essential services and site remediation works
- issuing public bonds into the Australian market (which may be a viable approach for borrowing larger amounts of money) (NHFIC 2021a, p. 23)
- borrowing through state government entities, which is offered by some jurisdictions. For example:
 - the Queensland Government’s \$200 million Building Acceleration Fund — a no-interest loan facility to local governments, developers and utility providers aimed at increasing ‘catalyst’ infrastructure (DSDILGP (Qld) 2021, p. 1)
 - in New South Wales, borrowing through the state TCorp, which offers competitive rate loans to local governments (NSW Government nd).

Looking at barriers to bringing shovel-ready land to market in a timely way, the Regional Australia Institute recommended that local governments consider accessing funds (concessional loans, grants and equity investments) from the NHIF to accelerate housing supply (2021, p. 18). Some participants recommended expanding the NHIF:

[The Urban Development Institute of Australia (UDIA) recommends] An allocation of \$1 billion be made under NHFIC’s investment mandate — to be matched by each state and territory — to

unlock regional-scale enabling infrastructure matched to specific new housing supply targets set at the outset. (UDIA National, sub. 35, p. 38)

The Local Government Association of Queensland, however, noted that:

... federal initiatives such as the National Housing Finance and Investment Corporation (NHIF) have key limitations that have resulted in limited to no uptake by local governments. (Local Government Association of Queensland, sub. 63, pp. 21)

A recent review of NHIF noted that the NHIF has struggled to gain much interest from local government authorities — as at August 2021, no project driven by a local government had gone beyond an expression of interest. The review noted that local governments preferred accessing finance from their State treasuries, and State Government agencies found the process of establishing a debt facility was easier with their State treasury than with NHIF (The Treasury 2021, pp. 43–44). The review concluded that local governments' hesitancy to pursue finance from the NHIF may reveal lack of familiarity with the fund, uncertainty about who can (and how to) access it, or a misalignment between what project proponents need and what the NHIF offers within its current design parameters (The Treasury 2021, p. 77). The review recommended — and the Australian Government supported — amendments to how the NHIF works and an in-depth review if it continued to be under-used after another two years of operation (Australian Government 2021a, p. 5).

The Commission agrees with the review's concerns. If the NHIF continues to be under-used after another two years of operation, the facility should be closed.



Finding 13.1

Infrastructure can do more to unlock housing supply

The timely delivery of economic and social infrastructure to greenfield and infill development sites is critical to the supply of new housing. Better coordination across State and Territory government agencies and between governments can help to align infrastructure delivery with housing developments. There is also evidence that infrastructure funding is not as efficient as it can be in some jurisdictions.

- There appears to be instances of governments using developer charges to cost-shift the funding of general community services onto new home owners, which has a detrimental impact on housing affordability.
- Local governments are making little use of debt to fund infrastructure. Greater use could help to address infrastructure bottlenecks that constrain housing supply.

13.4 System-wide reform priorities for planning and zoning

One of the intended outcomes of the NHHA is 'a well-functioning housing market that responds to local conditions'. The planning system can contribute to a well-functioning housing market by facilitating the supply of new dwellings while minimising uncertainties, complexities, delays, fees and charges, and balancing competing policy objectives. This can be thought of as the *system-wide* role of planning.

The Commission considered three key areas in scope for governments to improve their planning systems:

- strategic planning
- development assessment
- land supply.

Strategic planning and development assessment

The Commission recently identified priority reform areas for land use planning and development assessment in its *Plan to Identify Planning and Zoning Reforms* (PC 2021b) (box 13.5).

Box 13.5 – Priority reform areas for strategic planning, land use controls and development assessment

At the request of the Council on Federal Financial Relations, in 2021, the Productivity Commission released a plan to identify priority planning and zoning reform areas related to strategic planning, land use controls and development assessments.

The priority reform areas for strategic planning and land use controls identified by the Commission were:

- ensuring local plans can deliver on state development objectives
- moving to fewer zones with broadly stated allowable and as-of-right uses
- standardising permissible land uses within zone types
- creating defined and efficient processes for rezoning applications.

The priority reform areas to reduce the compliance costs and delays at each stage of the DA process were:

- increasing use of fast, streamlined assessment tracks
- reducing the time taken to assess development assessment applications
- using the right decision makers for statutory consent
- promoting faster appeals and review processes
- improving post-approval processes.

Source: PC (2021b, pp. 30–31).

Urbis and the Property Council of Australia also identified planning reform progress and opportunities including ‘quick wins’ to reduce delays on approvals, such as:

- more transparent processes for re-zonings
- greater accountability of agency referrals to increase transparency and accountability for decision making timeframes
- ensuring simple proposals undergo simple assessment processes, using complying development and private certification pathways (2020, p. 9).

All State and Territory Governments are undertaking planning reforms (including some in the priority reform areas identified in box 13.5).

Because planning reforms affect the rate at which new housing can be supplied — and therefore affordability — States and Territories should re-examine the extent to which their practices align with best-practice principles. Jurisdictions could begin by asking some key questions about how their planning systems are working:

- **governance and accountability** — are the right players making the right decisions? Are the incentives right? Is there a need for greater coordination on infrastructure?
- **information and transparency** — do all players have the right information to make good decisions at all levels of decision-making? Is there a need for an independent, transparent and evidence-based source of information?

- **resourcing and planning capacity** — is resourcing and capacity sufficient across specific local governments and State agencies to implement the reforms required?

Land supply

Stakeholders spoke about the need for certainty about the pipeline for developable land. The Housing Industry Association, for example, said government strategies should aim to deliver certainty in land supply by:

- identifying a rolling minimum of 15–25 years of forward land supply to meet long-term demand (reviewed every five years)
- ensuring, with industry, adequate land with development approval to meet short-term demand (a five-year supply)
- reporting regularly and transparently on the number of allotments at key stages of the subdivision process (sub. 66, p. 11).

The UDIA is designing a ‘development ready metric’ that breaks down the pipeline of developable land into four tiers:

- land available for immediate development commencement (within six months) with no outstanding rezoning or approvals
- land zoned with majority of approvals in place (suggesting development commencement between six months and two years)
- land zoned with multiple approvals missing (suggesting development commencement between two and five years)
- unzoned land identified for future dwellings with no approvals in place (suggesting dwelling commencement between five and ten years) (pers. comm., 22 July 2022).

Stakeholders also pointed to a lack of publicly available data on land supply. Master Builders Australia (sub. 64, p. 26) called for better data on the volume and price of land at all stages in the residential pipeline in all eight jurisdictions.

To address the issue of fragmented ownership (section 13.2), local governments and state development agencies can assemble sites that allow developers to deliver at scale. AHURI argued for an expanded role for state development agencies to prepare difficult-to-develop sites for release to the private sector — a role that becomes increasingly important as fewer easy-to-develop sites remain (Rowley et al. 2020, p. 75). For example, in South East Queensland, fragmented ownership is a key issue as there is no one developer who can fund the infrastructure required to unlock a greenfield site. In response, the Queensland Government convened a specialist growth areas team to set up partnerships between developers, local governments, utility providers and the State, which supports infrastructure planning and funding arrangements for the region (DSDILGP (Qld) 2021, p. 1). Greater use of government land organisations to pave the way in complex projects and to remedy fragmented land holdings would reduce risk in development sites to a level that is feasible for private sector developers to complete projects (PC 2011b, pp. 97, 137).

Land management programs that monitor outcomes assist in planning future residential developments. In particular, performance indicators that trigger an adequacy review provide a strong policy setting. States’ and Territories’ efforts to monitor land supply outcomes vary — with the Queensland Government’s publicly available annual Land Supply and Development Monitoring Report providing an example of better practice (box 13.6).

Box 13.6 – Queensland’s growth area land supply and development monitoring approach

The South East Queensland Regional Plan *ShapingSEQ* sets dwelling supply benchmarks for the region for each local government area in this high growth corridor.

ShapingSEQ also:

- sets an objective for planning instruments to accommodate dwelling supply benchmarks to 2041
- establishes an objective that there will always be at least 15 years’ supply of land that is appropriately zoned and able to be serviced.

The 2041 benchmarks and baselines are static supply objectives, while the 15-year policy objective is a rolling assessment of supply each year which takes into account recent growth, remaining supply, and the expected rate at which supply will be consumed.

ShapingSEQ also establishes that land supply will be measured based on its realistic availability for development rather than its long-term capacity for development.

To measure whether these policy objectives are being met, the publicly available annual Land Supply and Development Monitoring Report provides:

- an estimate of the capacity, take-up and the realistic availability of planned dwelling supply and the capacity for each local government area
- an estimate of the number of years it will take for growth to consume each estimate of supply.

ShapingSEQ also has short-term land supply objectives of a minimum of four years’ approved supply across South East Queensland. This measure provides an indication of the level of approvals available to support the pipelines of construction at the regional level and local government area, allowing any lagging local government areas that fall below four years of supply to be identified for policy responses.

ShapingSEQ also includes housing diversity objectives, which are reported on annually through the Land Supply and Development Monitoring Report.

Source: Department of Infrastructure, Local Government and Planning (Queensland) (2017).

The Commission supports States and Territories setting land supply objectives to monitor and address the pipeline of land supply. Providing more certainty in land supply would promote efficiency in housing supply and help to coordinate infrastructure that needs to be in place. Reporting annual progress against performance indicators is also important.

The Australian Government has announced it will establish a National Housing Supply and Affordability Council. The Council could promote consistency in the measures and methods used by States and Territories to set targets and report progress on land supply — or go as far as setting the land supply targets itself, in consultation with States and Territories, drawing on experts and industry.

A minimum set of land supply targets would include:

- a rolling minimum of 15–25 years of forward land supply
- adequate land with development approval to meet short-term demand (up to five years into the future).

A more detailed set of targets might employ the UDIA’s approach of four tiers of land supply at different stages of the approvals pipeline.



Recommendation 13.1

States and Territories should report annual progress against land supply targets

States and Territory Governments should set rolling long- and short- term land supply targets for major growth areas and report annual progress against these targets.

- States and Territories should set out how they estimate future demand for land, and report on the number and location of zoned and development-ready lots, disaggregated by infill/greenfield and permitted density.

13.5 Planning can address housing affordability by facilitating density and diversity

In addition to the system-wide role of planning, there are specific planning levers that can facilitate the supply of lower-cost housing, greater density and diverse housing models. Allowing ‘meanwhile use’ and demonstration projects on government land can also help facilitate housing diversity.

Some stakeholders advocated for incentives and concession schemes for social and affordable housing to be delivered through the planning system. These schemes (and their merits or otherwise) are discussed in chapters 7 and 8.

Zoning for higher density and infill development

Infill development is one way to address a lack of housing diversity, make more efficient use of infrastructure and improve accessibility to services. Infill development offers advantages over greenfield development, including fewer adverse impacts on the environment and more efficient use of infrastructure. The extent to which infill development should be prioritised is a live question for policy makers — with growth planning in the Perth and Peel regions providing an example of the conundrums that policymakers face (box 13.7).

Box 13.7 – Three urban growth scenarios — Perth and Peel region case study

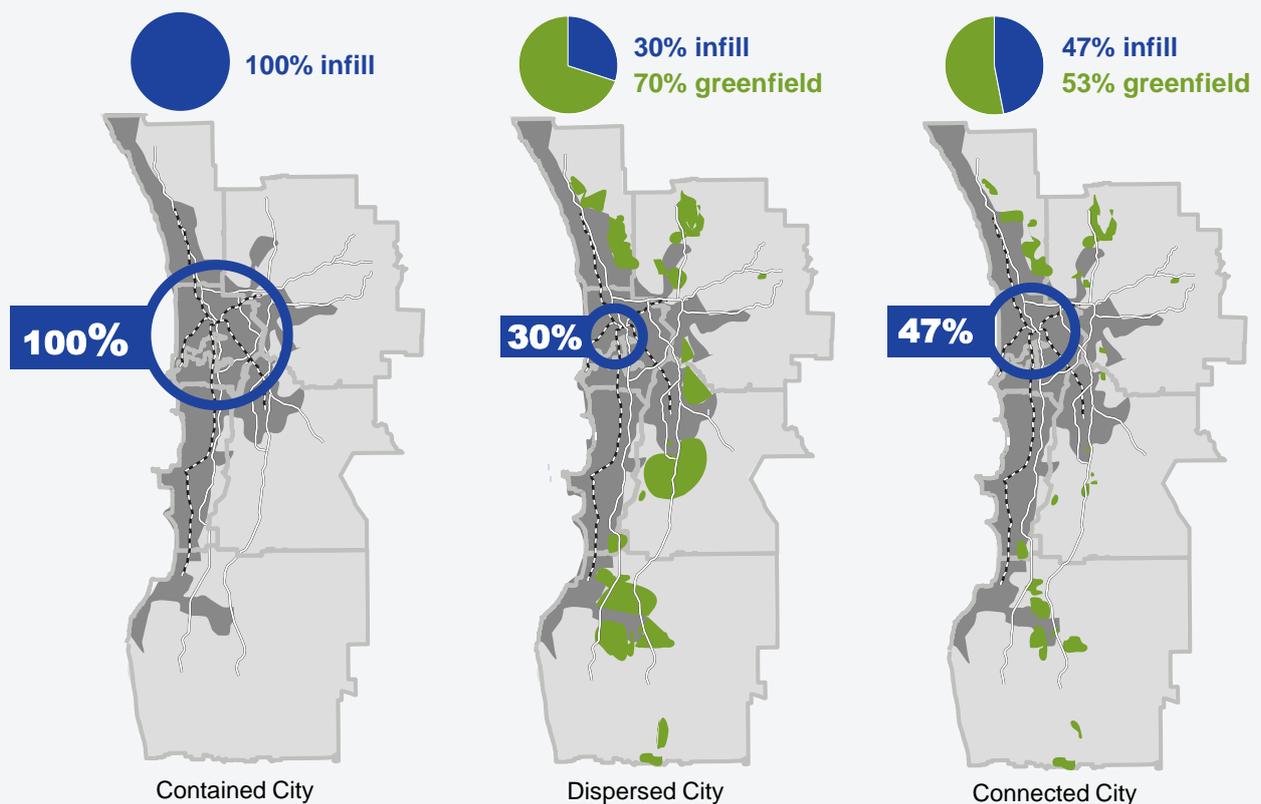
The Western Australian Government compared three growth scenarios in *Directions 2031 and Beyond* to determine the urban form that would best meet development goals for the Perth and Peel region.

In the **contained city** scenario, future growth is limited to the existing urban environment with no further greenfield development. While there are conservation benefits to the natural environment and rural land, existing urban areas would need to accommodate all new housing, with impacts on the character of suburbs.

In the **dispersed city** or business-as-usual scenario, new dwellings are predominantly built on greenfield land, with a substantial impact on the natural environment. This option also reduces the capacity for infrastructure efficiency, requires the greatest infrastructure investment, increases vehicle kilometres travelled and puts pressure on local supplies of building materials.

Box 13.7 – Three urban growth scenarios — Perth and Peel region case study

The preferred **connected city** scenario was designed to balance development between selected infill and peri-urban areas adjacent to the existing urban front. This approach aimed to protect important sites of conservation and agricultural value and make more efficient use of land and infrastructure. To achieve this scenario the Perth and Peel framework sets a target of 47 per cent infill and 53 per cent greenfield development.



Source: Department of Planning, Lands and Heritage (WA) (2018, p. 18).

The Grattan Institute argued that planning restrictions in Australian cities have led to a shortage of medium- and high-density housing in middle-ring suburbs (2021, p. 10). This argument claims that boosting density in inner- and middle-ring suburbs offers the greatest positive impact on housing affordability compared to other housing policy interventions (Grattan Institute 2021, p. 13).

Increasing density in residential zones can be done in different ways, many of which are complementary (table 13.1). The benefits can be large — Centre for International Economics analysis for the NSW Productivity Commission found the net benefit from enabling smaller apartments in NSW’s State Environmental Planning Policy (Housing) and *Apartment Design Guide* would be \$1 billion in net present value terms (NSW PC 2021a, p. 286).

Table 13.1 – Four ways to increase density

	Impact on housing supply and affordability	Examples where the approach has been applied
Remove zoning rules that allow only single detached housing	Allows more medium-density housing	Auckland, Portland (Oregon), Maine, California
Allow greater density around transit hubs and transport corridors	Increases supply of well-located land for housing	New Zealand, Sydney (to some extent), Minneapolis
Relax minimum car park requirements	Reduces the cost of housing; land can be switched to higher value use (housing) rather than ‘oversupplying’ parking	Minneapolis
Relax minimum floor sizes and/or lot sizes	Allows more housing to be built per block of land	Minneapolis

Source: Bailey (2020); CPED Minneapolis (nd); Demas (2021); Greenaway-McGrevy and Phillips (2021); NSW PC (2021a); The Office of Governor Janet T Mills (2022).

Relaxing planning restrictions on density in residential zones can be done selectively, such as around train stations, across a wider urban area — or even a city as a whole. ‘Upzoning’ is a zoning change that increases the potential density of housing within an existing residential zone. The cities of Portland and Minneapolis in the United States and Auckland in New Zealand are examples where large-scale upzoning initiatives have been undertaken.

International evidence suggests that upzoning can improve housing affordability. Overseas jurisdictions that have undertaken large-scale upzoning initiatives, such as Auckland (box 13.8), have seen a strong supply response and lower rents (chapter 12). Although Auckland’s zoning reforms are recent — and the full impacts of their changes will not be known for several years — Auckland provides an example of how upzoning can increase and change the nature of housing supply. The number of new dwellings in the city nearly doubled between 2016 and 2022 and a significant proportion of these new dwellings took the form of relatively dense, multi-unit urban infill development.

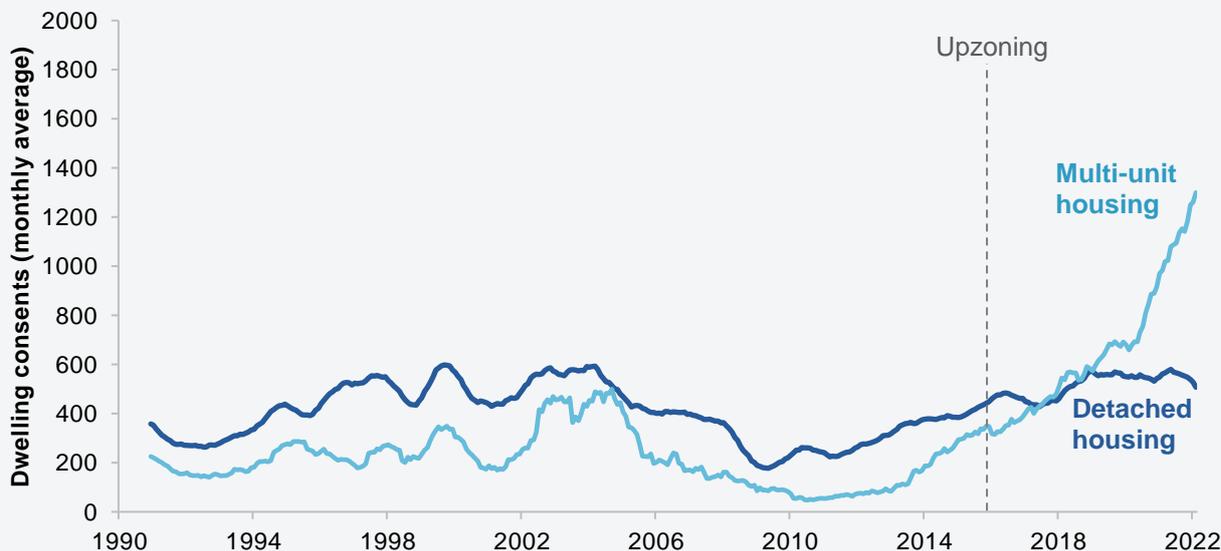
Box 13.8 – Upzoning in Auckland increased and intensified housing supply

In 2016, Auckland Council upzoned about three-quarters of Auckland’s core residential land area to promote construction of more intensive housing. Land use regulations were eased to enable higher density development, such as terraces and apartments (Greenaway-McGrevy and Phillips 2021, p. 2).

The upzoning in Auckland saw a large increase in new dwelling commencements, most of which were multi-unit dwellings. Annual building consents for the year ending May 2022 were more than double that in 2016 (21 700 compared with 9400).

Post-upzoned Auckland has broken multi-unit records^a

Auckland dwelling consents 1990–2022^b



a. Multi-unit housing includes apartments, retirement village units, townhouses, flats and units. **b.** 12-month rolling average. Source: Commission estimates using Stats NZ data (*Building Consents Issued: May 2022* (Stats NZ 2022)).

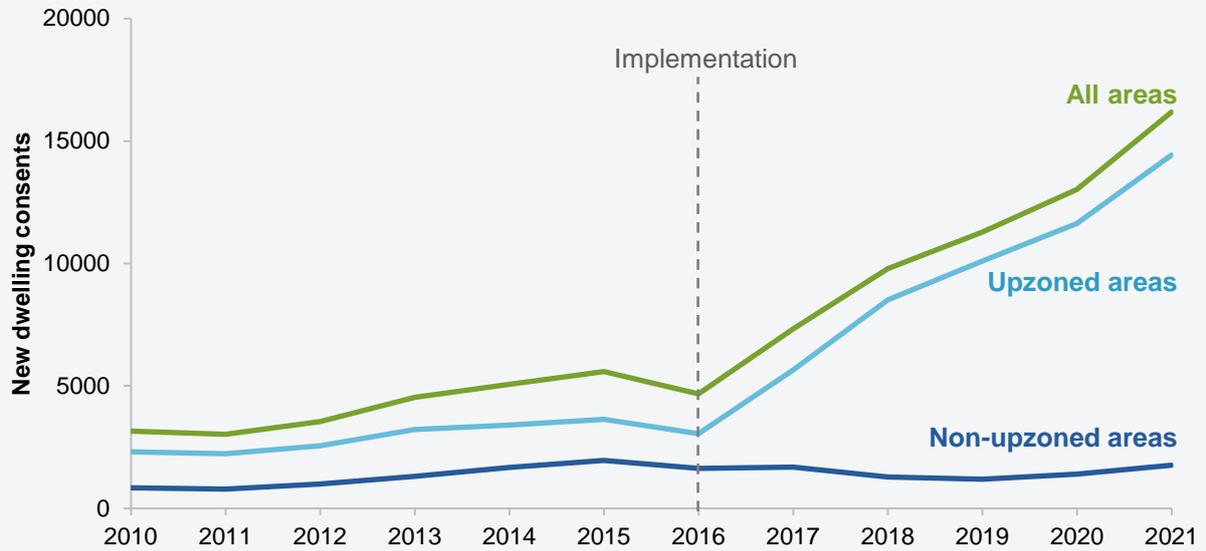
Some studies have tried to determine the extent that upzoning reforms caused this increase — as opposed to the increase caused by an already rising market. For example, Greenaway-McGrevy and Phillips found that the upzoning reforms led to an increase of 20 000 new dwellings (just under 4 per cent of the stock of housing in the Auckland region) over a four-year period, indicating that it can be a way to deliver new housing quickly.

The location and composition of builds also changed. In 2015, two-thirds of housing permits were issued in the inner suburbs. In 2020, this figure was about 85 per cent (Greenaway-McGrevy 2022). And most new builds are now medium- and high-density dwellings.

... and this was because of the zoning reforms

Auckland dwelling consents 2010–2021

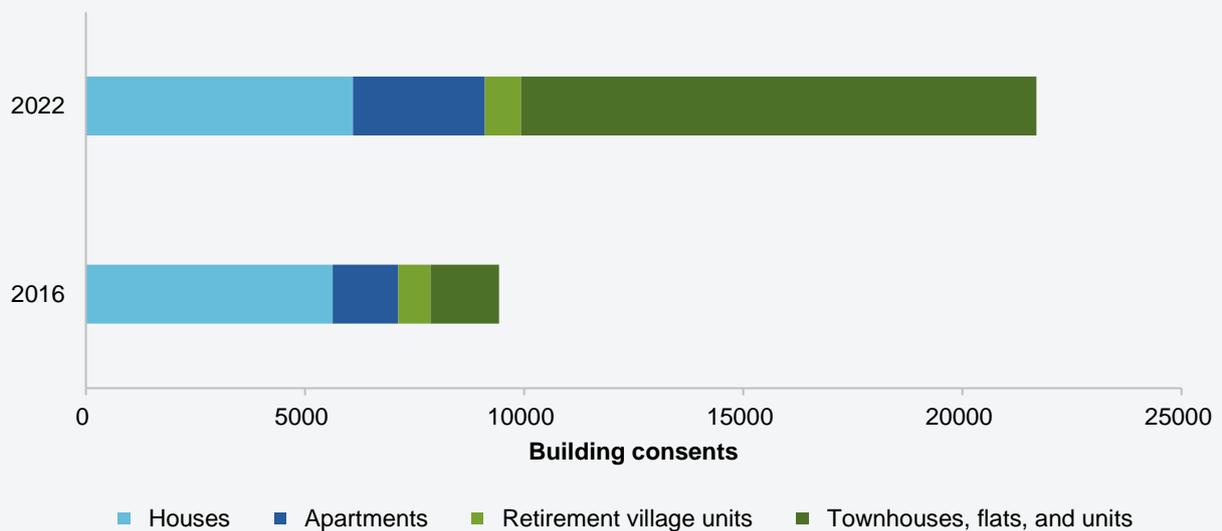
Box 13.8 – Upzoning in Auckland increased and intensified housing supply



Source: Updated from Greenaway-McGrevy and Phillips (2021).

The composition of Auckland's builds has changed

Building consents in Auckland in 2016 and 2022, year ending May



Source: Commission estimates from Stats NZ *Building Consents* (Stats NZ 2022).

Zoning restrictions in many parts of Australian cities constrain development of medium-density housing (box 13.9). By international standards, Australian cities have low population densities. In Sydney, for example, the densest local government area (the City of Sydney) has just over 9000 people per square kilometre, compared to New York City's Manhattan borough with about 27 000 people per square kilometre. And several of the innermost Sydney local government areas (Woollahra, Randwick and Mosman) are less dense than middle-ring areas (Burwood and Canada Bay) (NSW PC 2021a, p. 269).

Box 13.9 – Zoning restrictions on density

Planning and zoning restrictions on density vary across jurisdictions. Some zoning regulations that constrain development of medium-density housing include:

- in Melbourne, the 'neighbourhood residential zone' applying to land with specific neighbourhood, heritage, environmental or landscape value. Changes in 2017 to improve housing diversity included increasing height restrictions and replacing the limit on number of dwellings allowed on a property with a new mandatory minimum garden area (Department of Environment, Land, Water and Planning (Victoria) 2017)
- in Sydney, R2 Low Density Residential zones comprising mainly low-density housing. The planning objective in this zone is to protect the locality's single dwelling character and landscape setting. While permitting dual occupancies and multi-dwelling, housing is required to be at a scale and density compatible with the single dwelling character of the location (Sutherland Shire Council nd)
- in Brisbane, 'low density residential' zoning. This zoning permits houses, granny flats and rooming accommodation but not duplexes, townhouses, row houses or villas (Brisbane City Council nd)
- in Canberra, RZ1 zoning in many well-located suburbs. An objective of RZ1 zoning is to 'protect the character of established single dwelling housing areas by limiting the extent of change that can occur particularly with regard to the original pattern of subdivision and the density of dwellings' (ACT Parliamentary Counsel 2018).

There are good reasons for zoning rules that restrict density. The appropriate density for an area is what is consistent with its existing and projected population, environment, amenity and liveability and what can be supported by existing or proposed infrastructure, public transport, community facilities and access to jobs (DPE (NSW) 2016, p. 10).

That said, because zoning rules that unnecessarily restrict development can impact housing supply and affordability, governments need to review their zoning rules on housing density. Governments can also assist through planning provisions and design guides that promote liveability and amenity, such as New South Wales' *Design Guide* and Western Australia's *Design WA*.

Because State and Territory Governments are more likely than local governments to face incentives that prioritise wellbeing for society as a whole, zoning reforms need to be led — or incentivised — by State and Territory Governments. As the NSW Productivity Commission put it, 'community concerns should not be disregarded, but they should be considered within the context that more housing will benefit society at large' (2021a, p. 275).

State and Territory Governments should review their zoning restrictions to allow greater density to meet demand for well-located housing in established suburbs and towns with good access to jobs and transport. There is, however, no one-size-fits-all solution to achieving greater density, because the restrictions that 'bite' will be different in each jurisdiction. But a starting point would be to:

- review zoning rules that allow only single detached houses
- allow more dense development 'as of right' along key transport corridors, with height limits set up front

- relax regulations limiting the use and tenure of secondary dwellings
- relax minimum carpark requirements for developments where there is good access to public transport
- relax minimum floor sizes.
- Planning processes that assist in achieving greater density may also be considered, including:
 - fast-tracking or code-assessing small-scale urban infill projects rather than requiring these projects to apply for development approvals. For example, the NSW Low Rise Housing Diversity Code allows well designed dual occupancies, manor houses and terraces up to two storeys to be carried out under a fast track complying development approval.
- using design guides or nominating high-quality designs for medium-density dwellings that would be permitted automatically in middle-ring suburbs.

There are limits to what zoning alone can achieve. Even when land is appropriately zoned, developers will make decisions based on profitability, and profitability — at least at the moment — is higher for single-storey detached dwellings with three and four or more bedrooms than for medium- and high-density developments.

Changing zoning to allow for more dwellings might also need to be done in concert with other planning reforms or in conjunction with providing new or upgraded infrastructure. Improved local amenity from well-designed developments and additional community infrastructure can also lessen community opposition to higher densities. Density and liveability need not involve trade-offs — good planning is able to improve liveability and environmental sustainability alongside greater density. Singapore and London both have high population densities and score highly on liveability (Urban Land Institute Singapore and Centre for Liveable Cities Singapore 2013, p. 9).

These issues are not limited to big cities — regional stakeholders also raise concerns about access to affordable and diverse housing, particularly medium-density housing, to support changing demographics and migration trends (box 13.10).

Box 13.10 – Access to diverse housing in regional areas

Concerns were raised with the NSW Regional Housing Taskforce about providing access to dwellings suitable for aging in place and accessibility to shops and services (DPIE (NSW) 2021c, p. 30).

The Regional Australia Institute, for example, said:

Supply is not keeping up with demand in many parts of regional Australia, and the mix of housing being supplied is generally not meeting the needs of existing and new residents. Underinvestment in medium-density housing in regional Australia is particularly acute. (RAI 2021, p. 27)

Research in Western Queensland found that even the smallest and most remote communities' local housing stocks need to be more diverse to meet the needs and preferences of these communities, including being able to attract young, single professionals and skilled tradespeople to fill local jobs. Councils in Western Queensland estimated that nearly half of the additional 1480 dwellings required by their communities should be non-detached housing (RAI 2021, p. 19).

To address the unmet demand for non-detached or medium-density dwellings in regional Australia, the Regional Australia Institute recommended policymakers review planning and zoning settings at State and local levels to enable a greater share of non-detached housing to be built in a timely way (RAI 2021, p. 19).

Box 13.10 – Access to diverse housing in regional areas

In a similar vein, the New South Wales Regional Housing Taskforce recommended prioritising diverse housing through:

- regional and local strategic plans
- minimum density and housing mix requirements for new development
- place-based infill housing targets
- reviewing planning instruments to ensure they enable infill housing
- introducing model controls that support councils to facilitate good infill design outcomes (DPIE (NSW) 2021d, p. 6).

Innovative housing models — options for lower cost housing?

Innovative housing models are gaining support in some jurisdictions as a way to diversify housing supply and provide more affordable housing options for people on lower incomes. Examples of innovative housing models include:

- affordable-by-design dwellings
- moveable dwellings such as ‘tiny houses’
- temporary or demountable ‘dongas’
- granny flats and secondary dwellings
- live–work or co-living dwellings.

Definitions for the housing models above are often inconsistent, complicating the picture of the diversity of housing. For example, there is no agreed definition of what constitutes a ‘tiny home’, which means they can be regulated inconsistently across jurisdictions (box 13.11).

Box 13.11 – Inconsistent regulation complicates delivery of some diverse housing models — the case of tiny houses

Moveable dwellings such as caravans and tiny homes can improve housing choice and affordability by offering lower upfront and ongoing costs.

These types of housing can provide long- and short-stay residential options depending on the local government regulations in each area (and they can differ markedly across local government areas even within the same state).

According to the Australian Tiny House Association, tiny houses on wheels or skids are ‘the most cost-effective form of housing available today’ (sub. 9, p. 1), but uptake in Australia is impeded by the lack of a consistent regulatory pathway. The Australian Tiny House Association has called for reforms driven by state planning policies based on a nationally consistent template, including:

- a nationally consistent definition of tiny houses on wheels or skids as a unique housing model that is distinct from fixed housing on foundations, relocatable homes (park cabins), caravans and recreational vehicles
- revision of local government planning policies and by-laws that currently restrict or prevent occupancy by non-related persons in secondary dwellings or ‘granny flats’

Box 13.11 – Inconsistent regulation complicates delivery of some diverse housing models — the case of tiny houses

- reduced cost and complexity in the approvals process for tiny houses — such as a proposed innovative pathway in the form of pre-approval for tiny house ‘parking spots’ on freehold or underutilised state land.

The Australian Tiny House Association claims that the lack of a national and state-level definition of tiny houses on wheels adds considerably to the uncertainties with approval pathways. While some local governments assess tiny houses on wheels as ‘caravans’, other local governments consider them to be ‘accommodation’, triggering the need for approvals under State and local planning provisions — a process which can cost over \$10 000 and take more than six months.

Source: Australian Tiny House Association (sub. 9).

While there are multiple regulatory barriers to wider uptake of moveable dwellings such as tiny houses on wheels or skids, there is merit in taking up a national definition and for jurisdictions to assess whether regulation is fit for purpose for this housing type.

Some stakeholders have also called for local governments to review restrictions on the approval of prefabricated and relocatable homes to enable some short-term responses to accommodation shortages in regional Australia (RAI 2021, p. 20).

AHURI identified a range of alternative housing models with the potential to be scaled up in the Australian context, including cohousing, integrated mixed use developments, modular-style manufactured housing using vacant land and low-rise medium-density developments (Tually et al. 2022, p. 1).

There is scope to use moveable dwellings on vacant government land to provide temporary crisis or social housing. For example, Launch Housing — in partnership with Harris Capital and the Victorian Property Fund. — set up 57 tiny homes for people with a chronic experience of homelessness on nine parcels of vacant VicRoads land as part of the Harris Transportable Housing Project in Melbourne’s inner west (Launch Housing nd).

Although some housing types can be supplied at low cost, they may not improve overall affordability if they are not located close to transport and jobs. There may also be health and safety risks to occupants or amenity impacts on neighbourhoods from noise, waste, traffic, parking or stormwater that need to be managed by planning regulations. These issues need to be considered when reviewing how planning can facilitate greater diversity.

That said, jurisdictions should look at whether there are regulatory barriers to diverse and low-cost housing models, as New South Wales has recently done (box 13.12). State Governments can also provide guidance on innovative housing models and best-practice designs to assist local governments. The Local Government Association of Queensland said:

To support Queensland local governments to deliver their planning and development functions effectively and efficiently, the LGAQ seeks the State Government ... develop improved guidance material on innovative, sustainable and liveable housing models (including for small lot housing), in consultation with councils, and demonstrate best practice design outcomes for example, in state-led development projects. (sub. 63, p. 5)

Box 13.12 – Approaches to encouraging housing diversity — New South Wales

New South Wales' new State Environmental Planning Policy (Housing) 2021 began on 26 November 2021. It aimed to give incentives to supply affordable and diverse housing 'in the right places and for every stage of life'.

The Housing SEPP aimed to make the planning system simpler by consolidating five former housing-related policies and includes the planning rules for caravans and manufactured home estates, group homes, secondary dwellings, social and affordable housing, and short-term rental accommodation.

It also introduced two new housing types — co-living housing and independent living units — to meet the population's changing needs, and updated provisions relating to boarding houses, build-to-rent housing and seniors housing.

Source: NSW Department of Planning and Environment (nd).



Finding 13.2

Relaxing zoning constraints can encourage greater density in residential areas

There is no one-size-fits-all solution to achieving greater density, because the restrictions that constrain supply will be different in each jurisdiction. Any changes to zoning regulation should balance the benefits of additional supply against costs to the environment, amenity and liveability of cities. The changes should also be supported by existing or proposed infrastructure, public transport, community facilities and access to jobs. But a good starting point to encouraging greater density in residential zones would be to:

- review zoning rules that allow only single detached houses
- allow more dense development 'as of right' along key transport corridors, with height limits set up front
- relax regulations limiting the use of secondary dwellings
- relax minimum carpark requirements for developments where there is good access to public transport
- relax minimum floor sizes.



Recommendation 13.2

State, Territory and local governments should revise their planning regulations to promote greater housing density and diversity

States, with their local governments, and Territories should revise their planning regulations to promote greater density to meet demand for well-located housing in established suburbs and locations with good access to jobs, services and transport.

States, Territories and local governments should also revise planning regulations to facilitate greater housing diversity, including low-cost or innovative housing types.

'Meanwhile use' of government land

'Meanwhile use' is the temporary use of otherwise unoccupied or under-used government owned land or buildings for social, affordable or crisis housing. Some of the barriers to meanwhile use are:

- restrictions on certain land uses
- lack of an appropriate approval pathway, such as a complying development pathway, or specific meanwhile use standards, resulting in lengthy assessment that can cause issues for timely delivery of temporary accommodation
- community concerns
- resource and skill constraints (DPIE (NSW) 2021c, pp. 40–41).

Comprehensive, publicly available information, such as a register of available Commonwealth, State and local government land, can assist with temporary or permanent use of available land for social, affordable and crisis housing. Some jurisdictions are in the early stages of doing this — for example, an action in New South Wales' *Housing 2041* strategy is to establish a public register of NSW Government land for stakeholders to identify opportunities and submit proposals for use of such land for housing.

Government land can also be used to deliver model projects that test new housing types, tenures and delivery models as 'best practice' or use-cases for community housing providers or private developers to follow (box 13.13). This could help to address concerns that the community is slow to accept novel forms of housing and build community acceptance of higher density by highlighting good design.

Box 13.13 – Examples of government land for social and affordable housing, and diversity demonstration projects

The Victorian Government's Inclusionary Housing Pilot on six surplus government land parcels will deliver a minimum of 100 new social housing homes alongside affordable and market housing (DELWP (Vic) 2021).

Griffith Council in New South Wales gifted land to a community housing provider to construct and manage affordable housing units, subject to conditions including that the housing is targeted at key workers and at no more than 75 per cent of market rent in line with the New South Wales Ministerial Affordable Housing Guidelines (DPIE (NSW) 2021c, p. 39).

Anne Street Garden Villas in Southport, Queensland, is one of ten social housing demonstration projects being delivered by a collaborative partnership and informed by a Density and Diversity Done Well Open Idea Competition. The seven social housing dwellings surrounding a communal garden aim to maximise sustainability, amenity, and security (Anna O'Gorman Architect nd).

Western Australia's 'Housing Diversity Pipeline' aims to encourage new social housing development on government land, specifically seeking 'innovative ideas including building to rent, ground leasing of the land, and ... a variety of housing types' (Government of Western Australia 2022c).

13.6 The NHHA and planning and zoning reform

The objectives of the planning system support — but are wider than — the NHHA's objective

The planning system can contribute to the NHHA's objective of improving access to affordable, safe and sustainable housing by facilitating new supply and managing competing land uses.

In practice, planning systems balance multiple objectives (figure 13.5) that extend beyond the goals of affordability and sustainability. Planning systems are characterised by ‘objectives overload’ (PC 2011b, p. xxii), and the complexity of the planning task has continued to grow, with planners asked to address new challenges such as population growth, increasing congestion, pandemic-driven pressures on regional tree- and sea-change growth areas, climate change impacts including bushfire and flood events, and growing expectations of residents to be consulted on neighbourhood changes. These pressures must all be managed through a complex web of legislation, regulation, plans and other instruments that span multiple levels of government.

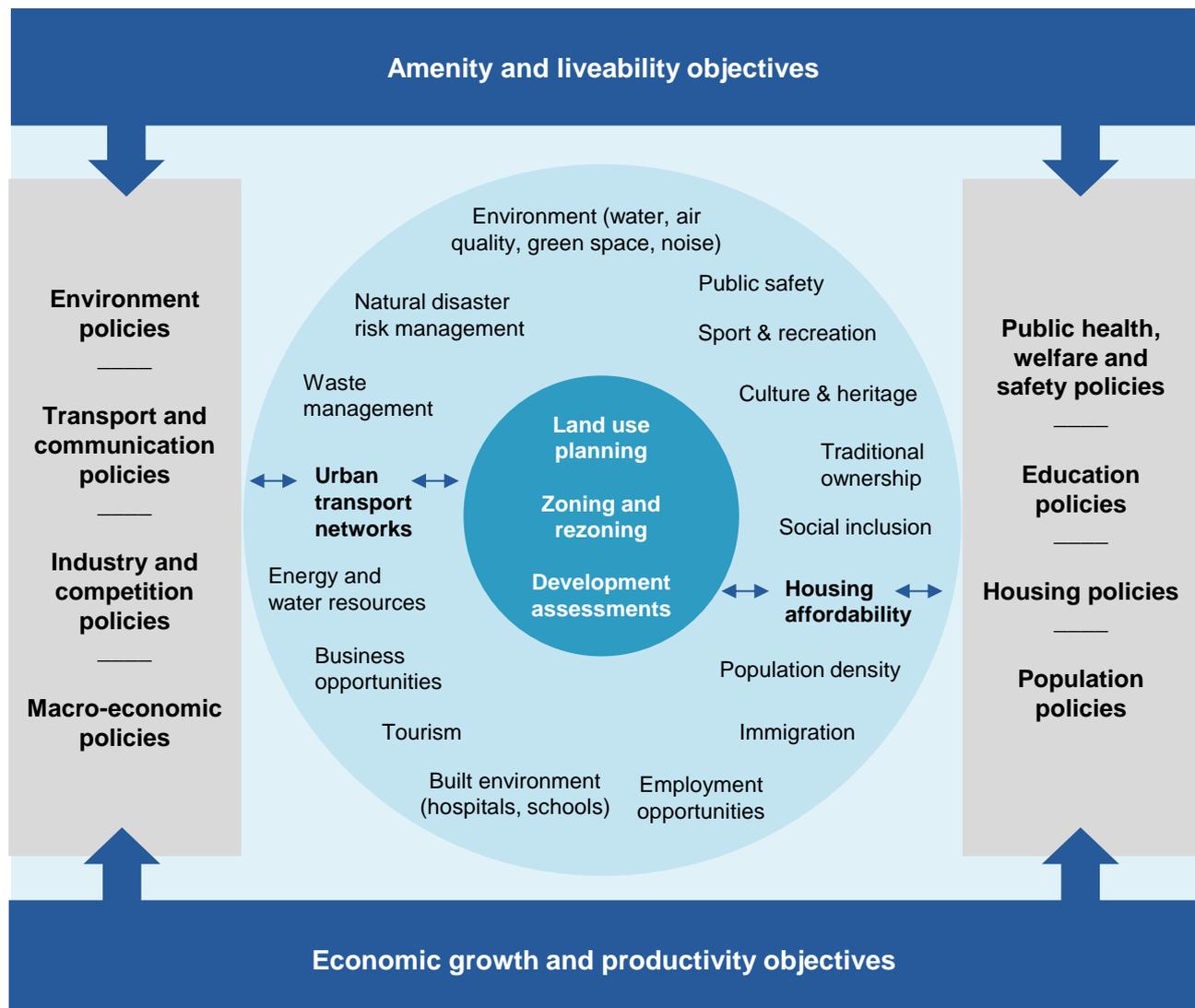
A group of regional local governments told the Commission that:

The role of the planning and land use regulation system in supporting the objectives of the NHHA is important but limited and often overstated. The planning and land use regulation system supports a far broader range of social, economic and environmental objectives, and must balance a complex range of competing needs. (Regional Local Government Homelessness and Social Housing Charter Group, sub. 92, pp. 22-23)

Objectives within the planning system have trade-offs. As AHURI noted, in scenarios where affordable housing contributions are negotiated, there is a ‘real possibility that other important planning considerations’ such as design, open space, community facilities or local infrastructure may be ‘traded away’ for affordable housing (Gurran et al. 2008, p. 107). The reverse can also be true.

Some jurisdictions are recognising the need to prioritise affordability in their planning systems and are introducing streamlined planning pathways for social and affordable housing. Victoria, for example, is assessing social housing developments under its Big Build Scheme through an alternative planning process that seeks to shorten approval time frames while still including safeguards to protect planning, design and community engagement.

Each State and Territory needs to make difficult decisions about how much the objective of affordability should be prioritised in their planning system. A national agreement — and particularly a national plan — offers an opportunity for governments to reflect on the trade-offs between affordability and other objectives of planning systems.

Figure 13.5 – Some objectives and policy drivers of urban efficiency

Source: PC (2011b, p. XXI).

Has the NHHA encouraged planning and zoning reforms?

Coverage of planning and zoning varies in housing strategies ...

The NHHA requires each State and Territory to have a publicly available housing strategy that (among other things):

- indicates the level of housing supply needed to respond to projected housing demand, and outlines the reforms and initiatives that contribute to meeting this need
- details how the State will contribute to the housing priority policy areas set out in Schedule A to the Agreement, where appropriate to its needs.³

Schedule A of the NHHA identifies 'planning and zoning reforms and initiatives, including consideration of inclusionary zoning and land release strategies' as a housing priority policy area.

³ This requirement matches a similar requirement set out in s.15C of the *Federal Financial Relations Act 2009* (Cth).

Reporting by States and Territories on the level of housing supply needed to respond to projected housing demand in their housing strategies is mixed. Some jurisdictions — Victoria, Western Australia, South Australia and Tasmania — do not report housing supply requirements in their housing strategies⁴, but do report them elsewhere (at least for their capital cities) (table 13.2).

The amount of detail on planning reforms and housing supply initiatives included in housing strategies is mixed. Some strategies are supported by detailed action plans while others contain only high-level references to reforms.

Table 13.2 – Reporting on the level of housing supply needed to respond to demand

	Housing supply needed	Report
NSW	1 million dwellings by 2041 in Greater Sydney and 290 000 in regional NSW. ⁵	Housing strategy (2021)
Vic	From 2016 to 2056 Victoria will require an additional 2.3 million dwellings: almost 1.9 million in Greater Melbourne and over 400 000 in Victoria’s regions.	<i>Victoria in Future</i> (2019)
Qld	By 2027, almost 380 000 additional homes will be needed to house Queensland’s population.	Housing strategy (2017)
SA	An additional 248 000 dwellings (nearly 8300 per year) will be required to meet Greater Adelaide’s projected population by 2045.	<i>30 Year Plan for Greater Adelaide</i> (2017 update)
WA	Around 800 000 new homes will be needed by 2050 to accommodate projected population growth in the Perth and Peel regions.	<i>Perth and Peel@3.5 million</i> (2018)
Tas	The draft Greater Hobart Plan expects around 30 000 new homes need to be constructed over 30 years to meet population growth. ⁶	<i>Draft Greater Hobart Plan</i> (May 2022)
NT	Around 8000 to 12 000 additional dwellings are required across the NT by 2025.	Housing strategy (2019)
ACT	An estimated 3000 new homes are required each year.	Housing strategy (2018)

Source: ACT Government (2018); DELWP (Vic) (2019); DLGHCD (NT) (2019); DPIE (NSW) (2021b); DPLH (WA) (2018); Greater Hobart Committee (2022a); Queensland Government (2017); SA Government (2017).

⁴ Western Australia, South Australia and Tasmania report in their housing strategies on the level of *social and affordable housing* required, but not on overall housing supply relative to overall demand.

⁵ The *2022 NSW Population, Housing and Implied Dwellings Projections* provide updated figures: from 2021 to 2041 New South Wales will need an additional 904 250 dwellings (602 800 in Greater Sydney and 301 450 for the rest of New South Wales). Sydney alone needs to provide 28 000 new houses each year for the next 20 years. These projections do not take into account suitability of current housing stock, nor do they project the type of dwellings that would meet projected demand (NSW Government, pers. comm., 24 August 2022).

⁶ Housing demand modelling is being undertaken as part of the development of the forthcoming Tasmanian Housing Strategy.

... but the NHHA is not having a big impact on planning and zoning reforms ...

State and Territory Governments told the Commission that the NHHA has not had any real impact in bringing about additional planning and zoning reforms on top of what would have been done by jurisdictions anyway. The Queensland Government, for example, said:

The NHHA did not result in any new planning and zoning reforms or new land release strategies in Queensland. (sub. 27, p. 20)

Other participants, too, noted there was no obvious impact on planning reforms:

In this complex context, the role of the NHHA in impacting wider housing supply has been inevitably limited. It may have been reflected in State level programs for the redevelopment of public housing estates, although it is doubtful that such initiatives were actually stimulated by the NHHA provisions themselves. It is not obvious that the NHHA has had any direct impact on wider planning reforms beyond these specific examples. (City Futures Research Centre, sub. 87, p. 27)

The NHHA has not encouraged planning or zoning reforms because of its limited focus on provision of funding to homelessness and social housing provision. (Western Homelessness Network, sub. 41, p. 38)

States and Territories identified a range of drivers other than the NHHA that had a much more meaningful impact on reforms pursued within their jurisdictions, including (but not limited to) fast-growing demand for housing in some regions, recognition of the productivity and economic benefits of planning reform, developer and other stakeholder pressure, and a need to ensure integrity in their planning systems.

... and the land use planning indicators are incomplete or being developed

The NHHA identifies two indicators on planning and zoning:

- the number of dwellings permitted by zoning
- the time taken to assess development applications

A third indicator, the total number of dwellings relative to the population, is also relevant to land use planning, although many factors beyond the planning system influence this indicator.

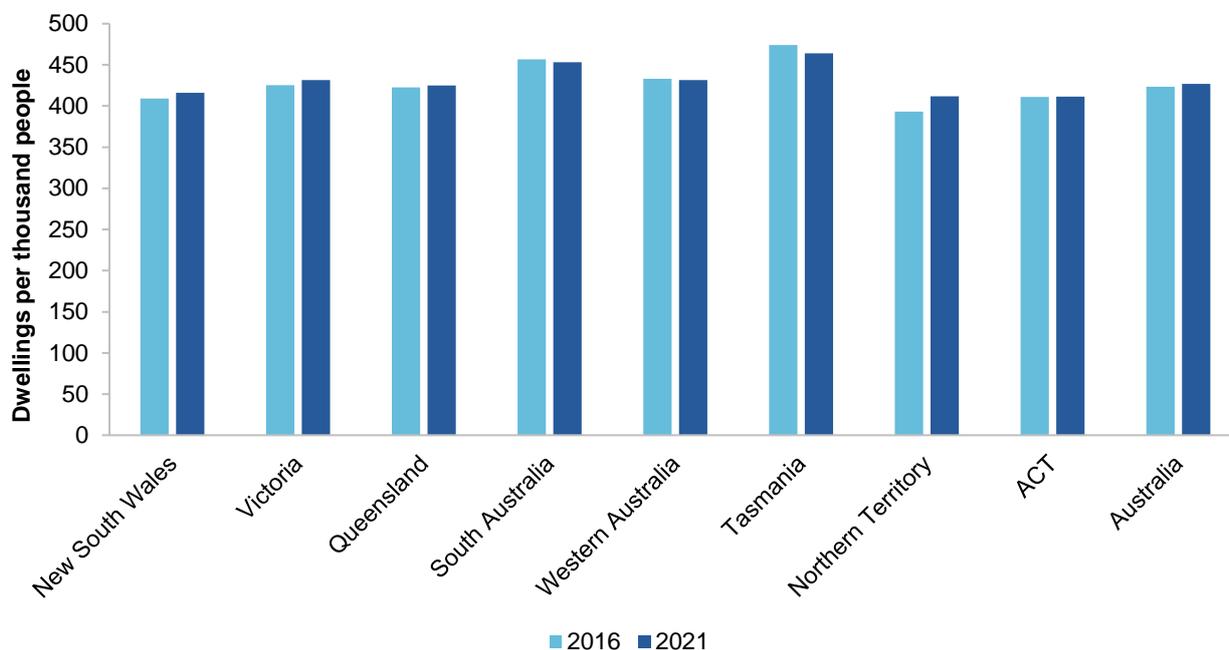
Data on each of these indicators is presented below. But, in short, the data provided through each of these indicators — and consequently, the value of these indicators in measuring progress in planning and zoning reform — is limited.

- Measures of progress on *number of dwellings permitted by zoning*, are still being developed (ABS 2021d).
- Some — but not all — States and Territories collect and publish data on the *time taken to decide development applications*.
- Data on *total number of dwellings relative to the population* is available, albeit on a five-yearly basis through the Census, although NHFIC has recently begun to publish estimates of net additions to stock, and the ABS is undertaking work to provide more reliable estimates of dwelling numbers between Censuses.

Total number of dwellings relative to the population

The 2021 Census data showed that the number of dwellings relative to the population grew slightly between 2016 and 2021, from 423 to 427 dwellings per thousand people Australia-wide (figure 13.6). Tasmania, South Australia and Western Australia had fewer houses per person in 2021 compared to 2016 — although those States had relatively more houses per person to start with.

Figure 13.6 – Number of dwellings relative to the population^{a,b}



a. Occupied private dwellings and unoccupied private dwellings. Excludes non-private dwellings. b. Total dwellings for Australia includes Other Territories (Norfolk Island, Jervis Bay Territory, Christmas Island and the Territory of Cocos Island). Source: Commission estimates based on ABS 2021 Census data.

This indicator of aggregate housing stock is intended to track underlying imbalances between supply and demand for housing. All other things being equal, a decrease in the number of dwellings relative to the population suggests a deterioration in housing availability, which in turn could place upward pressure on rents or house prices. But, in practice, the relationship between this indicator and housing accessibility and affordability is more complicated — for example, there are demand-side factors which complicate the picture for the affordability of purchasing a home, and demographic factors (such as the average household size) also have an effect.

The indicator provides limited insights on whether dwellings are in the places where there is demand for housing. The data also includes unoccupied private dwellings — of which there were over 1 million across Australia on Census night in 2021, or 10 per cent of all private dwellings. Many dwellings are second or holiday homes or in the short-term rental market and therefore not available for long-term occupation.

Dwelling stock per person does not indicate whether dwellings are appropriate to households’ needs — there may be some households occupying dwellings with excess capacity (such as ‘empty nesters’) while other households are overcrowded. The New South Wales Regional Housing Taskforce found that 48 per cent of households across regional New South Wales have two or more spare bedrooms in their dwelling, while there were pockets of overcrowding, such as in the far west region where 5 per cent of dwellings are overcrowded (DPIE (NSW) 2021c, p. 7).

The indicator also does not provide insights on the quality or affordability of housing stock. The South Australian Government noted:

The amount of housing in South Australia has generally been in line with population growth. However, there is a current lack of housing that is appropriate, affordable, safe, accessible, sustainable and secure for low-income households — especially smaller and low-maintenance

dwellings, and those designed for lone person households, rural and regional workers and for older people wanting to downsize. (2019, p. 13)

The limitations of this indicator for providing insights on how well supply was meeting demand were noted by participants:

There are numerous ways of measuring the degree to which housing need is being met in a particular geographic market. Monitoring the ratio of dwelling stock to population is generally an effective way of doing this. However, it is not a perfect measure as it does not take account of variations in the structure of the population which have important implications for housing demand. Different sections of the population vary in terms of how intensively they use housing. (Master Builders Australia, sub. 64, p. 26)

Metrics tracking the number of dwellings relative to the population is a crude measure of how well housing supply has kept pace with demand as it does not consider how the average household size changes over time or whether the housing supplied is appropriate for the community. (HIA, sub. 66, p. 10)

Others noted that this indicator was unable to shed light on affordability and questioned whether there were more relevant housing supply indicators for the NHHA. For example, AHURI said:

AHURI does not consider [the total number of dwellings relative to the population] measure to be useful. Simple indicators of interpreting national level data should be treated with caution, given substantial variation by location, dwelling type, amenity, and price point. While increasing house supply is important (as it serves to stop house prices shooting up astronomically), it does not cause house prices to drop to levels that are affordable to lower income households ... Levels of general housing supply to match population growth are necessary but are not sufficient to address the supply of affordable housing for low-income households. (sub. 52, pp. 33–34)

City Futures Research Centre said:

... we suggest this is far too general a metric to really understand how housing markets are performing in relation to housing demand propensities. At the aggregate level, such an indicator is likely to move only very marginally year on year ... a much more relevant metric would be the 'total number of social or affordable dwellings relative to household population', or even the 'total number of social or affordable dwellings relative to the population in low to medium income households'. This would provide a much more relevant focus for NHHA supply monitoring. (sub. 87, p. 28)

Number of dwellings permitted by zoning in cities or urban areas

The purpose of this indicator is to report the upper bound of housing supply within the current planning system.

The ABS looked at a range of measurement options for this indicator and found that the most direct measure of 'the number of dwellings permitted by zoning' would involve some form of modelling based on available land and regulation. However, the ABS did not recommend this approach, because simplifying this approach to make it feasible would risk the measure being inaccurate or open to misinterpretation (ABS 2021d, p. 4). Instead, the ABS recommended a suite of simpler, more specific indicators that would provide a multi-dimensional understanding of how basic lot characteristics, zoning and supply outcomes relate to one another (table 13.3).

Table 13.3 – The ABS recommended a suite of indicators for the number of dwellings permitted by zoning

	Indicator	Description/Purpose
General lot characteristics	Number/proportion of lots by zone and size	Basic description of the stock of existing lots and intended use
	Area rezoned (by prior zoning) as a proportion of all land	Indication of the extent of change (or responsiveness) in zoning
Restrictions on the residential use of lots	Number/proportion of lots permitting residential use (including mixed use)	Basic description of the stock of land available for any form of residential use
	Number/proportion of residential lots able to be subdivided	Indication of the scope for future densification through subdivision
	Number/proportion of lots permitting higher density residential uses	Indication of the availability of land for higher-density residential buildings or subdivision
Supply and outcome indicators	Number of dwellings approved as a proportion of dwelling stock ^a	Basic measure of the relative increase in the supply of dwellings
	Number/proportion of dwellings approved by zone and lot size	Indication of the utilisation of different zones for residential use
	Number/proportion of residential approvals by type of structure	Indication of the extent of higher-density development
	Number of dwelling demolitions as a proportion of dwelling stock ^a	Indication of the extent of re-purposing of land

a. Based on approvals to build. Estimates of dwelling stock are available at small area levels from the Census; the ABS is developing quarterly small area estimates of dwelling stock.

Source: ABS (2021d, p. 4).

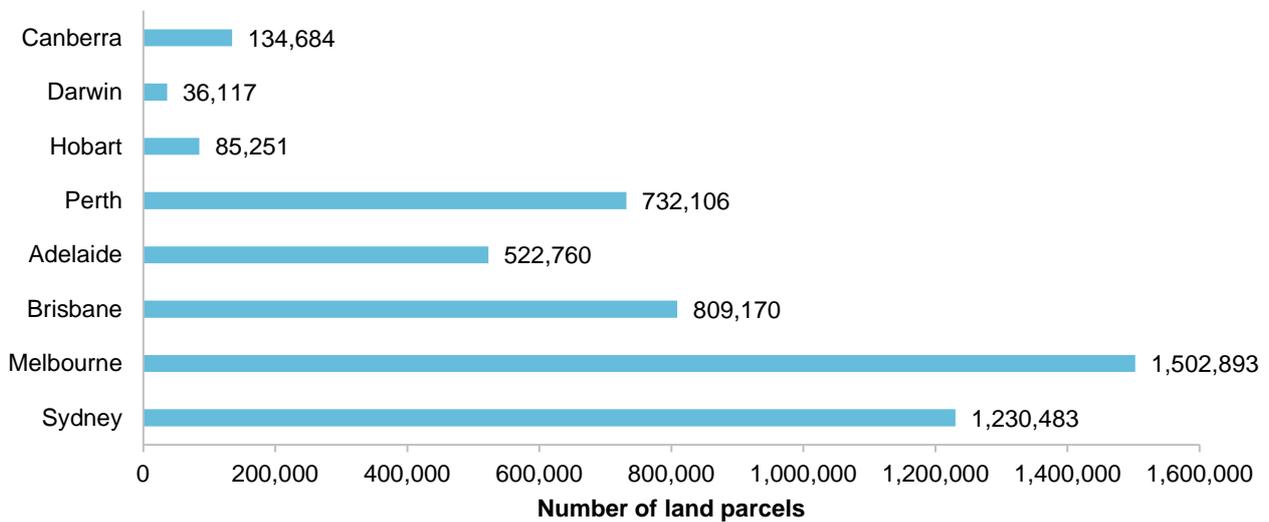
The ABS released data on a subset of these indicators in June 2022. These were:

- counts of the number of lot parcels, by planning zone and lot size
- number of dwellings approved, by planning zone and lot size.

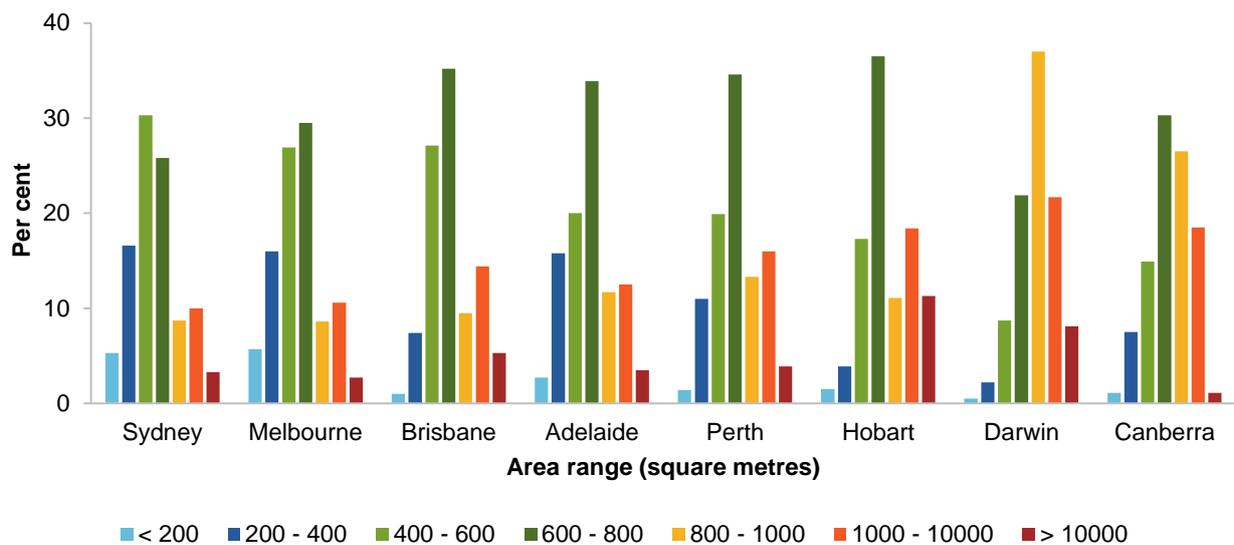
Just under 80 per cent of land parcels in major urban areas were smaller than 1000 square metres, with the most common size being 600 to 800 square metres (figure 13.7). Parcels under 200 square metres were most prevalent in Melbourne (5.7 per cent) and Sydney (5.3 per cent). Over half of all parcels in Darwin (66.7 per cent) were larger than 800 square metres, with Canberra–Queanbeyan (46.1 per cent) and Hobart (40.8 per cent) also having a significant proportion of parcels in this range.

Figure 13.7 – Number and size of land parcels

Land parcel counts, by capital city^a



Land parcels by area range, capital cities^a



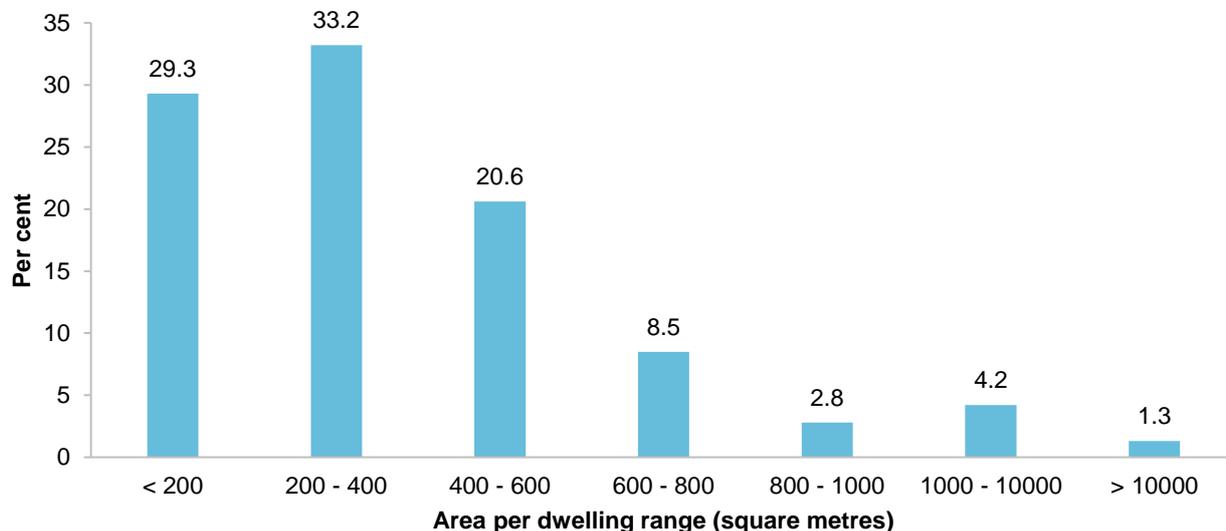
a. Canberra includes Queanbeyan.

Source: ABS Land and Housing Supply Indicators (2022).

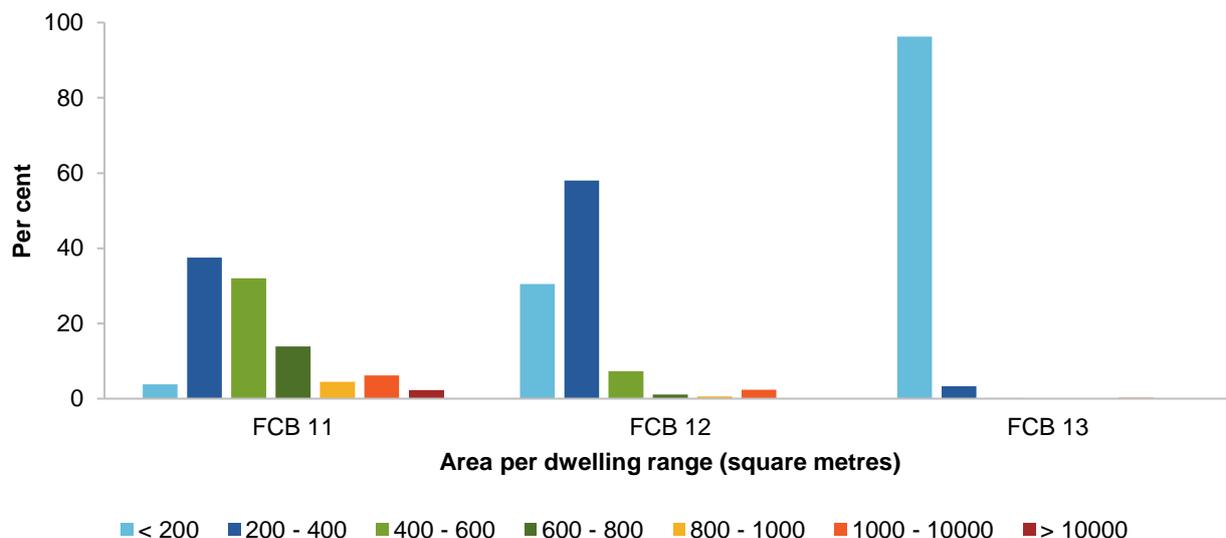
The number of new dwelling approvals by land area and building type (figure 13.8) shows that most new dwellings (62.5 per cent) used less than 400 square metres of land. For both detached and semi-detached builds, between 200 and 400 square metres was the most common amount of land used to produce a new dwelling. For attached builds, the majority (96.3 per cent) of new dwellings used less than 200 square metres of land.

Continuing to collect data for the above measures will provide some insight into changes in density at the local level. However, there is still a way to go, including reporting on the remaining indicators proposed by the ABS, to build a comprehensive picture of the upper bound of housing supply within the planning and zoning system.

Figure 13.8 – Dwelling approvals by area and type^a
Distribution of new dwelling approvals, by area per dwelling



New dwelling approvals by building type and area per dwelling



a. Building type using the Functional Classification of Buildings (FCB): 11 – Houses (separate houses, kit houses, transportable/relocatable houses and detached secondary dwellings); 12 – Semi-detached, row or terrace houses, townhouses (one, two or more storeys); 13 – Apartments.

Source: ABS Land and Housing Supply Indicators (2022).

Although the new indicators and ABS work program to develop a suite are a good start, some conceptual issues remain.

Availability of zoned land does not guarantee that developers will proceed with developments. The planning system can create opportunities for residential development by rezoning land, but decisions about whether, when and where to subdivide the land and proceed to construction lie with landowners and/or developers. Other factors may also impact on new housing supply, such as the timing of infrastructure, the cost of developer contributions to pay for the infrastructure, and difficulties obtaining land for development in

locations where ownership is fragmented. Above all, market forces need to drive demand for dwellings before they will be built. As the Housing Industry Association said:

In isolation, the number of dwellings permitted by zoning is simply not a good or right indicator of the actual number of dwellings that can realistically be delivered. (sub. 66, p. 15)

The City Futures Research Centre questioned whether this indicator was relevant to the NHHA.

With regard to the indicators on the number of dwellings permitted by zoning, again it is not clear to us how far this has relevance for the NHHA. We noted above several options for incorporation in the NHHA to encourage take up of Inclusionary Zoning approaches in local planning frameworks to generate more affordable housing outcomes. A more relevant indicator would therefore be the number of social and affordable dwellings delivered within locations rezoned for development (both greenfield and infill) which would directly relate to this ambition. In this way progress towards increased supply of affordable housing from the re-zoning process could be more directly assessed. (sub. 87, p. 28)

As with the ‘number of dwellings’ indicator, the ‘dwellings permitted by zoning’ indicator does not shed light on whether the dwellings meet local needs for the right types of dwellings in the right locations.

Average time taken to decide development applications

The process of assessing a development application is important for ensuring planning and zoning regulations are upheld, but, from a project’s perspective, the time an authority takes to decide on a DA is ‘lost time’. It can hold up the process of developing a site, increasing the cost of the project. This indicator is intended to bring transparency to the time it takes the relevant authorities (in the main local governments, but there are plenty of exceptions) to assess DAs. The shorter the average time, the more quickly new housing supply can be completed, and the lower the cost.

However, it is not just the length of time to decide a DA that adds to the cost of development. Uncertain outcomes and unclear policies contribute to development costs. The Property Council of Australia, for example, has argued that the current approach to state agency approvals is inconsistent, inefficient and adds to housing costs (2017, p. 3).

These factors are excluded from a performance indicator that only measures time taken to decide DAs. Time taken to decide DAs is used as a proxy for monitoring the performance of the planning system but only counts one factor — speed — where other factors, such as efficiency, certainty and consistency are also important.

In addition, delays can impact on developments well before a DA needs to be lodged, with a cumulative impact on costs. The Commission has previously found that the most common causes of delays and extended timeframes in the land supply process were in:

- the rezoning and planning scheme amendment process
- the structure planning process
- overcoming community concerns (PC 2011b, p. 147).

Extended delays in the structure planning process can be costly for developers. However, getting the early steps right can reduce subsequent delays. Well-designed structure plans, for example, help to coordinate infrastructure delivery into new development areas.

Time taken to decide DAs also excludes ‘stop the clock’ time when the authority suspends assessment until the applicant provides further information.

Further complicating the use of ‘average time taken to decide DAs’ as a proxy for the performance of the planning system is that comparisons across jurisdictions and across time could be misleading because of

differences in DA requirements. As well as variations in the composition of development types being assessed and the efficiency of consent authority processes and resources devoted to them, underlying differences in the nature of jurisdictional DA systems can have material impacts on recorded approval times. For example, where consent is required for minor works (such as a minor residential alteration), processing times will be lower than in jurisdictions which exempt low-impact developments and only require more complex (higher impact) development proposals to be assessed (PC 2011b, pp. 253–254).

For these reasons, it is doubtful whether ‘average time taken to decide DAs’ would provide useful information, even if consistently collected and reported by States and Territories. As the Western Australian Government noted:

This indicator has minimal effectiveness as a means to measure the impact of land use planning on the housing market due to the following:

- WA’s legislative framework provides an exemption from the requirement to obtain development approval for the majority of single houses, and developments of ten dwellings and less constructed by the Housing Authority. These would not be captured by the performance indicator.
- The WAPC [WA Planning Commission] generally delegates decision-making for development applications to the 137 local governments in Western Australia. There is no central database that includes data on processing times etc. The LGPMP [Local Government Performance Monitoring Project] relies on self-reporting and includes data from only 29 local governments.
- The LGPMP does not include data on average or median timeframes, meaning that performance against the indicator cannot be measured. (pers. comm., 9 May 2022)

The Local Government Association of Queensland also raised concerns about this indicator.

A focus on the average time taken to decide the outcome of a development application or residential building permit (as applicable) in cities or urban areas, does not appear to be a useful measure of a well performing housing system and may rather lead to unintended consequences and poor outcomes for example, by continuing to push for shorter assessment timeframes. This indicator fails to recognise the challenges and complexities in planning and development as more and more land is developed, and the area of unconstrained land available for development is reduced, and development applications become more complex and adopt performance-based solutions as a result. ... A continued focus on driving down assessment timeframes for development applications does not therefore equate to ‘*improved access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness, and to support social and economic participation*’ as sought by the objective of the NHHA. (sub. 63, p. 20)

The ABS has proposed DA assessment metrics that would assist in monitoring performance of DA systems (table 13.4). Notwithstanding some of the difficulties in comparing jurisdictions, such metrics could assist in understanding how binding development rules are for a given area (ABS 2021d, p. 78).

Some participants said there was value in reporting against a broader range of milestones in the planning process. For example, Master Builders Australia said:

... we believe that gathering as much data as possible relating to the volumes of land/housing traversing milestones in the planning process as well as the time taken for this to occur would be hugely beneficial. We are also of the view that publishing this data on a detailed and nationally-consistent geographic basis (by state/territory and local government area as appropriate) and producing a geospatial national housing settlement plan, would serve an extremely useful purpose. The ‘top’ performers could be readily identified and learned from. Similarly, those governments delivering a subpar performance could be resourced and assisted with a view to making improvements. (sub. 64, p. 26)

Table 13.4 – Development assessment metrics proposed by the ABS

Process performance	System performance	Outcome performance
Average approval time (days)	Proportion of applications decided by assessment pathway (for example, exempt, merit/impact)	Number/proportion of applications approved/denied
Proportion decided within any statutory time frame	Proportion of applications lodged electronically	Number/proportion of applications appealed (successfully or unsuccessfully)
Proportion referred to other agencies/put out for consultation		

Source: ABS (2021d, p. 78).

More data will give a better picture of how the planning system is performing

Measuring housing supply and the performance of the planning system is difficult. The indicators in the NHHA are difficult to develop as measures, are not supported by quality data, and omit other key factors influencing housing supply and affordability.

Better indicators of housing supply and planning efficiency, such as those proposed by the ABS (tables 13.3 and 13.4) would support planning and zoning reforms, whether unilaterally by jurisdictions, within a future Agreement or through the announced National Housing Supply and Affordability Council.

Better data on volumes of land and housing at key steps in the development process would support industry and government decision-making on housing supply. While there will be limits to performance indicators that can be included in a future Agreement, improving supply-side data reported nationally by an independent body would assist the market to respond to demand.

The Australian Government, through the ABS, working with States and Territories and/or the announced National Housing Supply and Affordability Council, can support better data and indicators that measure changes in housing stock, density and zoning, and supply of land at key points in the development pipeline.

13.7 What could a future NHHA achieve?

The NHHA sets planning and zoning reforms as a housing priority policy area but, as discussed in section 13.6, this has done little if anything to spur reforms by the States and Territories.

A future NHHA could prescribe a set of planning and zoning reforms, assuming that governments can identify and agree reforms which would be effective across all jurisdictions. However, planning and zoning regimes vary as do the demands jurisdictions face. A less prescriptive outcomes-focused approach is more likely to be accepted and implemented. Such an approach recognises that planning and zoning reforms are the *means to the end* of increasing supply and improving housing affordability. Setting targets will allow jurisdictions to meet the targets in the most suitable way, given that there is no one-size-fits-all set of planning and zoning reforms for all States, Territories and local governments.

There will still be a need for *process* reforms to planning and DA systems, as a targets approach is insufficient to ensure that the planning system does not impose undue costs on development (for example, costs from delays or inefficient developer contributions).

Reforming land use planning can be slow because of the complex web of legislation, regulation, plans and other instruments that span multiple levels of government. That said, process reforms are ‘no regrets’

because jurisdictions that pursue reform will benefit from increased productivity and urban efficiency. Moving to more efficient digital platforms to speed up and track applications, for example, is a helpful reform that some jurisdictions (such as New South Wales and Victoria) have already begun pursuing. The Commission is of the view that State and Territory governments already have the right incentives to improve the operation of their planning systems.

The more difficult planning and zoning reforms are those changes that create winners and losers, often expressed through community opposition to infill or higher density developments. It is this set of reforms that could be better achieved through a policy objective that sets a target for new housing supply at a local government level, coordinated across a metropolitan area. In terms of increasing housing supply in the ‘right’ places, and improving housing affordability, addressing restrictions on density in existing well-located residential zones could offer the greatest benefits.

A targets approach

States and Territories are taking a range of approaches to setting policy objectives for housing supply. New South Wales, Queensland and Western Australia have targets or benchmarks for new housing builds in their main urban areas. These are set at the local level and apply across the wider metropolitan region. Of these, the Greater Cities Commission’s targets for the Sydney–Newcastle–Wollongong region are the most detailed and integrated into local government planning. The recently released draft Greater Hobart Plan also proposes targets, including how many dwellings are required from infill development (Greater Hobart Committee 2022a). Other jurisdictions have less clear intentions such as ‘projected housing requirements’ (Victoria), ‘planning directions’ (ACT), and targets for proportions of dwellings to be built in established urban areas (South Australia) without specifying targets for particular local government areas (table 13.5). Some jurisdictions propose targets for the proportion of new dwellings that should be non-detached.

Each jurisdiction has a different approach to how targets or benchmarks are set, and how local governments are required to demonstrate how they will meet these targets through their local planning strategies. No jurisdiction has, as yet, incentives or penalties in place for local governments that exceed or do not meet supply targets or benchmarks.

Table 13.5 – Targets, benchmarks and other housing supply policy objectives

	Supply policy objective	Where the objective applies	Dwelling type targeted
NSW	Greater Cities Commission set 0–5 year minimum housing supply targets and 20-year strategic housing targets. 6–10 year housing targets for each local government area.	Currently, five-year housing targets apply to local government areas and 20-year targets at district level across Greater Sydney. The next plans will apply across the Six Cities Region. Five-, 10- and 20-year targets will be prepared for each local government area.	Total dwellings only.
Victoria	Plan Melbourne specifies ‘projected housing requirements’ to increase the proportion of new housing supply in the established	Applies to Planning Authorities (generally local councils).	No targets for dwelling types. Strategies for housing diversity. Changes in housing/dwellings are measured and reported.

	Supply policy objective	Where the objective applies	Dwelling type targeted
	areas of Metropolitan Melbourne. ⁷		
Queensland	Dwelling supply benchmarks from a 2016 baseline.	Local government areas in South East Queensland. Dwelling supply benchmarks define a preferred settlement pattern requiring 60 per cent of growth to occur in the consolidation area and 40 per cent in the expansion area.	No targets for dwelling types. Strategies for housing diversity. Changes in housing/dwellings are measured and reported.
SA	Targets for proportion of new housing to be built in established urban areas by 2045. Target for proportion of new housing to be built in close proximity to transport.	Metropolitan Adelaide (85% of all new housing to be built in established areas) and Outer Greater Adelaide (90% of all new housing to be built in established townships and designated urban areas).	Target to increase proportion of non-detached dwellings built by 2045.
WA	Housing requirements based on population growth projections. Target for proportion of new homes to be provided by infill.	Urban infill dwelling targets are allocated for each local government in the Perth metropolitan and Peel regions.	No targets for dwelling types, other than infill targets.
Tasmania	Proposed quantity and infill targets. ⁸	Greater Hobart including targets for low-density greenfield land and medium-density infill in existing inner suburbs, business zones and rezoned land.	No targets for dwelling types other than infill targets for medium density.
NT	Land supply benchmarks only.		
ACT	A 'planning direction' to deliver proportion of new homes within existing urban area.	Across the ACT.	No targets for dwelling type.

Source: ACT Government (2021b); Greater Hobart Committee (2022a); NSW Government, pers. comm., 9 April 2022; NT Government, pers. comm., 10 May 2022; Queensland Government, pers. comm., 3 June 2022; SA Planning Commission (2021); Victorian Government, pers. comm., 8 April 2022; WA Government, pers. comm., 9 May 2022.

The Australian Government has announced that the National Housing Supply and Affordability Council will (among other things) set targets for land supply in consultation with State and Territory Governments (ALP 2022c). Setting targets for new housing supply, including in infill locations, would align with this role although State and Territory Governments would need to be heavily involved, given the need for targets to be worked through at a detailed level with local governments.

Targets should be *clear, achievable, measurable and transparent*. To meet these principles, targets would need to be set for each local government area across a whole urban region (as is being done in the Six

⁷ The Victorian Planning Provisions require Planning Authorities to plan to accommodate projected population growth over at least a 15-year period and provide clear direction on locations where growth should occur, and ensure that an appropriate quantity, quality and type of housing is provided.

⁸ State-wide supply targets are being considered in the development of the forthcoming Tasmanian Housing Strategy.

Cities region rather than Sydney only, or South East Queensland rather than Brisbane). What matters is the supply of housing *in good locations* (where people want to live), so geographical housing supply targets need to be carefully chosen. Drawing on independent experts and quality data (including from industry) would provide a stronger policy setting by making targets more apolitical and transparent.

Targets should be publicly available, updated regularly in response to changes in demand, and be supported by transparent data, assumptions and methodology. With transparency comes an onus on governments to ensure that their targets are reasonable and based on assumptions and methodologies that are defensible. There could be a role for the National Housing Supply and Affordability Council to review methodologies and assumptions for setting targets, to encourage a nationally consistent approach. For example, the draft Greater Hobart Plan assumes a household size of 2.0 by 2050 (Greater Hobart Committee 2022b, p. 15), while Victorian population projections assume an average household size of 2.4 by 2046 (DELWP (VIC) 2019, p. 10).

A targets approach was supported by some participants. The UDIA National, for example, proposed that:

The Commonwealth Government set housing targets with each state and territory to meet ... They should relate to measures like availability of 'development-ready land – provision of trunk water, sewer, power, roads and with environmental approval' and tied to projected population growth, tested against actual completions, and transparently and independently tested. (sub. 35, p. 35)

And the Grattan Institute argued that it would be better to focus on housing outcomes, than on planning reform milestones or process improvements:

The Federal Government should offer incentive payments based on clear and achievable targets – such as the number of additional homes built per 1,000 additional people in the state. Payments should be linked to housing outcomes, rather than specific planning system reform milestones, in order for state and territory governments to have agency to undertake reforms in a way that suits their individual circumstances. Land use planning systems are complex. The precise rules that limit development varies from state to state, although the effects are similar. State governments will have better information about how best to alleviate barriers to new housing construction, including overcoming local opposition. (sub. 70, p. 19)

Incentives to meet housing targets?

A key question is whether the Australian Government should provide incentives to State and Territory Governments to meet their housing targets.

The Grattan Institute made the case for why the Australian Government might have a role to play:

The Federal Government should provide incentives to state and local governments to increase the supply of housing in good locations. Coordinating action by the states is worthwhile because improved housing supply in one state spills over into lower prices in other states. The Federal Government can help solve this coordination problem. (sub. 70, p. 19)

Although the Grattan Institute's argument on spillovers is conceptually correct, the Commission is not convinced that there is sufficient evidence that improved housing supply in one state lowers prices in other states enough to justify Australian Government incentives on that basis.

Another argument put forward for why the Australian Government could offer States and Territories financial incentives to increase housing supply is that increased supply has benefits for the Australian Government, such as increased economic growth, or avoided expenditure on Commonwealth Rent Assistance and other Australian Government outlays (because more supply would place downward pressure on rents).

An incentives model, similar in principle to that adopted under the National Competition Policy reforms, has been suggested as a mechanism for generating reform momentum (DAE 2016; Property Council of Australia 2021a).

Others suggested the incentives could take the form of infrastructure funding to support development:

States and territories that promote additional growth should be supported ... using the incentives to help fund infrastructure that is needed to support new or growing communities, and enabling infrastructure needed to unlock development. (UDIA National, sub. 35, p. 35)

It is also important to consider the incentives faced by local governments, which are key to achieving housing outcomes. And some argued for incentive payments to be extended to local governments:

[The] Federal government needs to tie financial payments to improving the performance of lower tiers of government in areas affecting the cost and timing of new home building. It would be a good step if the future design of the NHHA linked payments to the states/territories to the effectiveness of their performance when it comes to zoning and planning. As outlined above, local governments hold some very important reins when it comes to the delivery of new housing supply and we believe that consideration should be given to the use of incentive payments in order to lift their performance in these areas. (Master Builders Australia, sub. 64, p. 13)

Some countries incentivise new housing supply at the local government level. The UK Government, for example, pays local authorities to encourage new home builds (box 13.14) — although there is insufficient evidence that the program is achieving *additional* supply.

Box 13.14 – The New Homes Bonus (England, United Kingdom)

The New Homes Bonus (the Bonus) was introduced in 2011 by the UK Government with the aim of encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue.

Scheme design

The Bonus rewards local authorities (councils) for net additional homes added to the Council Tax Base, to incentivise authorities to encourage housing growth in their areas. The Bonus applies to new-build homes, conversions and long-term empty homes brought back into use. There is a premium paid for affordable homes.

Under the scheme, the Government matches the Council Tax raised on each new home for a set period (initially six years, now reduced to four years). The funding is not ringfenced, so councils can choose how to allocate the funding to meet local priorities.

The five key stated principles of the Bonus policy are that it should be:

- a powerful incentive
- simple to understand and implement
- transparent
- predictable in terms of expected future funding
- flexible in terms of how payments could be spent by the local community.

Box 13.14 – The New Homes Bonus (England, United Kingdom)

Changes to encourage additional housing growth

In 2017-18 the UK Government introduced a baseline of 0.4 per cent growth of housing stock below which the Bonus would not be paid, to reward additional housing rather than just normal growth. The UK Government is currently consulting on reforms to the Bonus, including options to raise the baseline to make the reward more challenging and encourage more ambitious housing delivery.

Evaluations of the scheme

The National Audit Office, in a report on the Bonus, concluded that 'It is not possible to separate out the impact of the Bonus from other policies and wider factors affecting housebuilding. Neither is it possible to robustly assess what the housing supply would have been without the Bonus.'

There was some evidence that the Bonus acted as incentive to reduce the number of empty homes. Under the scheme, the Government matched the Council Tax raised for each empty property brought back into use.

Source: UK Ministry of Housing, Communities and Local Government (2021); Wilson, Murphy and Barton (2017, pp. 24–25).

If governments went down the route of an incentives model, success would require:

- a metrics approach to meeting housing quantity targets, rather than focusing on prescriptive reforms as was used under the National Competition Policy
- an independent body to oversee, audit and report performance
- a way to ensure additionality in new housing supply.

States could consider incentivising their local governments to achieve housing targets through new or revised payments. Alternatively, the Australian Government could direct funding to States and Territories that achieve housing targets. *City Deals* initiatives may offer a vehicle for the Australian Government to tie city-shaping infrastructure funding to housing supply.

One difficulty of using Australian Government financial incentives to reward State, Territory or local governments that meet housing targets would be ensuring that States and Territories set housing targets that are sufficiently ambitious. The National Housing Supply and Affordability Council, advised by independent experts and transparent data and assumptions on future housing demand and supply, might be best placed to bring the parties together to negotiate on what the targets should be.

There are advantages in using incentive payments to help fund infrastructure, given that constraints on infrastructure hold back housing supply (section 13.4). But there are pitfalls with this approach too. Local governments may have less incentive to invest in infrastructure if they anticipate the Australian or State Government may step in to fund lagging infrastructure.

On balance, the Commission considers that State and Territory Governments (or their independent planning commissions) are best placed to set housing targets, with States — where considered necessary — providing payments to local governments for meeting the housing targets. This approach would provide State Governments with the flexibility to tailor their approaches to address the particular barriers to supply in each location.

But there are other policy options that State and Territory Governments could use to encourage local governments to meet housing supply targets, in conjunction with (or instead of) pure financial incentives. For

example, States and Territories could take a more active stance to coordinate infrastructure (as Queensland has done), provide attractive financing mechanisms and work with local governments to encourage sustainable debt financing approaches. Some local governments, particularly in fast-growing regional areas, may benefit from assistance from their State Governments to address capacity constraints in processing high volumes of DA applications.

When housing targets are at risk of not being met, stronger policy settings or penalties might be needed. One option is to transfer responsibility for assessing DA applications away from local governments towards independent planning panels, or strengthen the State's role in the planning system.

The introduction of real incentives for local governments to meet housing targets, whether positive inducements like financial rewards for meeting housing targets, or penalties like the potential for local governments to be stripped of the power to approve DA applications, has the potential to represent a significant shift from the status quo. As flagged above, to date no jurisdiction has used substantial incentives to motivate local governments to deliver on housing supply targets. The introduction of real incentives places a greater onus on local governments to facilitate development, given there would be tangible implications (positive or negative) of meeting the housing targets.

The independent body responsible for monitoring and reporting progress against the next Agreement (recommendation 5.6) could also highlight the implications for affordability of States and Territories not achieving their housing targets, further increasing pressure for reform.



Recommendation 13.3

All States and Territories should set housing targets and work with local governments to meet the targets

States and Territories should set housing targets for their main urban areas and work with local governments to meet the targets. Targets should be publicly available, updated regularly in response to changes in demand, and the data, assumptions and methodology underpinning the targets should be transparent.

States should require local governments to meet their targets through local strategic planning instruments, and consider transferring responsibility for assessing development assessment applications to independent planning panels when housing targets are not being met.

State Governments should consider new or review existing payments to local government to support meeting the housing targets and/or step in to resolve infrastructure issues.

The way forward

The Australian Government has announced it will develop a national Housing and Homelessness Plan with key stakeholders, including States and Territories, local government, industry bodies and experts in housing, finance and urban development. The Plan should help develop a targets approach to achieving greater housing supply — and improving housing affordability.

A National Plan should recognise the importance of housing supply as a long-term solution to housing affordability. It should also include a requirement for States and Territories to commit to transparently setting housing targets, and regularly reporting progress on meeting the targets. The Plan should also look for opportunities for the Australian Government to support the process.

A future Agreement — within the context of a National Plan — can reiterate and strengthen the approach to housing targets. This requirement should replace the housing policy priority area ‘planning and zoning reforms and initiatives, including consideration of inclusionary zoning and land release strategies’ that is included in the current Agreement.

The next Agreement should explicitly recognise the role of supply in housing affordability and include a requirement for States and Territories to commit to transparently setting housing targets, and regularly reporting progress on meeting the targets.



Recommendation 13.4

The next Agreement should acknowledge the importance of housing supply as a solution to housing affordability and replace planning reforms with housing targets

The next Agreement should acknowledge the importance of housing supply as a long-term solution to housing affordability. It should also include a requirement for States and Territories to commit to transparently setting housing targets, and regularly reporting progress on meeting the targets.

This requirement should replace the housing policy priority area ‘planning and zoning reforms and initiatives, including consideration of inclusionary zoning and land release strategies’.

14. The residential construction industry

Key points

- * **The construction industry is one of two key inputs to the supply of housing (the other being land). The performance of the construction industry directly affects the affordability, safety and sustainability of Australia's housing.**
- * **The construction market is reasonably competitive. However, construction industry productivity has been falling for almost a decade. Given the importance of industry productivity for delivering affordable, safe and sustainable housing, governments should commission an independent review of the productivity of the construction industry.**
- * **Governments use building regulations to pursue multiple objectives, including around affordability, accessibility, safety and sustainability. At times, these objectives conflict, requiring fine judgements. Proposed changes to the National Construction Code to improve the energy efficiency and accessibility of residential buildings have been assessed as imposing net costs on the community.**
When governments consider changes to building regulations to rebalance objectives, it is important that:
 - a clear, robust and public analysis of the cost and benefits is carried out. This should include both an assessment of the cost and benefits of changes and the distribution of costs and benefits across different groups
 - due consideration is given to non-regulatory options — such as improving information available to consumers, or using pricing instruments (such as taxes or subsidies) — which may achieve similar outcomes at lower cost.
- * **Construction industry regulation sits outside the scope of the National Housing and Homelessness Agreement (NHHA), despite the importance of the industry to the NHHA's objective. Through the next Agreement, governments should:**
 - articulate the importance of the construction industry for achieving the Agreement's objective
 - where possible, explain how governments will balance inevitable trade-offs between affordability, safety and sustainability
 - recommit to rigorous, transparent assessment of the costs and benefits of regulatory and other reforms affecting the construction industry.

The next Agreement should also include indicators related to the physical quality and characteristics of Australia's housing stock.

This chapter looks at the ways that the residential construction industry affects the cost and quality of housing. It also looks at the role of the industry in achieving the National Housing and Homelessness Agreement's (NHHA's) objective of improving access to affordable, safe and sustainable housing. The chapter:

- examines why construction matters in the current (and any future) Agreement (section 14.1)
- provides an overview of the residential construction market (section 14.2)
- explores the relationship between construction and the supply and affordability of housing (section 14.3)
- explores the relationship between construction and the safety, sustainability and accessibility of housing (section 14.4)
- considers construction in the context of the next Agreement (section 14.5).

14.1 Why construction matters for the Agreement

Australia's construction industry covers residential, commercial, infrastructure and engineering construction as well as construction trade services. It is a major contributor to the economy — it accounts for 9 per cent of Gross Domestic Product, employs well over a million people, and generates \$360 billion in revenue annually (Australian Industry and Skills Committee 2022). The focus of this chapter is on residential construction, although the interconnected nature of the industry means that there are overlaps with other sub-sectors.

The construction industry is one of the two main supply-side inputs into the housing market (the other is land) and, as outlined in chapter 12, supply is a significant determinant of housing affordability. While the NHHA largely overlooks the construction industry, the performance of the industry is critical to achieving the Agreement's objective of affordable, safe and sustainable housing.

How can construction affect housing affordability?

Conditions in the construction industry affect housing affordability in two ways.

1. Construction costs directly affect the cost (and therefore the price) of *each* new dwelling built. On average, construction costs account for between 45 and 60 per cent of infill development costs (depending on the city) and between 36 and 53 per cent of greenfield development costs (Urbis 2011, pp. 38–39). Lower construction costs can reduce the price of new homes, especially in areas where construction accounts for a larger share of total costs (that is, areas where land is cheaper).
2. Construction industry productivity affects the number of dwellings that can be built (and therefore the balance of aggregate supply and demand). Building a residential dwelling requires both equipment and workers. The more that is used for each dwelling, the fewer dwellings that can be built in a given period. And if equipment and workers are tied up in projects for long periods, the industry will be less responsive to changes in demand (section 14.4).

In 2018–2019 — the latest time period that Australian Bureau of Statistics (ABS) data are available — the average cost of building a detached house in Australia was about \$320 000. Equivalent building costs for townhouses and apartments were \$280 000 and \$360 000 respectively.¹ Given the significant uptick in construction activity and increases in the cost of materials (discussed below) since then, these costs are likely to be significantly higher now.

¹ ABS (*Building Activity, Australia, December 2019*, Cat no. 8752.0, datacube: Building activity, average cost).

The costs of building all dwelling types has risen faster than the rate of inflation over the past 15 years (to 2018-19). The cost of building a detached house increased by about 60 per cent while inflation increased by about 40 per cent over this period.²

The main construction costs are materials and labour. Labour contributes about 62 per cent of the industry's output, while 38 per cent is attributable to capital.³ The main materials used in residential construction are timber and metal products.

While construction costs roughly tracked dwelling prices throughout the second half of the 2000s, dwelling prices decoupled through the 2010s (figure 14.1). The decoupling likely reflects lower interest rates from the middle of the decade and the fact that land is relatively, and increasingly, more important to affordability than construction.⁴

Nevertheless, construction is still an important determinant of housing affordability. While construction industry conditions only directly affect the cost of *new* housing (between 1 to 2 per cent of the housing stock each year is new housing) rather than existing stock, new homes also affect the housing market because of filtering and movement chains (chapter 12).⁵ Further, if reforms to land use regulation result in lower land prices the productivity and performance of the construction industry will have an even larger impact on the cost of new housing. And while construction costs have decoupled from dwelling prices, they have significantly increased in recent years, most likely because of factors related to the COVID-19 pandemic and the Australian Government's HomeBuilder program.

Construction also directly affects housing safety and sustainability

Construction processes can have long run impacts on the safety of dwellings — including whether a dwelling has 'defects' such as cracking, fire safety and leaks. Well constructed dwellings not only provide physical safety for their occupants but can also ensure the dwelling is secure from intrusion, improve the mental health and welfare of occupants (for example, through the good use of natural light) and provide protection from harsh weather conditions.

Construction also affects the sustainability of dwellings. As noted in chapter 3, sustainability is a broad term that can be applied in several ways to the construction industry. For example, construction can influence the:

- environmental sustainability of housing — housing is energy intensive. The growing importance of reducing greenhouse gas emissions means that houses built today need to be more energy-efficient. This includes using materials that are environmentally-sustainable, installing better insulation and minimising emissions during the construction process.
- physical sustainability of housing — dwellings deteriorate over their life. The initial quality of construction affects the need for repairs over time.

Importantly, these two factors are often in conflict with affordability and require trade-offs. Homes that are safer and more sustainable are often more expensive to build.

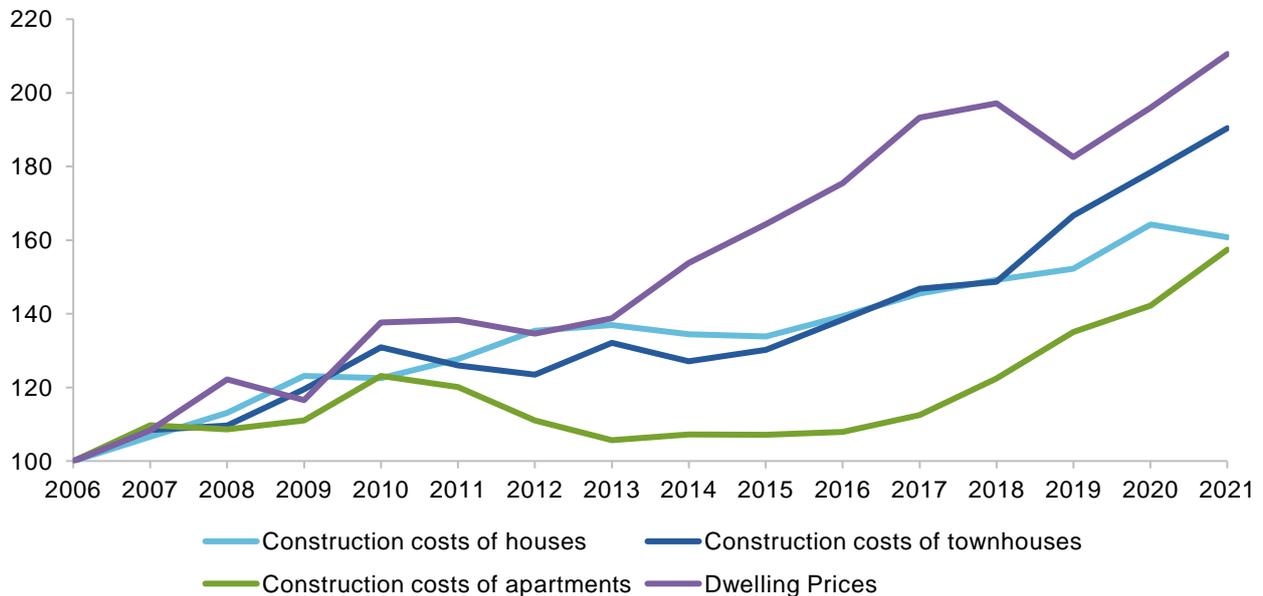
² Commission estimates using (*Building Activity, Australia, December 2019*, Cat no. 8752.0, datacube: Building activity, average cost; *Consumer Price Index, Australia, June 2022*, Cat no. 6401.0, tables 1 and 2).

³ Estimated using income shares from ABS (*Estimates of Industry Multifactor Productivity, Australia, December 2021*, Cat no. 5260.0.55.002, table 14).

⁴ As discussed in chapter 12, demand side factors — such as interest rates — are the largest direct drivers of housing costs. However, the effects of interest rates are outsized due to the inelastic nature of supply. Therefore, supply-side issues are important drivers of the affordability of housing.

⁵ Industry conditions can also affect lifecycle costs (for example, through renovations, repairs, maintenance and demolitions).

Figure 14.1 – Dwelling prices have become decoupled from construction costs
Index, 2006 = 100



Source: Commission estimates using ABS (*Building Activity, Australia*, various years, Cat. no. 8752.0; *Total Value of Dwellings*, March 2022).

14.2 The residential construction market

The market for building residential dwellings is considered to be reasonably competitive, with low barriers to entry and a large number of businesses (Burke 2012, p. 44). Competitive industries tend to deliver better outcomes for consumers through increased supply and lower prices.

The Grattan Institute found that the four largest firms in the apartment and townhouse construction industry accounted for 19 per cent of industry revenue, which is relatively low compared with many other industries. For house construction, concentration was even lower (the largest firms accounted for about 8 per cent of revenue) (Minifie 2017, supporting data for figure 1.3). According to Master Builders Australia, there were over 410 000 construction businesses operating in Australia in 2021, more than any other sector of the economy. Most (about 99 per cent) were small, with less than 20 employees (sub. 64, p. 6). ABS data on business entries and exits point to a dynamic construction industry, with over 67 000 businesses entering the industry in 2020-21 and over 50 000 businesses exiting (for both entries and exits, these figures were higher than for all other industries).⁶

Despite the relatively competitive nature of the construction industry in aggregate, competition may be less intensive in some sub-markets, such as in some regional or remote areas. And the market suffers from several market failures that can diminish the affordability, safety and sustainability of housing. These include asymmetric information, which can diminish the ability of consumers to make informed choices and bias the market toward lower quality dwellings, and externalities, which can result in perverse societal impacts (box 14.1).

⁶ ABS (*Counts of Australian Businesses, including Entries and Exits, 2021*, Cat no. 8165.0, table 1).

Box 14.1 – Market failures in the construction sector

Asymmetric Information

It is difficult for, and unreasonable to expect, purchasers to understand important details about a dwelling's construction. People tend to buy housing infrequently — a person may only purchase one home in their lifetime — and they can lack the knowledge to ensure the building meets the qualities they think they are paying for, and are often unaware of what could go wrong.

Asymmetric information can also give some businesses an incentive to cut corners, use inferior products or produce defective work if it can reduce costs and there is a low probability of being caught (or punishment is inconsequential when caught). Further, it is possible that hyper-competitive market pressures might push businesses into this behaviour, as it can be difficult to out-compete competitors who have lower costs due to unscrupulous behaviour. A past Senate inquiry found that the use of non-conforming products forces compliant businesses to 'compete on an uneven playing field' against others who use such materials (Senate Economics Reference Committee 2018, p. 39).

However, businesses do not necessarily need to act in bad faith for asymmetric information to cause market failure. Builders may make mistakes in the construction process and may not realise, or may not gain sufficient information to continually improve their construction practices. Asymmetric information also exists within supply chains, meaning that non-compliant materials may be used unknowingly.

Externalities

Externalities refer to an external cost or benefit to a third party not involved in a given transaction or activity. Externalities in the construction market are sizeable and can be positive (benefitting third parties) or negative (harming third parties). Externalities can occur in the construction process itself as well as in how the constructed building performs.

The construction of housing brings innate positive externalities: it increases the supply of dwellings and lowers prices thereby helping to provide people with an affordable place to live. Good quality housing can also have positive spillovers for education and health. The type of dwelling built also matters. Multi-unit dwellings increase urban density, which can bring a range of benefits (chapter 12).

However, construction can also produce negative externalities. Construction processes contribute to greenhouse gas emissions and are large users of water and other raw materials. And finished buildings, if not well designed and constructed, can impose costs and risks that can range from serious threats to safety (such as from fires) to a nuisance that is difficult to live near (such as from noise pollution).

Poorly designed dwellings can also result in long-term health impacts for occupants, the costs of which are partly borne by the taxpayer through the public health system. Systemic problems in building design can also result in significant long-term costs to society. The Victorian Cladding Taskforce commented that:

... consumers have experienced defective and low-quality buildings that pose a significant public safety and amenity issue. Not only do such failures impose a high emotional cost on consumers, but remediation and rectification of defective buildings also impose a high productivity cost on society. (Department of Environment, Land, Water and Planning (Victoria) 2019, p. 44)

Government intervention in the construction industry

Governments regulate the construction industry to try to improve how the market works (non-regulatory instruments — the alternative to using regulation — are discussed in box 14.2). Construction regulation interacts with other regulations for new buildings, including planning, land use and zoning regulation (chapter 13). Construction regulation is different from these regulations in that it sets the requirements for a building to be certified. Planning, land use and zoning regulation, on the other hand, relates more to the types and locations of buildings that can be built.

Box 14.2 – Non-regulatory government intervention in the construction market

Regulation is not the only instrument governments can use to address market failures.

When addressing asymmetric information in the construction market, governments can improve the information available to consumers, including by providing information in plain English and/or run campaigns to educate consumers on what they need to look for when buying (or renting) a home. Governments can also mandate the use of third parties or intermediaries — such as building inspectors — to act on consumers' behalf. However, asymmetric information can continue to be a problem because:

- many characteristics of a building are hidden from consumers — for example structural integrity or electrical wiring — and cannot be identified through a visual inspection
- some issues with a building's construction can lay dormant for years
- some issues relate to low-probability but high-risk events, such as the ability for a dwelling to withstand a natural disaster. Consumers may not consider these events, or may over-discount their impact
- hyper-competitive demand side pressures may result in a 'race to the bottom' to place a bid or declare an interest in a dwelling in the shortest timeframe possible, in order to be in the running for the property.

Pricing instruments can also be used to address externalities. Negative externalities can either be taxed — such that the cost to society of the action is internalised — or the government could pay to stop or reduce the problematic action. Actions that result in positive externalities can also be subsidised, so that they are undertaken in greater amounts. Governments can also directly provide services that have positive externalities to society (such as social housing).

Regulation can be either well or poorly aligned — or somewhere in between. The policy challenge is to have a balanced set of regulation that does not restrict innovation and consumer choice but addresses the risks of market failure. The effectiveness of building regulation is important for achieving the NHHA's objective and outcomes (table 14.1).

Building regulation is the responsibility of State and Territory Governments. This has led to eight distinct regulatory systems. However, governments have increasingly recognised that there are advantages to a consistent regulatory framework across jurisdictions. For example:

- as construction businesses often operate across borders, differences in state regulation increase compliance costs and require extensive knowledge of jurisdictional differences. A nationally consistent framework reduces costs (for example, by allowing businesses to reproduce the same building design in two different jurisdictions)

- as many of the products used in building processes are imported, a nationally consistent regulatory framework makes it easier to regulate the quality of products entering the country and ensure that standards are being met across all jurisdictions.

Table 14.1 – How construction regulation can affect housing market outcomes

	Well aligned regulation	Poorly aligned regulation
Housing affordability	<ul style="list-style-type: none"> • encourages innovation and efficient practice, lowering costs in the long run • allows designs to be easily reproduced, reducing costs 	<ul style="list-style-type: none"> • results in high compliance costs that may be passed onto consumers through higher prices
Quality	<ul style="list-style-type: none"> • protects consumers from risks associated with asymmetric information • ensures a minimum standard of housing quality • reduces the impact of negative externalities 	<ul style="list-style-type: none"> • fails to manage safety concerns and risks to third parties • diminishes consumer choice because asymmetric information remains prevalent • may result in a 'race to the bottom' because incentives for builders to undercut their competitors on quality are not managed
Responsiveness of the housing market	<ul style="list-style-type: none"> • does not unduly inhibit builders from responding to significant or rapid increases in demand thereby limiting inflationary pressures from demand shocks 	<ul style="list-style-type: none"> • slows the ability of builders to meet new demand, or to meet demand in an efficient manner, potentially resulting in higher prices or shortages in some sub-markets
Consumer choice	<ul style="list-style-type: none"> • provides consumers with more choice to live in housing that meets their needs and limits their exposure to poor quality housing regardless of where they choose to live 	<ul style="list-style-type: none"> • diminishes consumer choice (including by being overly prescriptive about what types of housing can be built, where and how)

Over the past few decades, State and Territory Governments have built a nationally consistent National Construction Code (NCC) (box 14.3). The NCC is Australia's primary set of technical design and construction provisions for buildings. It sets minimum standards for the safety, amenity, accessibility and sustainability of buildings. The NCC is produced and maintained by the Australian Building Codes Board (ABCB). The Board was established under an Intergovernmental Agreement and consists of representatives from the Australian, State and Territory Governments, industry, the Australian Local Government Association and an independent chair. Administratively, the ABCB is an agency within the Commonwealth Department of Industry, Science and Resources (ABCB nd).

Box 14.3 – A history of building regulation in Australia

Throughout the 1960s to the 1980s, State and Local Governments worked toward a nationally consistent approach for building regulation. In 1988, the first edition of the Building Code of Australia (BCA) was produced and was subsequently adopted by all States and Territories during the 1990s.

In 1994, an Intergovernmental Agreement was signed to establish the Australian Building Codes Board (ABCB). One of the first tasks of the ABCB was to further develop the BCA to make it more 'performance-based'. The first performance-based BCA was released in 1996 (ABCB nd).

The move in the 1990s toward a nationally consistent approach in building regulation and a performance-based code is considered a substantial period of microeconomic reform in the sector and has been associated with tangible productivity benefits. The Centre for International Economics estimated that the move to a performance-based code provided \$780 million in economic benefits each

Box 14.3 – A history of building regulation in Australia

year, and the move to a national approach a further \$300 million annually (CIE 2012, p. 6). The Productivity Commission has previously argued that the reforms have a positive productivity impact (2004b, p. 69). Indeed, productivity growth in the sector was reasonably strong in the mid-to-late 1990s, but it is hard to causally ascribe these benefits to the reforms directly.

Reforms continued in 2011, when the BCA came together with the Plumbing Code of Australia to form a single National Construction Code (NCC). The Centre for International Economics estimated the economic benefits of this change to be \$60 million each year (CIE 2012, p. 6).

The key features of the NCC are:

- the use of performance-based regulation to encourage innovation and flexibility. The key to performance-based regulation is that there is no obligation to adopt any particular material, component, or construction method, allowing businesses to find a 'performance solution' (previously known as an 'alternative solution') to meet regulatory requirements (box 14.4)
- a holistic set of regulatory settings for building. The code covers all aspects of the building process and, over time, has absorbed the regulation of different components of building, such as plumbing
- intergovernmental review and updating of the code every three years. The next update for the code will be adopted by the States and Territories in September 2022 (ABCB 2022b, nd).

It has been proposed that the next edition of the Code include two new reforms relevant to residential construction.

- An upgrade of the energy efficiency standards for housing. The minimum star ratings that detached houses must meet under the Nationwide House Energy Rating Scheme will increase from six to seven stars (ABCB 2022a).
- Changes to the Livable Housing Design Guidelines. The changes are based on the Livable Housing Design Guidelines silver standard and are intended to ensure that basic accessibility features are included in all new homes and apartments. They include removing steps to enter a house, having ground level accessible toilets and adding structural reinforcements to support grab rail installations in bathrooms (ABCB 2022d; Livable Housing Australia 2017, p. 13).

The merits of these individual reforms are discussed in section 14.4. However, these potential new standards serve as a reminder of the trade-offs present in building and construction regulation. For example, the Regulation Impact Statement for the proposal to increase energy efficiency requirements for residential buildings noted that the costs of complying with the requirements would increase median house prices, pointing to a trade-off between affordability and environmental sustainability.⁷

⁷ The RIS considered two options. For one of the options analysed, median house prices were estimated to rise between 0.2 per cent (for Western Australia and Queensland) and 1.7 per cent (for the Northern Territory). For the other option, rises were between 0.1 per cent (for Queensland) and 0.7 per cent (for the Northern Territory). Prices were also estimated to rise for apartments (ACIL Allen 2021, p. 145).

Box 14.4 – Performance-based regulation

To comply with Australia's performance-based building regulations, businesses have three methods to undertake a given task. They can use a:

1. *Deemed-to-Satisfy Solution* — that is, a solution that meets the appropriate Deemed-to-Satisfy provisions in the NCC. These provisions are prescriptive — they include the materials, components, design factors and methods that, if used, are deemed to meet the performance requirements (the minimum necessary requirements for buildings)
2. *Performance Solution* — a tailored solution that meets the intended objectives of performance requirements, and that is verified using a set-out method
3. a combination of performance and deemed to satisfy solutions (ABCB 2022c).

Performance Solutions represent the cornerstone of performance-based regulation, as they provide businesses with flexibility around how they meet regulatory requirements. As such, performance solutions can promote innovation and encourage technological take-up. However, while Performance Solutions can be used in residential construction, the Centre for International Economics found that the Performance Solution Approach (previously known as the Alternative Solution Approach) was much more commonly used in larger commercial constructions as opposed to the construction of single houses (CIE 2012, p. 64).

While most construction regulation is set through the NCC, there are other important regulatory instruments.

- Jurisdictions have their own design guides and standards for builds.
- Each jurisdiction has a building regulator, either established within a statutory body or a government department. Building regulators oversee the licencing of builders in charge of installing building products, as well as certifiers/surveyors who certify work to the requirements of the NCC.
- Where applicable, businesses completing residential construction work must comply with the regulations administered and enforced by the Australian Building and Construction Commission (ABCC).
- Jurisdictions have their own occupational licencing, consumer protection and insurance schemes.

14.3 Construction and the supply and affordability of housing

The two mechanisms through which construction influences the affordability of Australia's housing — the cost and the number of new builds — are related. All else equal, a reduction in building costs should see an increase in the supply of dwellings, as more projects become financially viable, and perhaps less resources have to be used on new builds. But, for simplicity, this section treats supply and affordability separately, noting overlaps where appropriate.

Construction and the cost of new builds

The cost of constructing a dwelling varies based on its location, size and the materials used. As discussed in section 14.1, on average, apartments cost more than detached houses to build. This may seem surprising as other evidence suggests it is cheaper to add another unit to a multi-unit dwelling rather than build an entirely new detached dwelling (Jenner and Tulip 2020).

This counter-intuitive finding can be explained by the fact that the higher average cost of denser dwellings reflects the preferences of households (and other associated factors) rather than actual construction costs. More dense dwellings are often built for high-income households and therefore may use more expensive construction practices or be built to higher specifications. The Commission analysed Victorian construction cost data and found that the variation in construction costs is larger for more dense dwellings than detached dwellings. The cost of building a detached dwelling is usually between \$240 000 and \$386 000. Construction costs for buildings with more than 10 dwellings are usually between \$216 000 to \$450 000 per dwelling (figure 14.2).⁸

But, once the location of the build is controlled for, multi-unit dwellings are about \$34 000 to \$55 000 cheaper to build, on a cost-per-dwelling basis (Commission analysis of Victorian Building Authority data). Denser dwellings are more frequently built in inner urban areas, which have higher construction costs, either due to the types of builds in these locations (for example, 'luxury' apartments) or greater input costs (for example, greater transport costs or planning bottlenecks). Other factors associated with the cost of construction include:

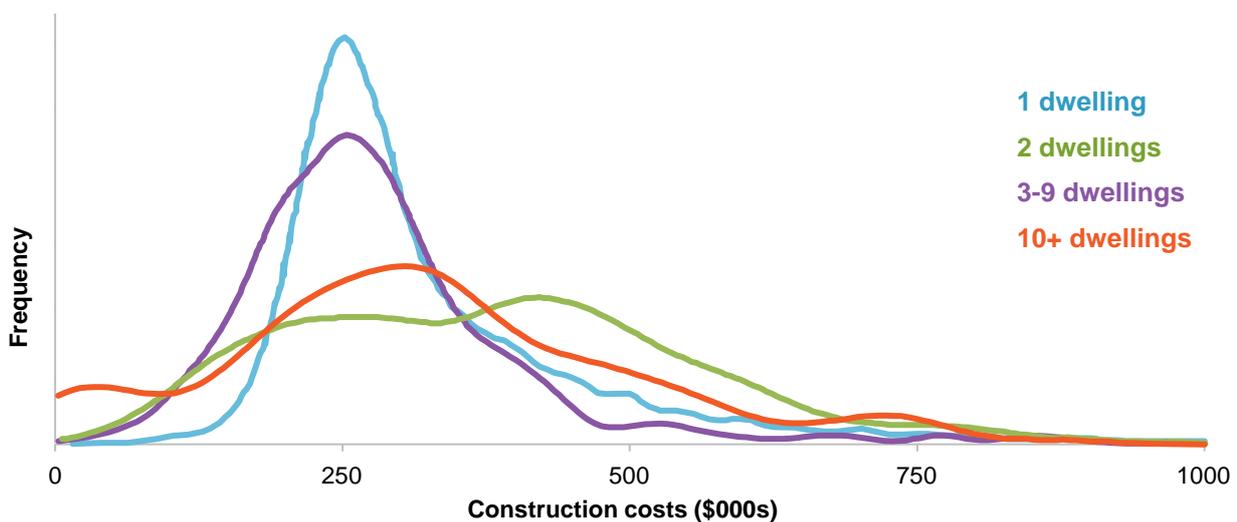
- floor space — dwellings with greater floor sizes are more expensive to build
- number of storeys — buildings with more storeys are cheaper to build on a per-unit basis, even when the number of dwellings in a building is controlled for. This is consistent with the work of Jenner and Tulip who suggested it is often cheaper to build high rise apartments than medium-density housing to supply extra housing (2020, p. 4).

Construction costs also vary based on the cost of materials. There has been a 13 per cent increase in the cost of building materials over the past 12 months. This was largely due to significant price increases for timber and metal which have been in short supply.⁹ About one-fifth of businesses have reported a lack of materials as a significant constraint on output in 2022 (Ellis 2022). This shortage of raw materials may have been exacerbated by demand-side initiatives such as HomeBuilder that increased the number of dwellings approved for construction, increasing competition for limited materials. Ellis (2022) also noted that the residential construction sector faces competition for inputs — labour and raw materials — from other sectors in construction, and that there is a large pipeline for public infrastructure.

⁸ This is based upon the range from the first quartile to the third quartile (50 per cent of construction costs lie within this range).

⁹ For example, between September 2021 and June 2022, the cost of timber used for board and joinery increased by about 18 per cent and the cost of steel products increased by about 23 per cent (ABS, *Producer Price Indexes, Australia*, Cat no. 6427.0, table 18, weighted average of 6 capital cities).

Figure 14.2 – Denser homes can be built more cheaply (or more expensively)^a
Distribution of dwelling construction costs by number of dwellings



a. These data relate to the estimated building cost when filing for building permit approval. However, evidence suggests that construction costs for projects consistently overrun initial estimates — meaning that the data presented here are likely to be underestimates of construction costs. Instances where zero construction cost were reported have been removed.

Source: Commission analysis of Victorian Building Authority (VBA) building permit data, various years (available from vic.gov.au).

Quality improvements are part of the reason for higher construction costs

Over time, the quality of most goods and services improves with newer technologies and production methods. Computers are a good example of this — the 1969 Apollo 11 mission guidance computer had four Kilobytes of RAM while most consumer laptops today have over four million times the computing power. The first chess computer to defeat the human world champion in 1997, requiring 2 cabinets of space, would be defeated today by most available free smartphone apps.

As new construction methods become available and household incomes rise, housing should improve in quality and better meet consumer preferences. Examples of such quality improvements can include better temperature regulation through more effective insulation or air-conditioning, improved soundproofing, or better use of natural light. And this underlies the theory of ‘filtering’ — discussed in chapter 12 — that older housing becomes cheaper as it becomes of lower quality compared with the rest of the market, in the same way that second hand cars become cheaper as newer models become available. But this trend also implies that low-income households will be the last to benefit from advances in housing quality.

While improvements in quality are beneficial, they can come at the detriment of housing affordability if they are due to shifts in consumer preferences rather than improved productivity. Battellino (2009) suggested that ‘... the apparent contradiction between the shortage of dwellings and the high investment in dwellings arises because a high proportion of dwelling investment is going into improving the quality of existing dwellings ...’. In other words, if higher quality dwellings are to be built without productivity growth, either expenditure on dwelling investment as a proportion of GDP must increase, or fewer dwellings must be built.

Regulation that mandates higher-quality dwellings can also result in higher housing costs for low-income households. For example, restrictions on minimum floor sizes — present in some form in all jurisdictions — can result in higher quality dwellings but also adds costs and reduces the ability of the market to cater to the needs of low-income households. The Commission estimates that, since 1988, at least 10 per cent of the

increase in construction costs have been due to the use of better-quality materials and another 15 per cent because of larger floor sizes.¹⁰

Some stakeholders said the quality of housing in Australia has improved. For example, the Housing Industry Association said:

Homes built today are safer for occupants, more appropriate for climatic conditions, more resilient to extreme conditions such as cyclones, floods and bushfires, are more accessible and consume less energy than homes built by previous generations. (sub. 66, p. 17)

However, others were more sceptical. Some have said the sector is in 'crisis' and is commonly producing defective buildings. Others cited evidence that the quality of new dwellings has declined over recent years with defects more prevalent (O'Leary 2019; section 14.4).

A detailed analysis of how the quality of Australia's housing stock has changed over time is not possible because of a lack of high-quality longitudinal data on buildings. However, evidence from the Australian Conditions dataset suggests that most Australians are satisfied with new residential dwellings. Over 90 per cent of households living in dwellings less than 20 years old said the physical structure of their dwelling was 'good' or 'excellent'. And, while older dwellings are less likely to be rated highly, this could be because of wear-and-tear rather than actual problems with their initial construction.

Further research is required to better understand how the quality and composition of Australia's dwelling stock has changed over the past few decades and how this has affected affordability.

Construction costs for low-income households

Because of limits on how much they can spend on housing, low-income households are more likely to be affected by factors that influence the minimum (rather than the average) cost of housing. This means that it is worth looking at the cost of building housing at the so-called 'bottom end of the market', given it is this housing that will be most affordable for people on low incomes.

However, even if the minimum cost of construction was reduced significantly, it may not improve affordability for low-income households if not enough new housing was being built more generally (chapter 12). If housing supply is inadequate, higher income households are likely to outbid many lower income households for the relatively few new dwellings on the market. If the structural issues preventing more dwellings being built are removed (such as those discussed in chapters 12 and 13), the construction costs of low-cost housing will become more important.

Governments need to be cognisant of — and generally seek to avoid — placing regulatory requirements on dwellings that do little to address market failures but inflate the minimum viable cost at which new dwellings may be built. Minimum floor size regulations are one example. An examination of minimum floor sizes in New South Wales by the Centre for International Economics (cited in NSW PC 2021a, p. 286) found that there would be over \$1 billion in economic benefits if the NSW Government enabled smaller apartments.

Minimum parking requirements also contribute to construction costs. In Sydney, the Apartment Design Guide allows Local Governments to determine minimum car parking requirements (unless it is within 800 metres of

¹⁰ These figures should be considered lower-bound estimates. And in the shorter run (over the past 10 years) floor sizes have been decreasing, so it cannot explain any of the recent increase in construction prices. Commission estimates using ABS (*Building Activity, Australia, various years, Cat. no. 8752.0; Total Value of Dwellings, March 2022*). This methodology takes the difference in growth between two price series: new house price indices in the Building Activity Survey which have *some* quality adjustment; and raw estimates of the average prices of new houses (per square metre of floor area, with no quality adjustment) to gain some estimate of the effect of quality on prices. The price per square metre of housing series is then compared to the price per house (regardless of size) series to tease out the effect of increasing house size on house prices.

a train or light rail station) (NSW PC 2021a, p. 283). The Austroads' Guide to Traffic Management (cited in NSW PC 2021a, p. 283) estimated that land and construction costs of off-street parking spaces can vary between \$50 000 and \$80 000 per space. Some studies have examined the impact of minimum car park requirements — for example, the Centre for International Economics (cited in NSW PC 2021a, p. 286) estimated that the cost of building excessive parking in Greater Sydney is \$264 million, while Butt et al. (2020, p. 1) found that the Victorian Planning Provisions for minimum car park requirements have resulted in an over-supply of parking spaces in residential apartments.

Low-cost homes such as caravans, tiny homes, other 'manufactured homes'¹¹, and secondary dwellings such as 'granny flats', are housing options for low-income households who cannot afford more conventional housing options. The merits of these types of dwellings, and how they are affected by land use regulations, are discussed in chapter 13.

The Australian Tiny House Association (ATHA) noted that tiny houses on wheels or skids are not defined under the existing NCC, meaning that there are no minimum construction standards and building permits cannot be issued for their construction (sub. 9, p. 8). While bringing tiny homes under the NCC may result in higher costs in the short term — as builders comply with standards — it would likely be beneficial to their acceptance as a low-cost, affordable housing option that may suit some households and may result in a greater supply of these dwellings.

Construction and the amount of new builds

The construction market affects the number of dwellings that can and are built in a given period. Building a residential dwelling requires both equipment and workers. In the short run, when the availability of these inputs is largely fixed, the more of these inputs that are used on each dwelling, the fewer dwellings that can be built.

Productivity is the main way that the construction market influences the number of dwellings built.

Productivity is a measure of how well businesses use inputs to generate outputs. For a given level of inputs and input prices, higher productivity means that businesses can produce more goods or services, and these can be sold at a lower cost. Productivity (usually) grows as new technologies are deployed, including more efficient ways of using and managing resources. Without productivity growth, more resources would have to be poured into the construction sector to increase the supply of new houses (resources that could have been used to produce other goods or services).

Productivity growth is important in the construction sector as it leads to lower building costs and greater housing supply. For example, 2013 analysis from independent economics modelled that a 9.4 per cent increase in productivity due to regulatory reforms in the 2000s decreased residential construction costs by 1.7 per cent and the cost of construction services¹² by 4.5 per cent (independent economics 2013, pp. vii–ix). The Centre for International Economics estimated that a 1 per cent increase in multifactor productivity in residential construction results in a 0.36 per cent increase in the output of housing (CIE 2012, p. 24).

Productivity can be difficult to measure in sectors such as construction. The construction industry is labour intensive and hours worked often have indirect or highly delayed impacts on production. The output (dwellings) vary in quality over time, so statistics need to be adjusted for quality increases. Most productivity measures aggregate all construction activities together, including commercial, infrastructure and residential

¹¹ Homes that can be relocated, such that a tenant owns the physical structure of their dwelling and rents land or utilities from a landlord.

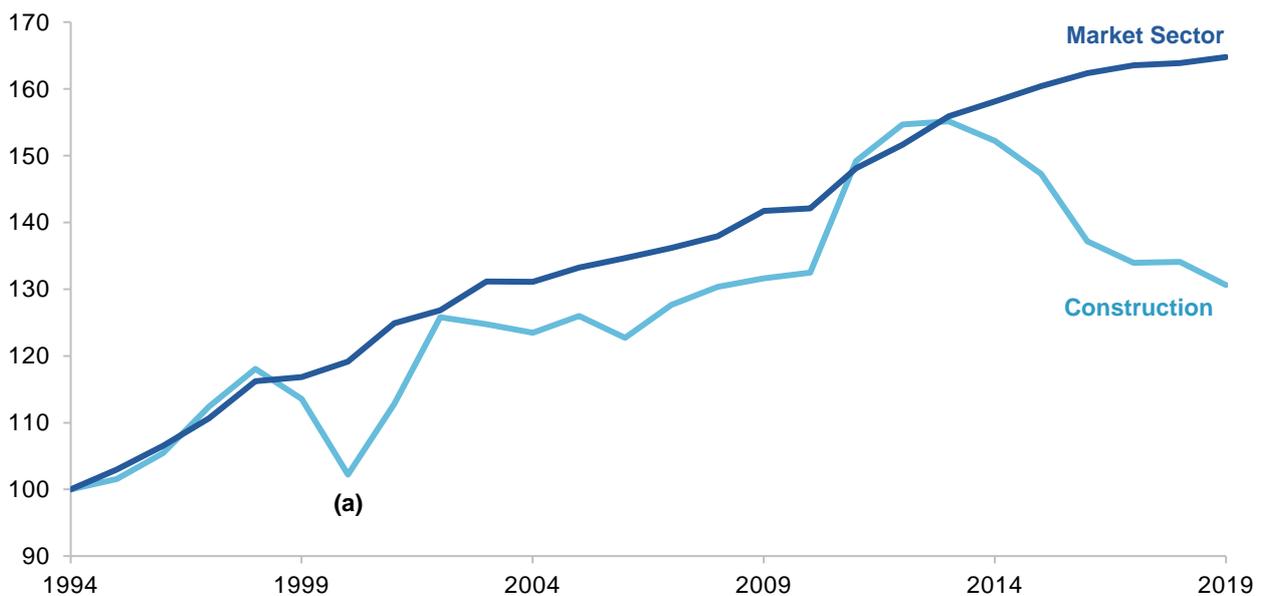
¹² Construction services is defined by the ABS separately from construction. It has five groups: site preparation services; building structure services; installation trade services; building completion services; and other construction services (Richardson 2014, p. 3).

construction, even though each of these sub-sectors produce different products in different markets. Nevertheless, analysing aggregate data still yields useful insights into the industry’s performance.

Construction labour productivity¹³ growth in Australia has ebbed and flowed over the past 30 years. There was a significant increase in labour productivity in the late 1990s, commonly associated with industry-wide microeconomic reform (section 14.2) as well as a more recent burst from 2010 to 2013 (figure 14.3). However, in recent years productivity has been declining and has fallen behind the ‘market sector’.¹⁴

Labour productivity can be further decomposed into two elements: multifactor productivity (MFP) and capital deepening. MFP usually represents a combination of technological change and increasing skills in the workforce. Capital deepening, on the other hand, represents capital investments that allow a given worker to increase output through the use of better or more equipment. While the construction industry has largely kept pace with the market sector in terms of MFP productivity in recent years, there has been a discernible lack of capital deepening (figure 14.4). As a result, the average annual rate of labour productivity growth over the past 25 years for the construction industry (1.07 per cent) has been almost half that of the market sector (2.02 per cent).

Figure 14.3 – Construction productivity has been declining since 2013
Labour productivity in construction, 1994–2019 (1994=100)



a. The large decline in productivity in 2001 was due to a significant decrease in output due to ‘building activity being brought forward to counter the introduction of the GST’ (ABS 2007b).

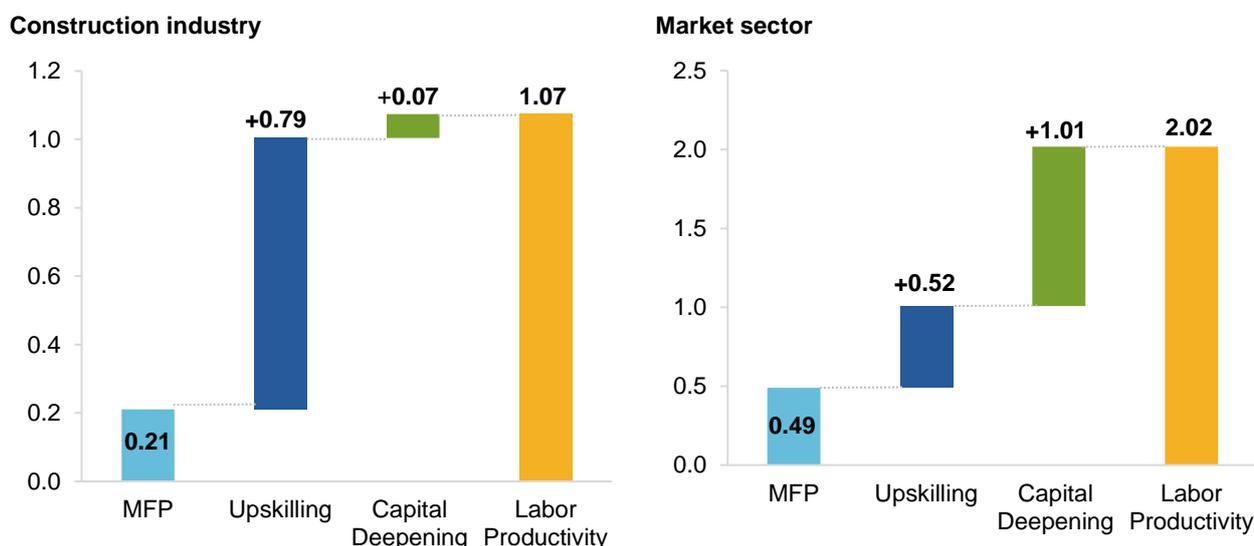
Source: Commission estimates using ABS (*Estimates of Industry Multifactor Productivity, Australia, 2019-20*, Cat no. 5260.0.55.002, table 6).

¹³ Analyses often focus on labour productivity – defined as output per worker per hour worked. All else equal, an increase in labour productivity will mean that an Australian worker will produce more output for the same number of hours worked.

¹⁴ The ‘market sector’ used in this analysis is the ‘12 selected industries’ measure used by the ABS. It is commonly utilised as an economy-wide comparative when analysing the productivity performance of a single industry.

Figure 14.4 – Most of the productivity increase in construction can be attributed to labour upskilling

Composition of changes in labour productivity (1994-95 to 2019-20), construction industry and market sector^a



a. MFP in these charts refers to quality-adjusted multifactor productivity.

Source: Commission estimates using ABS (*Estimates of Industry Multifactor Productivity, Australia, 2019-20*, Cat. no. 5260.0.55.002, tables 1-19).

As noted by Richardson (2014, p. 6) construction has a lower rate of capital intensity than industries such as mining and electricity. Most productivity growth in construction can be attributed to the 'upskilling' of the workforce, meaning that the human capital used in each hour of work is greater.

Studies comparing international rates of construction productivity paint a mixed picture for the Australian industry's performance.

- Some macroeconomic evidence suggests that Australia's rate of productivity growth eclipses that of the United States and Canada and is comparable to the United Kingdom. For example, Richardson (2014, p. 2) found that Australia's construction labour productivity was twice the rate of the United States.
- However, some firm-based research presents a different picture. For example, Langston (2012, pp. 1–2) focused on a sample of high-rise projects and found that higher Australian productivity was illusory because it reflected higher base costs of building.

When the Commission examined construction productivity in 2014 (as part of a broader inquiry into public infrastructure), it concluded that there was 'no conclusive evidence that Australian levels of productivity in construction are significantly different from other developed countries' (PC 2014b, p. 2).

What is contributing to lagging productivity?

There are several reasons why productivity rates in the construction industry are lagging behind other industries. Existing qualitative and survey work show that productivity is affected by factors such as:

- construction delays, idle time for workers and time overruns, potentially due to supply chain issues
- poor supervision, management and communication with staff
- lack of technological innovation and take-up of new technology
- lack of experience and expertise in the workforce (Boehme et al. 2018; Hasan et al. 2018).

However, it is unclear why these factors lead to lagging productivity in a competitive sector where businesses have strong incentives to resolve such problems.

Another explanation for lagging productivity growth is the lack of microeconomic reform in recent years. Productivity growth in the 1990s is frequently associated with the regulatory reforms of the period. Industrial arrangements may also be a factor, with some arguing that higher rates of productivity have been crowded out by higher wages (PC 2014b). The impact of unionisation on productivity is also a subject of considerable debate. In 1999, the Commission found that high rates of unionisation had a negative impact on productivity through union impacts on work practices and pay negotiations. However, this finding spurred a long-standing debate. Toner et al. (2001) criticised the Commission's methodological approach and argument. More recent empirical cross-state research from Chancellor found that while unionisation had a negative impact on construction productivity growth at a national level, the effects at a state level were 'mixed and inconclusive, with some negative and positive results' (2015, pp. 95–96). While it is conceivable that unionisation does influence construction productivity, its impact is likely to be more muted for residential construction, where unionisation is less prevalent compared with other construction sub-markets.

Other factors affecting productivity include:

- the types of dwellings being built — with some research suggesting that productivity rates are worse in mid-rise construction (Boehme et al. 2018)
- the size of (and trends in) the construction 'shadow economy' with building activities that are 'productive and legal but are deliberately concealed from the public authorities to avoid payment of taxes or complying with regulations' not included in productivity statistics (OECD 2002, cited in Chancellor and Abbott 2015)
- the low level of capital intensity in the industry (Richardson 2014, p. 6), which can make productivity improvements more challenging.

However, it is important to acknowledge that these are just inferences and, at best, correlations. As stated by Loosemore:

Past research has shown that deterministically attempting to prove a relationship between productivity and any single variable is fraught with problems because of the number of potentially intervening variables, many of which are unmeasurable. (Loosemore 2014, cited by Maclennan, Ong and Wood 2015, p. 35)

Microeconomic reform is needed to lift construction productivity

Given the importance of productivity for improving the capacity of the industry to build more housing (and potentially at cheaper cost), it is surprising that it is receiving such little attention. Instead, recent proposed reforms to the NCC appear to be focus more on improving the accessibility and sustainability of housing while state-level reforms are predominately focused on safety (section 14.4). Attention has also been given to compliance and reforms to improve confidence within the sector, such as through the Shergold and Weir review (2018).

Indeed, there has been little focus on construction industry productivity in recent years. The Commission last investigated the industry's productivity in 2014 as part of an inquiry into public infrastructure (PC 2014b). Master Builders Australia used to release semi-regular research updates on sector productivity but this ceased in 2013 (independent economics 2013; MBA nd).

Given the value of having a construction industry that is as productive as possible, and recognising that construction productivity is lower today than it was in 2013 (nearly a decade ago), there is merit in governments commissioning an independent review of the industry's productivity.

This review should include an assessment of the role and performance of the NCC. Although the NCC is updated every three years, governments and industry are highly involved in the process, meaning it is not an independent review of the Code and its impact on the industry or the community more broadly.

And it is not just the content of the NCC that matters — how it is applied by States and Territories is relevant too. Some stakeholders presented concerns about some jurisdictions deviating from the NCC. Although the NCC is a national code, there is no obligation for jurisdictions to accept or enforce new reforms. This provides jurisdictions with some flexibility to meet their local needs but it can also increase compliance costs for larger businesses operating across jurisdictions. The Housing Industry Association, for example, argued that:

The efficiencies that have been facilitated through having a national construction code are being eroded. State and local governments are also facilitating deviations from the national code through alternative legislative or regulatory measures. These typically lack the due consultation and do not give adequate consideration to the additional costs that deviations from the NCC impose on construction and the impact on overall housing affordability. (sub. 66, p. 18)

Previous work undertaken by the Commission acknowledged that national consistency in regulation likely led to productivity gains for the industry (for example PC 2004b, p. 69), meaning the value of national regulatory reforms may be lost if sizeable state-level variations remain.

However, the NCC is not the only regulatory instrument that can impact on the productivity of the industry. As noted in section 14.2, there is an array of other regulatory requirements that the industry is subject to. And the cumulative impact of these regulations matter. Master Builders Australia, for example, argued that:

... far too often, new regulations are added based on their expected net marginal benefit. That is, proposed regulations are only evaluated based on the extra costs they are likely to impose, with the existing collection of regulation not being looked at. (sub. 64, p. 29)



Recommendation 14.1

Governments should commission a review into the construction industry's productivity

Governments should commission an independent review of the productivity of the construction industry. The focus of this review should be on identifying microeconomic reforms (including but not limited to reforms to existing regulation such as the National Construction Code) that would improve construction industry productivity.

14.4 Construction and the safety, sustainability and accessibility of housing

Safety

The NHHA's objective includes improving access to safe housing. The safety of buildings is a topical concern. Several recent high-profile building failures have attracted media attention. In 2014, a fire started by a cigarette destroyed the Lacrosse building in Melbourne's Docklands precinct (Hanmer 2019). In 2018, the Opal Tower at Sydney's Olympic Park had to be evacuated less than a year after completion when cracks

appeared on the building's tenth floor (Zhou 2018). These issues are not unique to Australia — there have also been several high-profile international building failures.¹⁵

Such high-profile failures damage the reputation of the construction industry. Some commentators also believe they reflect poor underlying conditions and practices within the industry (Chandler 2019; O'Leary 2019). This public discourse can sway the housing decisions of Australians.

What are building defects?

Safety issues within dwellings commonly result from a defect in its design or construction process. A defective building can be defined as:

... a building that is not fit for its purpose due to a failing or shortcoming in the function, performance, statutory or user requirements of the building, where the failing or shortcoming has existed since construction or been triggered later on by faulty original construction or design (Crommelin et al. 2021 p. i).¹⁶

This definition — like all attempts to pin down what a 'defect' is — is somewhat vague, as it is unclear what a 'failing' or a 'shortcoming' may be.¹⁷ A defect could range from a cosmetic flaw to a life threatening failure.

Common building defects relate to:

- *water* — for example, defects in waterproofing, roof and rainwater disposal, or leaks. Water related defects are among the most expensive defects to fix
- *cracking* — as mentioned above, not all cracks are indicative of a structural failing of a building, some may just be a cosmetic defect
- *fire safety* — fire safety defects range widely, from the combustibility of a building's cladding, to the accessibility of doors in the event of a fire. Fire safety issues are among the hardest to recognise and record (Crommelin et al. 2021).

While defects rarely result in the fundamental failing of a building, repairs can be costly and lead to legal disputes. Some estimates put the average cost of defect rectification at 4 per cent of the original price of the building for detached houses (Mills, Love and Williams 2009). For multi-unit buildings, the cost can be much higher. The NSW Home Building Compensation Fund has a median payout of \$500 000 to rectify building defects for buildings of three or fewer storeys (Crommelin et al. 2021, p. 47).

How prevalent are building defects?

There is a large amount of literature attempting to quantify the prevalence of building defects in Australia. Estimates vary greatly, ranging from 12.5 per cent to 85 per cent of dwellings (table 14.2).

The large range of estimates highlights the issues around measuring building defects. Finding representative samples is challenging and some methodologies are likely to systematically overestimate the quantity of

¹⁵ Combustible cladding led to the deaths of 71 people in London's Grenfell tower when it burned down in 2017. A subsequent inquiry found that the building's exterior was not up to regulations which explained why the fire spread so quickly (Grenfell Tower Inquiry 2019). 98 people died after a 2021 building collapse in Miami, Florida. The cause of the building failure is being investigated (ABC News 2021b; NIST 2022).

¹⁶ This is a reasonably broad definition, and goes beyond what consumers can usually claim as redress under legislation under the status quo for defective work.

¹⁷ It is however important to note that the definition excludes issues that occur over time as a result of natural wear-and-tear of a building, or damage directly or indirectly caused by the occupant.

defects. Newer buildings are recorded as having more defects but this may be an issue of response bias (there is more information on newer buildings so defects are more frequently reported).

Commission analysis of the Australian Housing Conditions dataset — a representative sample of houses across 3 states — found that about 12 per cent of households reported being aware of a defect in their dwelling. Defects were more common in apartments and in private rental and social housing (relative to owner-occupied homes). The analysis also found that newer, and cheaper, dwellings are more likely to have a defect. Defects were not statistically more common in certain states or in other dwelling types.

A more recent survey — the Australian Rental Conditions dataset — found that 68 per cent of rentals had a defect. The most common defects were cracking (39 per cent), mould (28 per cent) and plumbing issues (28 per cent).

Table 14.2 – Estimates of the frequency of building defects

	Proportion of buildings with defects	Dwelling types	Methodology and caveats
Easthope, Marceau and Bunker (2012)	72 per cent	Strata	<ul style="list-style-type: none"> • Self-reported survey of over 1000 strata owners across New South Wales • Survey was opt-in, so response bias is likely
Johnston and Reid (2012)	85 per cent (with an average of 14 defects per building)	Strata	<ul style="list-style-type: none"> • Audit of 212 building reports in New South Wales, Victoria and Queensland
Mills, Love and Williams (2009)	12.5 per cent	All	<ul style="list-style-type: none"> • Analysis of government insurance data for 800 000 buildings built between 1983 and 1997 in Victoria
NSW Building Commissioner and Strata Community Association NSW (2021)	39 per cent	Strata and four or more storeys (completed since 2014)	<ul style="list-style-type: none"> • Survey of strata building managers • Significant response bias (less than one-third)
Crommelin et al. (2021)	51 per cent	Strata	<ul style="list-style-type: none"> • Random sample of 635 strata schemes across 3 local government areas in Sydney • Various data sources, such as insurance information, insurance reports, defect reports and inspection reports

What can be done to improve housing safety?

Improving housing safety requires government action and policy instruments outside the scope of the NHHA (and this review) such as the NCC and state regulations.

Regulation is important. Some construction practices are rightly outlawed. For example, Australia has banned all manufacturing and use of asbestos since 2004. But regulation needs to balance safety with other objectives and requires effective enforcement. A 2018 Senate inquiry, for example, noted that enforcement rather than regulation is often inadequate in the industry (Senate Economics Reference Committee 2018).

Providing consumers with information can be a low-cost way to improve safety. That said, many aspects of housing construction are complex and may not be well understood by consumers. Some states have begun developing tools to give consumers practical advice. The NSW Building Commissioner, for example, is

creating building ratings systems to ‘make it easier for homeowners and the regulator to identify trustworthy buildings’ (NSW Government 2021b). This includes a new tool that will show ‘what products were used, who made them, what testing certifications are held and who installed and certified the building work’ meaning that practitioners working in New South Wales will have a ‘digital fingerprint that will attach to every project they have worked on’ (NSW Government 2021e). Other jurisdictions could consider adopting similar tools.

There are some circumstances where defective or unsafe buildings can have particularly pronounced consequences and extra vigilance is required from governments.

One such circumstance is when housing markets are tight. Tight markets, such as rental markets with low vacancy rates, can diminish the options of consumers. For example, a prospective tenant may know that a dwelling may be risky to occupy, but they may not have many alternatives and because of this, can be hesitant to seek redress from their landlord. In tight markets, it is likely to be low income households who are pushed into the most unsafe housing. (Government policies to assist renters — including in tight markets — and to increase the supply of housing more broadly are discussed in other chapters).

Another circumstance relates to when there is significant high-rise and dense housing construction. If defects in high-rise housing are widespread (or even not particularly widespread, but receive substantial public attention when they do occur), it can be enough to dissuade people from living in high-density housing for fear of living in an unsafe or low-quality home. Indeed, if consumers cannot tell the difference between a well-built or poorly-built apartment — and do not have confidence in governments to enforce high-quality builds — they may instead decide to be risk averse and purchase a townhouse or detached house instead (if it is within their budget). This can be detrimental to both the buyer — whose needs might have been better met through an apartment — but also the function of the housing market more broadly, given the potential benefits of higher housing density and diversity (chapter 13).

Further, the steps involved in redressing defects in multi-story buildings are often more complicated and costly. Not only is the construction of such buildings more complex, ownership of a multi-unit building is commonly split across many individuals, meaning owners will have to collectively organise legal action to obtain redress for defective building work — a time consuming and expensive process. Preventing defects from occurring in the first place, as opposed to resolving them after they arise, is likely to be more cost effective in the majority of cases.

Given the potentially significant costs that arise from defects — not only in dollar terms but also from the potential for widespread defects to undermine consumer confidence in the housing market more broadly — there is merit in governments building the evidence base on defects in new buildings. While — as discussed above — some evidence is collected, it is ad-hoc, incomplete and methodological differences make it difficult to compare trends over time. A more complete and consistent evidence base will provide governments with the information needed to monitor the prevalence, nature and severity of defects — and changes in these over time — and to develop policy or regulatory responses that are proportionate and effective in response.



Recommendation 14.2 **Improving the evidence base on building defects**

State and Territory Governments should improve the evidence base on the prevalence, nature and severity of defects in their jurisdiction, including through better data collection and reporting.

Environmental sustainability

The construction industry affects the environment through its use of materials and energy. In terms of direct emissions, the construction industry accounts for a relatively small share of Australia's emissions — in 2020, the construction industry accounted for about 12.3 kilotons of direct CO₂ (equivalent) emissions, or about 2.5 per cent of total (net) emissions. But the construction industry can also affect emissions more indirectly. For example, it can affect the emissions of the residential sector through its influence on the design, quality and sustainability of buildings. In 2020, the residential sector accounted for about 61.3 kilotons of direct CO₂ (equivalent) emissions — about 12.3 per cent of total emissions. Some industries that produce inputs used in construction also have relatively high emissions.¹⁸

There is often a trade-off between a home's affordability and improving its environmental sustainability, at least in the short-term. Regulations to improve sustainability are likely to push up construction costs and dwelling prices. However, sustainable dwellings can have lower lifecycle costs¹⁹ for consumers by reducing their need for (and therefore expenditure on) energy — for example because of more efficient heating or cooling. That said, the relationship between the environmental efficiency of a home and savings for the resident may not be linear. For example, analysis by the Centre for International Economics suggested there are diminishing returns from energy efficiency savings — with moving from 1 to 2 stars estimated to save a Sydney household \$980 per year but moving from 6 to 7 stars only saving \$124 per year. Further, the Centre for International Economics found that the 'optimal' star rating for a dwelling was about 4 stars — after this, the marginal cost of greater efficiency exceeded marginal benefits (CIE 2010, pp. 8–10).

In the long run, environmentally efficient dwellings appreciate in value at a faster rate — all else being equal — relative to other buildings, as climate conditions change and the cost of occupying decreases relative to other buildings. Taruttis and Weber (2020) found a strong positive relationship between the energy efficiency of a house and its price in Germany, and that the relationship had grown more pronounced in recent years. Ironically, this may make sustainable houses less affordable, as their lower operating costs get baked into the market price.

In a well-functioning market, with perfect information, well-informed consumers will act on their preferences when trading off upfront and delayed costs. Rational consumers may be more interested in the total lifetime costs of a property — factoring in not only the upfront costs of purchasing/renting, but also the long-run costs of energy use, repairs, maintenance and so on.²⁰ But market information problems may mean that upfront costs are overvalued, meaning dwellings may be less energy efficient than preferable. This is heightened by the fact that builders (and landlords) have an incentive to maximise profits and minimise input costs at a given sale price, so have limited incentives to lower consumer lifecycle costs (a problem of moral hazard, box 14.5).

Much of the existing housing stock in Australia is not well equipped to deal with climate change. A Senate Inquiry into the impacts of climate change on housing, building and infrastructure found that the evidence it heard 'indicates that Australian buildings are generally not well suited to the existing climate, let alone a future further affected by climate change' (Senate Environment and Communications References

¹⁸ Commission estimates using Department of Climate Change, Energy, Environment and Water National Greenhouse Accounts Data — National Inventory by Economic Sector, data table 1.

¹⁹ Lifecycle costs', when referred to in this chapter, are not explicit or financial costs, but are rather the total cost to the consumer when factoring in their inter-temporal preferences. This means that lifecycle costs will vary from consumer to consumer. For example, an individual may prefer to pay \$1100 over 12 months to paying \$12 000 upfront, as they value their current wealth more than expected future wealth. However, another person's preferences may be different, such that they would prefer the opposite choice. Either way, individuals will always aim to minimise their total lifecycle costs.

²⁰ Although, most consumers have a 'discount rate' they apply to future consumption and expenses. Some consumers will tolerate much higher future costs in exchange for lower upfront costs, if they highly value current consumption.

Committee 2018, p. 78). As average temperatures rise, the need to cool a dwelling will also increase. And, as extreme weather events such as droughts or excessive rainfall become more common, dwellings will have to maintain a strong level of resilience and/or may depreciate at a faster rate.

Box 14.5 – Moral Hazard

A subset of information asymmetry market failures in the construction market is ‘moral hazard’, and specifically principal-agent problems. Principal-agent problems commonly refer to a scenario where one party (referred to as the agent) acts on behalf of another party (the principal). When the principal cannot observe the full actions of the agent, issues may emerge if their incentives are not aligned, as the agent may instead act to maximise their own benefit instead of fairly representing the interests of the principal.

In the construction market, the developer of a lot (the agent) will act on behalf of the eventual buyer (the principal), by managing the construction process and recording information on any issues that emerge. The eventual owner wishes to minimise their exposure to long-term risk in the unit and the long-run life-cycle costs of maintaining the property. However, the developer may wish to maximise their short-term profits and minimise the duration of having the dwelling on their books.

In a market with perfect information, a rational buyer would simply purchase the property that minimises their lifecycle costs and meets their preferences, hence the developer would aim to cater to this need and compete to provide housing to meet the purchasers preferences. However, the asymmetric information allows the principal-agent problem to manifest, resulting in a sub-optimal market outcome.

These problems are also often disproportionately felt by people experiencing disadvantage who live in more poorly designed housing, and who may not be able to afford, or have access to, effective cooling or heating. A recent review of the sustainability of Aboriginal and Torres Strait Islander housing found that 59 per cent of homes housing Aboriginal and Torres Strait Islander people had a maximum summer temperature regularly exceeding 40 C (Healthabitat 2021). Many homes housing Aboriginal and Torres Strait Islander people do not have access to air conditioning (36 per cent do not have a cooling system or only have ceiling fans) and so bear the full brunt of high temperatures, particularly if homes were not designed to organically reduce temperatures (for example, only 26 per cent had wall insulation) (Healthabitat 2021). Another report found that the average energy consumption of housing occupied by Aboriginal and Torres Strait Islander people will significantly increase as a result of climate change (Lea et al. 2021, p. 80).

What can be done to improve the environmental sustainability of housing?

Governments are already taking steps to improve the environmental sustainability of housing. For example, all Australian governments have agreed to the *Trajectory for Low Energy Buildings* — a national plan that includes a range of measures. For residential buildings, these measures include developing minimum energy efficiency requirements for rentals and renovations and developing a framework for energy efficiency disclosure (COAG Energy Council 2019, p. 7).

The next iteration of the NCC is planning on lifting the minimum energy efficiency ‘star’ requirements for new residential dwellings (section 14.2). This is despite the Consultation Regulatory Impact Statement (RIS) of the policy change estimating a negative net cost to society at large and to most households. The Consultation RIS for the proposal to increase energy efficiency requirements noted that — in net present value terms — households would face capital (resource) costs of between \$2.3 billion and \$3.4 billion and

only receive benefits of between \$835 million and \$488 million from the options modelled. The total net cost (in net present value terms) from the reforms was estimated to be between \$1.8 billion and \$2.6 billion depending on the option modelled and the breadth of benefits considered (ACIL Allen 2021, pp. xiv–xv).

And the regulation does not appear well aligned in that most of the energy efficiency issues in Australia's housing stock is generated from inefficiencies in poorly-designed old stock. Lifting the energy efficiency requirements on new stock will do nothing to address this problem. If governments want to improve the environmental sustainability of housing quickly, other action will also be required.

There are other, non-regulatory instruments that governments could explore. Pricing instruments — for example a levy on new builds that do not meet a given energy star rating — are an alternative to regulation. The power of this policy instrument is that it does not diminish choice and can facilitate innovation, in that developers could explore new approaches to building in order to achieve higher rates of energy efficiency. By making more energy efficient houses relatively cheaper to occupy, it increases demand for these houses and hence taps into market forces to increase the availability of these dwellings. The Commission has previously expressed a preference for using pricing instruments to target environmental externalities, including recommending that Australian Government place a price on carbon emissions in *Shifting the Dial* (PC 2017c, p. 164).

But changing construction processes and materials may not be the best way to make housing more sustainable. Unlike affordability — which can almost exclusively be explained through land and construction costs — emissions are affected by larger urban-design factors such as urban density, transport infrastructure and car use. For example, a house could be constructed using best-practice environmental techniques and be energy efficient, but if it is disconnected from existing infrastructure, particularly transport infrastructure, it may still be associated with significant emissions over its lifecycle. According to Trubka, Newman and Bilsborough (2009, p. 11), the three most important factors in explaining variation in emissions per capita across local government areas are: distance to the central business district (CBD), activity intensity and public transport access. Density can also have an effect — for example Norman, Maclean and Kennedy (2006, p. 10) found that low-density developments use twice as much energy (on a per capita basis) as high-density housing in Canada.

In this sense, greater population density is correlated with lower emissions per capita. Therefore, reforming planning and zoning regulations to allow for more dense housing might reduce energy use more than reforms to construction processes (chapter 13).

Accessibility

How buildings are designed and built also impacts on how accessible buildings are, particularly for people with disability.

Ensuring that all dwellings are accessible for people with disability and other groups with heightened access requirements is not costless. The Centre for International Economics estimated that making dwellings more accessible could cost between \$3874 to \$37 742 per dwelling, depending on the level of accessibility sought (CIE 2021, p. 17). However, at any point in time, the benefits only accrue to the proportion of the population who require housing with additional features to improve its accessibility. For example, wider showers and showers with handrails are more easily accessible for older people and people with disability. But they also add to construction costs and limit choice. Government intervention aims to prevent people with disability from competing in a two-tiered market where only a small proportion of dwellings meet their needs — or

could meet their needs with modifications — resulting in higher prices and less choice. The Physical Disability Council of NSW said:

One of the key problems faced by people with physical disability when navigating the general housing market is that it is rare to find a property that has been built to any kind of accessible design standard. Having a home that has at least a base level of accessibility is important, since there can be both limitations on the modifications that can be done to many properties, and because modifications often take significant effort, cost and time to realise. (sub. 45, p. 10)

As discussed in section 14.2, it is proposed the next iteration of the NCC include more stringent accessibility requirements for residential dwellings. These requirements are based on the ‘silver’ standard of the ‘Livable Housing Design Guidelines’, developed by Livable Housing Australia (box 14.6).

Australia’s Disability Strategy 2021–2031 is the primary policy framework in place to guide decisions about the housing outcomes sought by governments for people with disability. The Strategy identifies two policy priority actions related to housing.

- Policy priority 1 — increase the availability of affordable housing.
- Policy priority 2 — housing is accessible and people with disability have choice and control about where they live, who they live with and who comes into their home (DSS 2021a).

Box 14.6 – The ‘Silver Standard’ of the Livable Housing Design Guidelines

The ‘core design elements’ of the Livable Housing Design Guidelines are:

- a safe continuous and step free path of travel from the entrance and/or parking area to the dwelling entrance that is level
- at least one level (step-free) entrance into the dwelling
- internal doors and corridors that facilitate comfortable and unimpeded movement between spaces
- a toilet on the ground (or entry) level that provides easy access
- a bathroom that contains a hobless shower recess
- reinforced walls around the toilet, shower and bath to support the installation of grabrails
- stairways are designed to reduce the likelihood of injury and also enable future adaptation.

Source: LHA (2020).

As part of implementing the Strategy, governments have committed to developing targeted action plans for particular policy areas. Targeted action plans are commissioned for one to three years and include specific actions the Australian, State and Territory Governments agree to undertake. Progress under targeted action plans is reported on annually (DSS 2022f).

The Commission is recommending that Australian, State and Territory Governments commit to commissioning a housing targeted action plan to improve the availability of affordable and accessible housing for people with disability (chapter 5). A targeted action plan would be an appropriate vehicle to further consider the contribution that accessibility standards should make towards fulfilling the policy priorities set out in the Disability Strategy.

Transparent and rigorous analysis is central to managing trade-offs effectively

Managing policy trade-offs through building and construction regulation is difficult. As the above examples show, the trade-off between affordability and other important objectives, like safety, sustainability and accessibility, is a live issue for policymakers. There is no clear 'right' answer for how much one housing objective should be traded off for another — it is ultimately a judgment call, and one that governments — because they are accountable to the people who elect them — are best placed to make.

But this does not mean that decisions on how to balance objectives should be made blindly or arbitrarily. Rather, it is only with good information that policymakers can make informed and defensible decisions about how objectives should be balanced against each other.

For this reason, when considering changes to building regulations to achieve different objectives, it is important that a robust analysis of the cost and benefits is carried out. This should include both the cost and benefits of the changes, and their distribution across different groups (to allow for a fuller assessment of the likely impacts of the changes). It is also important that analyses are made public. Public scrutiny creates incentives for any analysis to be done well. And transparency on the costs and benefits of reform help the community to understand and appreciate the full impacts of decisions to change (or not change) building regulations.

Governments have prepared RISs for the proposed changes to the NCC to accommodate both the increased minimum energy efficiency requirements and increased accessibility requirements discussed above. These RISs were submitted to the Office of Best Practice Regulation and their compliance against RIS requirements assessed and published. This is a good practice that should be followed for any future changes proposed to the NCC.

14.5 Construction and the next Agreement

As discussed above, Australia's construction industry is a key input to achieving improved access to affordable, safe and sustainable housing. But the mechanisms used by governments to influence the construction industry — namely regulation through the NCC — sit outside of the NHHA. Improving the safety of housing, through decreasing the frequency of defects or improving the environmental sustainability of housing, for example, are entirely independent of government commitments and actions in the NHHA. Further:

- the Agreement does not take account of how conditions in the construction industry affects affordability or the number of dwellings built (a NHHA performance indicator)
- The Agreement has no discussion, targets, or indicators on how construction processes, directly or indirectly, affect the safety and sustainability of housing. Nor does it mention the physical characteristics or qualities of dwellings themselves.

In sum, the NHHA has no influence on — or significant implications for — Australia's construction industry.



Finding 14.1

The NHHA has no influence on the construction industry

The National Housing and Homelessness Agreement has no influence over Australia's construction industry, despite it being a key factor for achieving the Agreement's objective of improving access to affordable, safe and sustainable housing.

There are a range of approaches that governments can take regarding how construction regulation and broader policy settings are represented in the next Agreement. As one option, governments could consider incorporating the NCC — or at least the aspects related to residential housing — into the Agreement itself. The main attraction of this approach is that — given the NCC is the primary instrument regulating the quality, safety, environmental sustainability and accessibility of housing (and also influences affordability) — including it within the next Agreement provides an opportunity to better align the NCC with that Agreement's objective. It would also allow the next Agreement's reporting framework to regularly assess the extent that the NCC is or is not contributing to the objectives of the Agreement.

However, this approach may have practical challenges. The NCC is much wider than just standards for residential construction — it covers a range of non-residential building as well. It may be undesirable to include the whole NCC in the Agreement, and separating the elements that just relate to residential construction may be impractical.

At a minimum, the next Agreement should include language that articulates the importance of the construction industry for delivering more affordable, safe and sustainable housing. And it should contain indicators related to the physical quality and characteristics of Australia's housing stock — for example, indicators on the prevalence of defects, or measures of how safe or satisfied households feel with their dwellings (collected through survey data).

Construction decisions with NHHA funds

The construction industry also impacts the cost of government-owned and built housing stock (social housing). Because government funding for social housing — through the NHHA or otherwise — is usually a fixed envelope for a given period, governments need to make decisions involving several trade-offs. Governments can use their funding to renovate or update existing properties or build new ones. They can also choose to build more dwellings at a lower quality or build fewer dwellings with better amenities or standards.

Most jurisdictions build new social housing dwellings above the minimum standards set by the NCC. For example, the recent Victorian Government Big Housing Build, delivering 9300 social housing units, will meet a 7-star energy efficiency standard, well above the standards required by the NCC (Victorian Government 2020b). Many stakeholders supported this approach, with some claiming that states and territories should set targets for dwellings above the NCC minimum standards (Tenants' Union of NSW, sub. 81, p. 5) or that governments should renovate existing sites that do not meet current standards on energy efficiency (PowerHousing Australia, sub. 82).

Through the Agreement governments should articulate how they will approach the trade-offs between the different objectives of the NHHA, particularly affordability against safety and sustainability, when investing funds into physical housing stock. Governments should explain the extent to which they are prepared to accept having a smaller quantity of social housing stock to ensure that the stock is safer and more sustainable. For example, in their housing strategies, States could outline whether they will build social housing above NCC minimums and estimate the costs of these decisions. This would also help align broader construction regulation policy and the objectives of the NHHA.

Jurisdictions also tend to build social housing irrespective of market conditions in the construction sector. So if construction costs are high, for example due to high materials prices or a booming housing market, then less social housing units can be built with a fixed amount of funding. In such instances, governments should be alert to alternative policy approaches that might represent better value for money — for example, by making greater use of head leasing when construction markets are tight, then shifting focus to new builds when the industry has more capacity.

The next Agreement should recognise the importance of the construction industry in how it influences targets and indicators, including, for example, declines in rates of new builds when construction market conditions are tight — as was the case during the COVID-19 pandemic. The Agreement should also allow for governments to be flexible and move funds toward other measures, such as rental subsidies, that may be more effective in the short-run. The body responsible for overseeing the performance reporting and monitoring framework in the next Agreement (recommendation 5.6) should accordingly account for construction market conditions when reporting on indicators and targets.



Recommendation 14.3 **Incorporating construction into the next Agreement**

The next Agreement should:

- articulate the importance of the construction industry for delivering more affordable, safer and sustainable housing
- where possible, explain how governments will balance inevitable trade-offs between affordability, safety and sustainability
- recommit governments to rigorous, transparent assessment of the costs and benefits of regulatory and other reforms affecting the construction industry
- contain indicators related to the physical quality and characteristics of Australia's housing stock
- consider construction market conditions when designing and reporting on indicators and targets.

NHHA construction clauses

The current NHHA contains several references to the construction industry and its regulation (box 14.7).

Stakeholders were unenthusiastic about these clauses. The Queensland Government noted that, although they continue to meet their obligations, 'there is no clear benefit to having these obligations reflected in the current NHHA or in future funding arrangements' (sub. 27, p. 35). The Housing Industry Association also said that the clauses were 'unnecessary and tangential to the purpose of the agreement' (sub. 66, p. 18). And the Tasmanian Government argued that 'as Tasmania meets all national and state legislative requirements for building and construction, this should not be included in the agreement' (sub. 100, p. 14).

The Commission agrees that these clauses are largely out of place in the NHHA. Other clauses related to State, Territory and Australian Government responsibilities are largely high-level, while these are highly specific, technical, and reference specific pieces of legislation. It is also unclear how the NHHA was to enforce these requirements — particularly as there are other forums for governments to discuss intergovernmental policies for the construction market. These clauses should be removed from a future NHHA and should not be replaced by any similar clauses.

Box 14.7 – NHHA clauses related to construction

Clause 23: Under this Agreement the Commonwealth agrees to be responsible for:

- d) where relevant, in accordance with the Building and Construction Industry (Improving Productivity) Act 2016, ensuring that financial contributions to a building project or projects as defined under the Fair Work (Building Industry — Accreditation Scheme) Regulations 2016 are only made where a builder or builders accredited under the Australian Government Building and Construction WHS Accreditation Scheme is contracted; and
- e) where relevant, ensuring that compliance with the Code for the Tendering and Performance of Building Work 2016 (Building Code 2016) is a condition of Australian Government funding.

Clause 25: Under this Agreement the States agree to be responsible for:

- f) where relevant, ensuring that only a builder or builders accredited under the Australian Government Building and Construction WHS Accreditation Scheme is contracted, and providing the necessary assurances to the Commonwealth; and
- g) where relevant, ensuring that compliance with the Building Code 2016 is made a condition of tender for and performance of building work by all contractors and subcontractors, and providing the necessary assurances to the Commonwealth.



Recommendation 14.4

Some requirements and references to building regulation should not be included in the next Agreement

The next Agreement should not include the requirements and references to building regulation found in Clauses 23(d), 23(e), 25(f) and 25(g) of the National Agreement on Housing and Homelessness.

A. Public consultation

The Commission actively encouraged public participation in this review. This appendix outlines the consultation process undertaken and lists the organisations and individuals who participated.

- Following the receipt of the terms of reference on 13 December 2021, a circular was sent to identified interested parties.
- The Commission received 105 submissions and 8 brief comments prior to the release of the final report (table A.1). The submissions and brief comments are available online at www.pc.gov.au/inquiries/current/housing-homelessness/submissions.
- Consultations were held with representatives from Australian, State and Territory Government agencies, private and government service providers and their peak bodies, industry groups, consumer and community groups, and academics and researchers (table A2).
- Two roundtables were held:
 - A roundtable on Aboriginal and Torres Strait Islander housing was held on 26 April 2022
 - A roundtable on data and evidence was held on 2 June 2022 (table A.3).

The Commission would like to thank everyone who participated in this review.

Table A.1 – Submissions

Participants	Submission No
Aboriginal Health Council of Western Australia (AHCWA)	7
Aboriginal Hostels Limited (AHL)	60
Aboriginal Housing and Homelessness Forum (AHHF)	86
ACT Government	95
ACT Shelter and ACT Council of Social Service (ACTCOSS)	65
Action for More Independence and Dignity in Accommodation (AMIDA)	67
Adelaide Day Centre for Homeless Persons	13
Anglicare Australia	61
Anglicare Southern Queensland	28
ANTaR	15
Australian Alliance to End Homelessness (AAEH)	51
Australian Council of Social Service (ACOSS)	73
Australian Housing and Urban Research Institute (AHURI)	52
Australian Local Government Association (ALGA)	30
Australian Medical Association (AMA)	78
Australian Tiny House Association (ATHA)	9
Believe Housing Australia	31
BeyondHousing	11
Bridge Housing	50
Chris Cherry	105
Citizen's Dividend Organisation (CDO)	1
City Futures Research Centre (CFRC)	87
City of Yarra	16
cohealth	37
Commonwealth Grants Commission	43
Community Housing Industry Association (CHIA)	74
Community Housing Limited (CHL)	5
Community Information & Support Victoria (CISVic)	33
Council of Capital City Lord Mayors (CCCLM)	53
Darren McGhee	68
Darwin Community Legal Service (DCLS) and North Australian Aboriginal Family Legal Service (NAAFLS)	89
Department of Social Services (DSS)	83
Department of Veterans' Affairs (DVA)	26
Eastern Homelessness Service System Alliance (EHSSA)	22

Participants	Submission No
Equality Rights Alliance (ERA) and Women's Property Initiatives (WPI)	32
Evan Bichara	3
Geelong Housing Action Group (GHAG)	77
Gold Coast Youth Service (GCYS)	71
Grattan Institute	70
Homelessness Australia	62
Homelessness NSW (HNSW)	40
Homes for Homes	21
Housing for the Aged Action Group (HAAG)	90
Housing Industry Association (HIA)	66
Housing Older Women Movement	101
Indigenous Business Australia (IBA)	46
Infrastructure Victoria	14
Jesuit Social Services	49
Joseph Connellan	2
Junction Support Services (JSS)	39
Katherine Women's Information and Legal Service (KWILS)	85
Launch Housing	36
Local Government Association of Queensland (LGAQ)	63
Master Builders Australia	64
McAuley Community Services for Women	24
Melbourne City Mission (MCM)	23
Mental Health Australia	17
Michael Dillon	4
Mind Australia	103
Mission Australia	88
National Aboriginal and Torres Strait Islander Housing Association (NATSIHA)	55
National Aboriginal Community Controlled Health Organisation (NACCHO)	56
National Shelter	38
Neami National	34
Northern Local Area Services Network (NLASN)	6
NSW Council of Social Service (NCOSS)	54
NSW Government	69
Northern Territory Government	104
NT Shelter	59
Physical Disability Council of NSW (PDCN)	45

Participants	Submission No
PowerHousing Australia	82
Queensland Family and Child Commission (QFCC)	75
Queensland Government	27
REA Group	48
Regional Local Government Homelessness and Social Housing Charter Group	92
Royal Australian and New Zealand College of Psychiatrists (RANZCP)	12
Ruah Community Services	10
SA Housing Authority	58
Safe and Equal	19
Sarah Nelson	96
SEARMS Aboriginal Corporation	44
Shelter NSW	76
Shelter Tas	91
Shelter WA	98
Southern Homelessness Services Network (SHSN)	29
Southern Youth and Family Services (SYFS)	80
St Bart's	84
St Kilda Community Housing (SCH)	93
St Vincent de Paul Society National Council of Australia	57
Tasmanian Government	100
Tenants' Union of Tasmania	79
Tenants' Union of NSW	81
Tenants Victoria	47
The Lowitja Institute	72
The Salvation Army	42
Torres Shire Council	20
Uniting Vic.Tas	25
Urban Development Institute of Australia (UDIA) National	35
Victorian Government	97
Victorian Public Tenants Association (VPTA)	8
Western Australian Government	99
Western Homelessness Network (WHN)	41
Yfoundations	94
Young People in Nursing Homes National Alliance	102
YWCA Canberra	18

Table A.2 – Public consultations**Individual/Organisation**

Aboriginal Community Housing Industry Association

Aboriginal Hostels Limited

Aboriginal Housing Northern Territory

Aboriginal Housing Office (NSW Government)

Aboriginal Housing Victoria

ACT Shelter

Andy Fergus Design Strategy

Anglicare Australia

Argyle Housing

Australian Alliance to End Homelessness

Australian Bureau of Statistics

Australian Council of Social Service

Australian Housing and Urban Research Institute

Australian Institute of Health and Welfare

Australian Local Government Association

Australian Tiny House Association

Better Renting

BlueCHP

Bridge Housing

Brotherhood of St Laurence

CatholicCare Canberra & Goulburn

Community Housing Industry Association

Community Services Directorate (ACT)

Community Services Industry Alliance

Consumer Affairs Victoria

Corelogic

Council to Homeless Persons

Darwin Community Legal Service

Department of Communities (TAS)

Department of Communities (WA)

Department of Communities and Justice (NSW)

Department of Communities, Housing and Digital Economy (Qld)

Department of Environment, Land, Water and Planning (Vic)

Department of Infrastructure, Planning and Logistics (NT)

Individual/Organisation

Department of Planning and Environment (NSW)

Department of Planning, Lands and Heritage (WA)

Department of Premier and Cabinet (Tas)

Department of Social Services (Cth)

Department of State Development, Infrastructure, Local Government and Planning (Qld)

Department of Territory Families, Housing and Communities (NT)

Department of the Prime Minister and Cabinet (Cth)

Department of Treasury and Finance (Vic)

Early Morning Centre

Emma Baker

Equality Rights Alliance

Federation of Ethnic Communities' Councils of Australia

Grattan Institute

Greater Cities Commission

Guy Johnson

Hal Pawson

HESTA

Homelessness NSW

Homes Victoria

Housing all Australians

Housing and Homelessness Data Working Group

Housing for the Aged Action Group

Housing Industry Association

Indigenous Business Australia

Keystart

Launch Housing

Master Builders Australia

Melbourne City Mission

Mercy Foundation

Mission Australia

National Aboriginal and Torres Strait Islander Housing Association

National Affordable Housing Consortium

National Disability Insurance Agency

National Housing Finance and Investment Corporation

National Indigenous Australians Agency

Individual/Organisation

National Mental Health Commission

National Shelter

Nicole Gurrán

NSW Land and Housing Corporation

NSW Treasury

Office for Women (Cth)

Paul Flatau

People with Disability Australia

Peter Tulip

Planning Institute of Australia

PowerHousing Australia

Productivity Commission (NSW)

Property Council of Australia

Queensland Treasury

Rachel Ong ViforJ

Real Estate Institute of Australia

Regional Australia Institute

Reserve Bank of Australia

Ryan Greenaway-McGrevy

SA Housing Authority

Sacred Heart Mission

Safe and Equal

St Vincent de Paul Society Canberra/Goulburn

StreetCare

Tenants Victoria

Tenants' Union of NSW

The Salvation Army

Treasury (Cth)

Urban Development Institute of Australia National

Victorian Public Tenants Association

Vivienne Milligan

Western Homelessness Network

Wintringham

Women With Disabilities Australia

Yfoundations

Individual/Organisation

YWCA Australia

Yilli Rreung Housing Aboriginal Corporation

Extended public consultation

Australian Federation of Disability Organisations

First Peoples Disability Network

Mental Health Australia

Mind Australia

My Voice

Neami National

People with Disability Australia

Physical Disability Council of NSW

Rights & Inclusion Australia

Specialist Disability Accommodation Alliance

Spinal Cord Injuries Australia

Summer Foundation

Women with Disabilities Australia

Young People in Nursing Homes National Alliance

Table A.3 – Roundtables

Participants

26 April 2022 — Aboriginal and Torres Strait Islander housing roundtable

Aboriginal and Torres Strait Islander Housing Queensland

Aboriginal Community Housing Industry Association

Aboriginal Housing Northern Territory

Aboriginal Housing Office (NSW Government)

Aboriginal Housing Victoria

Community Housing Central Australia

Indigenous Business Australia

National Aboriginal and Torres Strait Islander Housing Association

National Indigenous Australians Agency

Nganampa Health Council

Noongar Mia Mia

SEARMS Aboriginal Corporation

Torres Strait Regional Authority

Yilli Rreung Housing Aboriginal Corporation

2 June 2022 — Data and evidence roundtable

Australian Bureau of Statistics

Australian Institute of Health and Welfare

Centre for Social Impact, University of Western Australia

Department of Communities (Tas)

Department of Communities (WA)

Department of Communities and Justice (NSW)

Department of Communities, Housing and Digital Economy (Qld)

Department of Families, Fairness and Housing (Vic)

Department of Social Services (Cth)

Department of Territory Families, Housing and Communities (NT)

Housing ACT

Mission Australia

National Aboriginal and Torres Strait Islander Housing Association

National Housing Finance and Investment Corporation

SA Housing Authority

Abbreviations

ABS	Australian Bureau of Statistics
ABCB	Australian Building Codes Board
ABCC	Australian Building Construction Commission
ACCO	Aboriginal Community-Controlled Organisation
ACHP	Aboriginal community housing provider
AHL	Aboriginal Hostels Limited
AHO	New South Wales Aboriginal Housing Office
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Council
ATSICCHO	Aboriginal and Torres Strait Islander Community-Controlled Housing Organisation
BCA	Building Code of Australia
CALD	culturally and linguistically diverse
CBD	central business district
CGT	capital gains tax
CHINS	Community Housing Infrastructure Needs
CHP	Community housing provider
CNOS	Canadian National Occupancy Standard
COAG	Council of Australian Governments
COVID-19	Coronavirus disease 2019
CPI	Consumer Price Index
CRA	Commonwealth Rent Assistance
CSHA	Commonwealth–State housing agreement
DA	development assessment
DIP	Data Improvement Plan
DSS	Department of Social Services
FHLDS	First Home Loan Deposit Scheme
FHOG	first home owner grant
FIRB	Foreign Investment Review Board
FTB	Family Tax Benefit
GDP	Gross Domestic Product

GST	Goods and Services Tax
HELP	Higher Education Loan Program
HHDWG	Housing and Homelessness Data Working Group
HILDA	Household, Income and Labour Dynamics in Australia (Survey)
IBA	Indigenous Business Australia
ICHO	Indigenous Community Housing Organisation
IGA FFR	Intergovernmental Agreement on Federal Financial Relations
IHOP	Indigenous Home Ownership Program
LGBTIQA+	lesbian, gay, bisexual, transgender, intersex, queer, asexual and other sexually or gender diverse
LMI	Lenders mortgage insurance
MIZ	Mandatory inclusionary zoning
MFP	multifactor productivity
NACTG	National Agreement on Closing the Gap
NAHA	National Affordable Housing Agreement
NCC	National Construction Code
NDIS	National Disability Insurance Scheme
NHFIC	The National Housing Finance and Investment Corporation
NHHA	National Housing and Homelessness Agreement
NHIF	National Housing Infrastructure Facility
NHG	New Home Guarantee
NIRA	National Indigenous Reform Agreement
NPAH	National Partnership Agreement on Homelessness
NPARIH	National Partnership Agreement on Remote Indigenous Housing
NPRH	National Partnership on Remote Housing
NRAS	National Rental Affordability Scheme
OECD	Organisation for Economic Co-operation and Development
PC	Productivity Commission
PRAP	Victoria's Private Rental Assistance Program
PRLP	South Australia's Private Rental Liaison Program
RBA	Reserve Bank of Australia
SACS	Social and Community Services Industry Equal Remuneration Order 2012
SHS	Specialist Homelessness Services
SHSC	Specialist Homelessness Services Collection
SIH	Survey of Income and Housing
SOMIH	State Owned and Managed Indigenous Housing

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