

Karel Eringa

From: Karel Eringa [karel@shelterwa.org.au]
Sent: Tuesday, 29 June 2004 12:42
To: Karel Eringa
Subject: [SWA Update] Shelter WA Housing News: 29 June 2004
Follow Up Flag: Follow up
Flag Status: Flagged

Shelter WA Housing News: 29 June 2004

In this issue:

1. National Shelter Policy Platform 2004
2. News: Productivity Commission Report into First Home Ownership
3. News: National Housing Summit

1. National Shelter Policy Platform 2004

National Shelter, the peak national body advocating for low income housing consumers, today released its 2004 housing policy platform, Rebuilding the Australian Dream - A National Approach. The Platform argues that despite significant Government expenditure on housing, the Australian dream of home ownership is slipping out of the reach of an increasing percentage of Australians. Rents are becoming less and less affordable for people on low to moderate incomes, and social housing is an option for a declining number of people.

The Platform identifies a lack of coordination of housing related policies and programs as a key factor in producing inconsistent and ineffective outcomes with regard to housing affordability and appropriateness. For instance, the First Home Owners Grant aims to reduce the deposit gap faced by prospective home owners. However, negative gearing provisions encourage investment demand, thus putting upward pressure on house prices.

The platform identifies five key policy initiatives that are essential to making the right housing available at the right cost in the right place and at the right time. The five initiatives are:

- A National Housing Minister
- A National Housing Strategy
- A National Approach for an Effective Social Housing System
- A National Approach for an Effective Private Rental System
- A National Approach for Effective Assistance to Home Purchasers.

The Platform can be downloaded from www.shelterwa.org.au (housing news).

2. News: Productivity Commission Report into First Home Ownership

Last week, the Productivity Commission released its Report into First Home Ownership. The Report's key findings include:

- Fluctuations in prices and 'affordability' are inherent features of housing markets, but the upswing in housing prices since the mid-1990s has been bigger and more widespread than in previous cycles. Despite lower interest rates, housing 'affordability' has declined considerably in the past two or three years. This is because increases in demand outstripping supply.
- To the extent that currently low housing affordability reflects cyclical price pressures, the Commission states that this will eventually be reversed. However, there is a role for policy to address forces that can cause prices to be excessive over the entire housing cycle.

- Interactions between negative gearing, 'capital works' deductions, post-1999 capital gains provisions and marginal income tax rates have lent impetus to investment demand during the housing boom. These influences are not confined to housing and selective 'fixes' could have ramifications across the economy. Potential reforms need to be assessed through a broader review, with a focus on capital gains provisions.
- Reducing reliance on stamp duties, improvements to the land release and planning approval process, and developer charges for infrastructure would have a moderating effect price and affordability pressures.
- The First Home Owner Scheme would have more impact on home ownership if better targeted at lower income households. However, the funds may generate larger social benefits if used to address the broader housing needs of the lowest income Australians.

The Productivity Commission made ten recommendations that it said would increase the efficiency of housing markets and improve prices and affordability. The recommendations include:

- a national public inquiry into housing and the needs of low-income earners,
- a review of the capital gains tax and negative gearing arrangements for investor housing,
- means testing the \$7000 first-home owners' grant, and
- replacing stamp duty revenue with more efficient forms of taxation

Shelter WA welcomes the findings of the report, as it upholds much of Shelter WA and National Shelter's submission to the Inquiry ([click here to download](#)). However, Shelter WA is disappointed that the Treasurer, Peter Costello, has passed the buck to the States and Territories, refusing to implement those recommendations requiring action on the part of the Commonwealth Government. It is Shelter WA's view that resolving Australia's housing crisis requires action on the part of all governments, including the Commonwealth.

The Productivity Commission's Report on First Home Ownership can be downloaded from <http://www.pc.gov.au/inquiry/housing/finalreport/index.html>

3. News: National Housing Summit

A National Housing Affordability Summit has been held in Canberra over the last few days to lift the debate about the barriers and solutions to housing affordability. The Summit provides an opportunity to achieve a new sense of cooperation and provide some directions for reform across the spectrum of housing issues including the supply of public housing, first home ownership and infrastructure provision.

The Summit is part of the National Housing Alliance, a coalition of major national organisations including National Shelter, Housing Industry Association (HIA), Australian Local Government Association (ALGA), Australian Council of Social Service (ACOSS) and Australian Council of Trade Unions (ACTU). The Chair of the Summit, Prof. Julian Disney said that "A creeping crisis in affordability has been developing for many years. But recent huge price increases around the country have made it even more serious." During the last decade,

- average house prices relative to income have almost doubled
- the proportion of first homebuyers has fallen by about 30%
- average monthly payments on new loans have increased by about 50% (\$500)
- the proportion of low-rent homes has fallen by about 15%
- opportunities to rent public housing have been cut by about 20%.

More information on the National Housing Summit is available at www.housingsummit.org.au .