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Shelter WA Housing News: 29 January 2004

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1. Final Report: Busselton and Margaret River Housing Forums

Last year, Shelter WA conducted housing forums in Busselton and Margaret River. At these meetings, a number of housing issues were identified, including:

Busselton:

- lack of access to affordable rental housing, especially for young people and small families;
- while the number of Homeswest dwelling has increased over the past ten years, this has not happened at the same rate as other tenures and as a result its proportional presence is declining;
- there is a growing number of homeless people and no provision of crisis accommodation. In addition, ASWA's Partnership in Housing Program is having some success in assisting young people into and maintaining private rental but many landlords are reluctant to house tenants they perceive as having had a poor tenancy record;
- overcrowding is also a serious problem, especially for households living in 1 and 2 bedroom units; and
- the local R codes are predominantly R15, which acts against the development of small units; consequently there is a shortage of affordable 1 and 2 bedroom dwellings.

Margaret River:

- lack of affordable rental housing especially for young people and single parent families;
- the provision of Homeswest housing is proportionately at less than half the average for WA and there is waiting list for some dwelling types that are currently not available;
- there is a growing number of homeless young people and like in Busselton ASWA offers services but is unable to respond adequately to demand as it has no access to crisis/short-term housing; and
- seasonal influxes of tourists are good for local businesses but contribute to seriousness of the housing crisis facing local people. This is about to be exacerbated by the establishment of The Centre for Wine Excellence, a joint venture between Curtin University, Edith Cowan University, TAFE and the University of WA. The Centre is expected to attract hundreds of students to the town and plans to date do not include the provision of housing.

Subsequent to the focus group meetings, Shelter WA used statistical data from various sources, including the Australian Bureau of Statistics, to further enhance the picture of housing in Busselton and Margaret River. The statistical data by and large confirmed the views expressed in the focus groups. In general terms, the problem appears to be one of certain vulnerable groups of housing consumers missing out in areas that are doing relatively well due in no small part to the economic activity brought by tourism. This activity benefits many locals, but an increasing proportion of people on lower incomes have trouble accessing affordable and appropriate housing. In other words, the tourists may have somewhere nice to stay, but where will the cleaners live?

Go to www.shelterwa.org.au (Housing News) to download the Final Report on the Shelter WA Housing Forums in Busselton and Margaret River, entitled *But Where Will The Cleaner Live?*

2. Update: Productivity Commission First Home Ownership Inquiry

The Productivity Commission released its preliminary findings on its Inquiry into First Home Ownership in a Discussion Draft just before Christmas. The Commission highlights the following key points:

- While fluctuations in prices and 'affordability' are inherent features of housing markets, the upswing in housing prices since the mid-1990s has been bigger and more widespread than in previous cycles.
- Notwithstanding lower interest rates, 'affordability' measures have fallen to relatively low levels in the past year or so. Rising house prices indicate that demand has been outstripping supply.
- Much of this increase in housing demand is due to cheaper, more accessible finance and buoyant economic growth through the 1990s.
- This led to price escalation because of inherent limitations on housing supply in response to general demand pressure, particularly as much of the demand has come from existing home owners seeking to 'upgrade' to higher quality houses or better locations.
- Only in the last couple of years have house prices surpassed levels that seem explicable on this basis, as additional investment has been encouraged simply by the prospect of further capital gains.
- To the extent that currently low housing affordability reflects cyclical price pressures, this will eventually be reversed. (Evidence of market cooling is already emerging.) However, there is a role for policy to address any forces that cause prices to be excessive over time.
- On the demand side, interactions within the taxation system between negative gearing, capital gains provisions and marginal income tax rates lend impetus to investment demand when prices are rising. However, these influences are not confined to housing and need to be assessed in a broader context.
- On the supply side, there is scope to moderate price and affordability pressures by improving land release and planning approval processes, ensuring that developer charges for infrastructure relate appropriately to the benefits accruing to a development, and replacing stamp duties with less distorting taxes.
- The First Home Owner Scheme, although conceived to compensate for the GST, would have more impact on home ownership if targeted at lower income households.

Shelter WA supports the Commission's conclusion that house prices have increased excessively in recent times. Shelter WA also supports the Commission's recommendations to review the First Home Owners Scheme and stamp duty. Both of these were part of Shelter WA and National Shelter's submission to the Inquiry ([click here to download](#)).

However, Shelter WA is disappointed that the Commission appears to have taken a narrow view of its Terms of Reference and has preferred to make recommendations for change to individual programs rather than call for more systemic change as advocated in our submission. In particular, Shelter WA is disappointed that:

- the Discussion Draft does not make any recommendations to make rental housing more affordable, thus allowing prospective home owners to accumulate a deposit,
- whilst recognising the importance of 'interactions within the taxation system between negative gearing, capital gains provisions and marginal income tax rates' in the recent excessive house price rises, the Commission has not made any recommendations for change in this area, and
- the public hearings are limited to Sydney, Melbourne and Brisbane.

There will now be a series of public hearings to discuss the Commission's preliminary findings in late January and early February. The Commission invites written submissions in response to its discussion draft by Friday 13 February 2004.