



## **SWA Housing Update, October, 22 2007**

In this Update:

- 1) Federal opposition release their third major housing affordability initiative;
- 2) Federal Coalition turn to major tax reforms to promote housing affordability

It would not be unreasonable to say that at this early stage of the Federal election it is getting difficult to discern much difference between the general policy directions of the two main parties.

However, a closer look at housing policy shows a significant chasm emerging between the two main parties. In the case of Federal labour their leader Kevin Rudd has outlined a plan to release more Commonwealth land for housing. This comes on top of the \$500 million housing affordability fund to contribute to the cost of essential infrastructure, and the \$603 million national rental affordability scheme to encourage private investment in low cost rental accommodation.

There are large tracts of Commonwealth land distributed throughout Australia and this type of programme could be used to target regions with high public housing waiting lists, recurring homelessness and lack of affordable rental. Shelter WA congratulates Federal labour in taking this bold step towards the eventual development and implementation of a housing policy which should enable more affordable housing supply in combination with their other major housing initiatives. The plan would be overseen by a national housing supply research council under the guidance of a national housing minister.

### ***What has the Federal Coalition come up with to temper the opposition parties wide ranging proposals for Australia's housing systems?***

Unlike the Federal opposition the Federal coalition have tended to steer clear of admitting that housing affordability has deteriorated substantially over the past decade or so. This is understandable. They have been in power throughout that period and the majority of the population (69%) are full owners or paying a mortgage and have received significant capital gain to boot? But what about Australia's 2 million plus renters of which almost a quarter experience housing stress?

The key housing policy difference beginning to emerge between the two parties lays in the realm of rental affordability schemes. The coalition has tended to ignore the arguments put forward that they need to develop a coherent housing policy framework which includes incentives for investors to invest in low cost private rental. They have put an over reliance on the Commonwealth Rental Assistance programme (paid to low income households renting in the private market) to induce private rental investment.

But this has failed to deliver. In WA, rental vacancy rates reached an all time low this year (less than 1 %). In September 2006 the annual rental increase had reached an all time high of 39%, although the annual increases have declined since then. The implications of higher rents and scarcity of rental supply is that more lower income households are added to those already experiencing housing stress (i.e. paying more than 30% of gross household income on rent) in the rental market

The CRA scheme is not well targeted – in WA it has the positive effect of reducing housing stress for only a third of its recipients, another third remain in stress Post CRA and the remaining third are not in housing stress before they receive the payment.

Instead of addressing the inherent supply problems in the private rental market, the Federal coalition believes that the key to a strong housing sector and access to affordable housing lies in strong economic conditions, the maintenance of a budget surplus, low inflation and low unemployment.

In effect the Federal coalition have couched their election housing policy into their proposals for changes to the tax system - a \$34 billion tax package tax cut for all, including \$26 a week by 2011 for workers earning \$60,000 a year. However it is difficult to see how a slight reduction in taxes for this income group will improve their housing affordability outcomes. In Western Australia the median income is about \$60,000 per annum and there is not one suburb were this income group can afford to purchase the median priced house.<sup>1</sup>

The tax system does not provide an ideal policy framework to deal with low and median income households struggling with the high costs of housing.

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<sup>1</sup> See Shelter WA, 2006, *The State of Affordable Housing in WA 2006*, [www.shelterwa.org.au](http://www.shelterwa.org.au)