

HOUSING FINANCE INTERNATIONAL

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- ➔ **The outlook for housing in England following the UK general election. What are the challenges and how is the Labour party proposing to tackle them?**
- ➔ **Is Australia on track to resolve its critical shortage of affordable and social housing?**
- ➔ **The outlook for US housing and mortgage policy**
- ➔ **Green Houses and green financing in transition markets: opportunities and challenges**
- ➔ **Capital Markets Union and housing: a historic policy juncture for a new global sustainable ecosystem**

International Union for Housing Finance

Housing Finance International

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Contents:

4 Editorial

5 Contributors' biographies

REGIONAL NEWS ROUND-UPS

6 **Africa**

Thandiwe Dhlamini / thandiwe@housingfinanceafrica.org

9 **Asia Pacific**

Zaigham Rizvi / zaigham2r@yahoo.com

17 **Europe**

Mark Weinrich / weinrich@vdpb.de

18 **Latin America & the Caribbean**

Claudia Magalhães Eloy / claudia.m.elay@gmail.com

22 **North America**

Alex Pollock / alexjpollock43@gmail.com

ARTICLES

24 **The outlook for US housing and mortgage policy**

Michael Fratantoni / mfratantoni@mba.org

28 **The outlook for housing in England following the UK general election. What are the challenges and how is the Labour party proposing to tackle them?**

Anna Clarke / anna.clarke@housingforum.org.uk

33 **Is Australia on track to resolve its critical shortage of affordable and social housing?**

Alan Morris / alan.morris@uts.edu.au

41 **Green Houses and green financing in transition markets: opportunities and challenges**

Glen Jordan / glen.jordan@empowa.io

45 **Capital Markets Union and housing: a historic policy juncture for a new global sustainable ecosystem**

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Is Australia on track to resolve its critical shortage of affordable and social housing?

↳ By Alan Morris

1. Introduction

The shortage of affordable housing in Australia is perhaps the most critical issue facing Australia at present. An analysis of the 2021 Census concluded that approximately 640,000 Australian households, equivalent to one in 15 households¹, were not in affordable or appropriate housing, i.e. they were experiencing homelessness or were in housing that was over-crowded or not affordable (van den Nouwelant, 2022). Historically in Australia a household is deemed to be living in unaffordable housing when they are in the bottom 40% of the income range and their accommodation accounts for more than 30% of their household income.

The article addresses the question of whether Australia is on track to address the current housing affordability crisis. The question is addressed by first outlining the contemporary situation with respect to housing affordability². Next the causes of the housing crisis are examined. The article concludes by mapping the various policy responses of the contemporary Labor federal government and assessing their potential impacts.

2. The contemporary situation

The current housing affordability crisis has three key features. Firstly, a sizeable proportion of mortgage holders are struggling financially due to a considerable rise in their mortgage repayments due to the increase in interest rates. Secondly, low-income private renters are also battling due to substantial rent increases and a historically low vacancy

rate. Thirdly, the dysfunctional housing market has resulted in an increase in the number of people finding themselves marginally housed or homeless. These three features are discussed in turn.

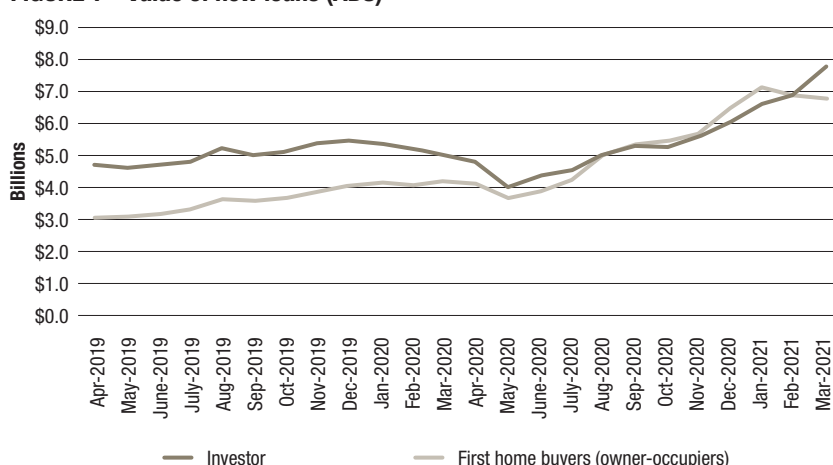
2.1. Mortgage holders struggling amidst surging interest rates

At the time of the last national Census (June 2021) interest rates were 0.1%. The negligible interest rate resulted in a surge in residential property purchases and prices; between December 2020 and December 2021, the weighted average increase of residential property prices in Australia's eight capital cities³ was 23.7% (ABS, 2022). Besides thousands of first-time home buyers entering the market, prices were driven by the surge in investor activity reflected in Figure 1 (in Le May, 2021).

Figure 1 illustrates that between May 2020 and March 2021, loans to investors in residential property nearly doubled.

Since May 2022, the Reserve Bank of Australia (RBA) has increased the interest rate 13 times, and at present (August 2024) the interest rate is 4.35%. The implications for many mortgage holders (around 35% of Australian households have a mortgage, 31% are outright homeowners and around 27% are private renters) has been devastating. Monthly repayments have increased dramatically; the monthly repayments of a household with a mortgage of \$600,000 have increased by \$1,500 a month, and of those with a \$1 million mortgage by \$2,720 a month or \$32,640 a year. In May 2024, the average new home loan in Australia was \$626,055 and

FIGURE 1 Value of new loans (ABS)



Source: Le May (2021)

¹ Australia's population in June 2021 was 25,739,256 people.

² Although there is no clear definition of affordable housing in Australia, it is generally viewed as housing which accounts for no more than 25% to 30% of the household income of low and moderate income earners, i.e. those households in the bottom 40% of Australia's income distribution (AHURI, 2023). At present, housing formally designated affordable housing, constitutes a negligible proportion of Australia's housing stock.

³ Australia has six state governments and two 'territory' governments. The Australian Parliament (federal government) has the power to override legislation passed by the territory governments. However, this is an extremely rare occurrence.

the average monthly repayment was \$3,863 over 30 years (ABS, 2024; Callery, 2024). The average home loan in New South Wales (NSW), Australia's most populous state, was \$764,453 and the average monthly repayment was \$4,736. The median household income in June 2021 was \$1,770 a week, \$92,040 annually (ABS, 2023).

Another concern is that during the Covid-19 pandemic many home buyers took out fixed interest rather than variable loans. The interest rate on their mortgages was fixed at around 2% for two or three years. The RBA has estimated that more than a third of fixed-rate loans will roll over into variable loans in 2024 which will result in the interest rate on these mortgages increasing to around 6.5% and repayments jumping three or four times (Wright, 2024). An analysis of mortgage holders in the first half of 2024 concluded that 1,560,000 (30.8%) were in 'mortgage stress' and that the number in mortgage stress had increased by 753,000 since the RBA started increasing interest rates in 2022 (Roy Morgan, 2024). A mortgage holder was viewed as being in mortgage stress and 'at risk' if they were 'paying more than a certain proportion of their after-tax household income (25% to 45% depending on income and spending) into their home loan' (Roy Morgan, 2024). Besides a fall of 9.1% in house prices from April 2022 to the end of February 2023, the increase in house prices has consistently outstripped wage growth and inflation. Thus, between April 2023 and April 2024, nationally the home value index increased by 8.7% (CoreLogic, 2024). Inflation at this time was around 3.6%. The mean dwelling price in Australia in March 2024 was \$959,300 (ABS, 2024) up from \$660,800 in September 2019 (ABS, 2019). In Sydney, Australia's most populous city, the median house prices in June 2024 was \$1,662,448 and the median apartment price was \$797,212 (Razaghi & Middleton, 2024).

2.2. Stuck in insecure rental market and low-income private renters battling to stay afloat

The increase in interest rates combined with the surge in house prices, has resulted in a growing proportion of the population either struggling to pay their mortgage or being trapped, potentially forever, in the insecure and expensive private rental market (Blackwood, 2024). Prior to the interest rate surge, the proportion of younger Australians who were homeowners had dropped dramatically. Thus between 1996 and 2021, the proportion of 25 to

34 year-olds who were homeowners slumped from 50% to 43% and for 35 to 44 year-olds, from 70% to 61% (Ong). A survey in January 2023 of people between 18 and 34 found that 72% of respondents felt that they will never be able to buy a home (Galloway & Malo, 2023).

Like mortgage holders, private renters have also experienced a substantial increase in housing costs over the last couple of years. In 2020, and in the first half of 2021, there was a slight contraction of rents in capital cities due to the Covid-19 pandemic. The shutting of the borders, people moving to regional areas and short-term rentals returning to the conventional private rental market, led to a decline in demand for rental properties in capital cities (ABS, 2024). However, since late 2021, the return of international students, high immigration, the revival of short-term rentals, a reduction in household size and a slowing in the number of new homes being built, have resulted in record low vacancy rates and given landlords the power to substantially increase rents (AHURI, 2022). The rental market has tightened considerably since the beginning of 2021. Nationally the vacancy rate in December 2020 was 2.5%; in June 2024, the vacancy rate was 1.3% (SQM Research, 2024). Also, landlords are demanding increased rents to cover the increase in their mortgage repayments. In the 'combined capitals', the annual rent increase to April 2024 was 9.4% (Owen, 2024).

The low vacancy rates and substantial rent increases have been catastrophic for many low-income renters (Tenants' Union of New South Wales, 2024). Besides the Australian Capital Territory (ACT), where rents are capped, there is no rent control in Australia. The only requirement is that rents can only be increased once a year (in some states, twice a year) or at the beginning of a new tenancy. The light regulation has resulted in thousands of renters being evicted or not having their leases renewed (Hathaway-Wilson, 2024). Many of these evictees, in order to access housing, have had to increase the proportion of their income they spend on rent and often have had to move further away from employment and family. Already in 2019-2020, it was estimated that 52.5% of lower income households (bottom 40% of the income range) were in rental stress, i.e. they were using more than 30% of their gross household income to pay for accommodation (AIHW, 2024; Productivity Commission, 2024). At the end of June 2023, 70.6% of renters that received Commonwealth Rent

Assistance (CRA) would have been in rental stress without CRA, after receiving the CRA, 42.9% were (Productivity Commission, 2024)⁴. A nationwide survey of 1,000 private renters at the beginning of 2024, found that 41.2% of respondents had had their rent increased by at least 10% in the last year and 15% by 20% or more (Astbury, 2024). Just over one in ten (10.7%) said that they were very worried about becoming homeless and 39.7% said that they were slightly worried. Noteworthy, is that 88% answered in the affirmative when asked, 'Should government have stronger controls over rent rises?' (Astbury, 2024).

The annual survey of rental listings and affordability by the NGO, Anglicare, found that of the 45,115 private rental properties advertised on the weekend of 16-17 March 2024, only 0.6% were affordable for a person earning a full-time minimum wage. A person reliant on a government benefit for their income had virtually no chance of finding affordable rental accommodation. Only 0.2% of rentals were affordable for a person on the Age Pension and 0.1% for a person on the Disability Support Pension and not one was affordable for a person on JobSeeker, the unemployment benefit. A property was defined as affordable if the rent accounted for less than 30% of the household income (Anglicare Australia, 2024).

2.3. Increasing homelessness

An increasing number of Australians are being pushed into marginal housing or homelessness. The 2021 Census found that 122,000 people were homeless on Census night. NGOs working in the homelessness space have reported an increase in the number of people seeking assistance. In 2022-2023, nationally 273,648 people sought assistance from specialist homelessness services (Productivity Commission, 2024). First Nations households are particularly vulnerable. They are almost 9 times more likely to be homeless than non-Indigenous Australians (NHSAC, 2024).

3. The causes of the current housing crisis

There are a range of interrelated contributors to the housing affordability crisis. A key contributor is the tax regime for investors and the resulting financialisation of housing. The almost total neglect of social housing by the federal government and state governments over the last couple of decades is another important factor. A less clearcut

⁴ CRA is a federal government program. Private renters who are reliant on government benefits for their income and families who have a dependent child and earn below a certain income, are eligible for CRA. The amount payable is dependent on the rent being paid and household

composition. The maximum weekly payment in August 2024 for a single person was \$94.10 and for a couple it was \$88.60. In June 2023, around 1.3 million 'income units' were receiving CRA (AIHW, 2024).

contributor is demand exceeding housing supply and linked to this is the issue of high levels of immigration. Contemporary factors are rising interest rates and inflation. These factors are discussed in turn.

3.1. The tax regime and the financialisation of housing

Australian Taxation Office (ATO) data indicate that around 20% of Australian taxpayers own an investment property. The vast majority of the approximately 2.3 million private rental properties are owned by small investors – 70% own one property (ATO, 2023). There are two crucial tax benefits that encourage investment in residential property – negative gearing and capital gains tax. Negative gearing refers to a situation where ‘expenses associated with an asset (including interest expenses) are greater than the income earned from the asset... Individuals who are negatively geared can deduct their loss against other income, such as salary and wages’ (ATO, 2024). In sum, negative gearing is used by residential property investors to reduce the amount of tax payable.

The other crucial tax break related to investment in residential property is the capital gains tax. Investors, provided they have held the property for longer than 12 months, are only taxed on 50% of the increase in the value of the asset when it is sold.

The generous tax regime has fundamentally altered the way housing is viewed in Australia. Although for most households, a residential property is still viewed primarily as a place that offers security and control over personal space, for a significant proportion it is viewed as an investment. The financialisation of housing means that potential home-buyers are often competing against investors who are prepared to pay more (Bangura & Lee, 2024). In June 2024, investors accounted for 38.4% of new borrower-accepted loan commitments (ABS, 2024b). A potential first-time homebuyer in Sydney, who had been looking to buy for several months, summed up the impact of investors on her quest to purchase as she was again thwarted:

After a meagre 10-minute inspection, we commit to the most expensive decision of our lives only to find out we never had a chance in the first place. Faceless investors bidding over the phone will always win (Schultz, 2024).

There is little doubt that the tax regime encourages speculation and contributes to

the increase in residential property prices. A study commissioned by the Australian Council of Social Services (ACOSS) concluded,

Although not the only factor contributing to high prices and the housing affordability crisis, longstanding tax policies such as negative gearing may not be the trigger for housing price booms but they accentuate their impact by encouraging investors to borrow more to punt on a further rise in prices. The tax treatment of housing pours fuel on the fire (Davidson & Evans, 2015, p. 20).

3.2. The historical neglect of affordable and public/social housing⁵

Historically, public housing has never been a major part of Australia’s housing system. There was a significant spurt in the building of public housing post World War 2 when between 1945 and 1956, the 96,138 public homes built represented 14.4% of all new housing (Troy, 2012). However, the emphasis was on home ownership and government policy was premised on the expectation that over time all Australian households would have the means to become homeowners and indeed there was a massive increase in homeownership from around 50% in 1945 to 70% in 1961 (Pawson et al., 2020). In line with the government’s ideology that home ownership is a preferred tenure, most of the housing delivered by state governments was sold off. One estimate is that of the 969,000 homes delivered by state governments between 1945 and 1996, 626,500 were sold off to sitting tenants or on the private market (Monro, 1998).

The Labor government regained power federally in 1983 and endeavoured to reaffirm the role of public housing and in the decade 1985 to 1995, the number of public housing dwellings increased by 115,600 to 388,600 (McIntosh, 1997). The return to power in 1996 of the conservative Coalition government saw a dramatic slowdown in the building of public housing, now referred to as social housing. By the time the Coalition government lost power in 2007, social housing constituted only 4% of all housing, down from around 6% in 1996 (Pawson et al., 2020). There was a slight increase when the building of social and affordable housing was used by the Labor government (the Labor Party regained power in 2007 and then lost it in 2013) to bolster the economy in the aftermath of the global financial crisis in 2008 and 19,700 social and affordable homes were built in the 2009 to 2011 period.

The most significant endeavour to increase the supply of **affordable housing** was the National Rental Affordability Scheme (NRAS) established in 2008. The scheme provided tax incentives to medium and large investors to rent out their properties at 20% below the market rate and around 38,000 properties were established through NRAS.

The regaining of power by the conservative Coalition government in 2013 resulted in social and affordable housing been put on the back burner. The NRAS was scrapped in 2014 and in the decade to 2013-2023, nation-wide the social housing stock grew at a third of the rate of Australia’s population increase. Only 21,744 dwellings were added during this period, equivalent to a 5.2% increase, while the population grew by 15.1% (Community Housing Industry Association, 2024; Productivity Commission, 2024). The total expenditure by the federal, state and territory governments on social housing and specialist homelessness services was \$6.3 billion in 2022-2023 representing around 1.7% of total government expenditure (Productivity Commission, 2024). The shortage of social housing has resulted in tens of thousands of applicants being stuck on the social housing waiting list for a considerable period or even lifelong (Morris et al., 2023). Nationally, in June 2023, there were 184,100 households on the waiting list of which 69,700 were in ‘greatest need’ (AIHW, 2024). Greatest need refers to households that are extremely disadvantaged. They would be homeless and living in extremely poor circumstances and a substantial proportion would be women with children who have escaped domestic violence.

3.3 Immigration post the Covid-19 pandemic, high construction costs and demand exceeding supply

Immigration to Australia has resulted in rapid population growth. The population in 1981 was just over 15 million and at present (August 2024) it is approximately 27.4 million (ABS, 2024). Immigration virtually ground to a halt in 2020 and 2021 due to the border being closed to combat the Covid-19 pandemic. However, there was a substantial surge in immigration in 2022 and 2023, continuing into 2024. In the year ending June 2023 there was a net gain of 518,000 people (ABS, 2023). Historically, housing supply has kept up with population growth and new household formation, however housing starts and completions

⁵ Social housing is divided into public housing and community housing. Public housing is owned and managed by state and territory governments, whereas as community housing is managed and often owned by not-for-profit organisations. Due to the extended waiting list and dramatic

shortage of social housing in the contemporary period (discussed below), social housing is overwhelmingly reserved for highly disadvantaged individuals and households. Rents are restricted to 25% of income.

have lagged population growth considerably since 2022-2023. Thus in the 2022-2023 financial year 244,000 new households were formed and in 2023-2024 another 208,000. However, only around 351,000 new homes will be delivered in this period – a shortfall of 101,000 homes (NHSAC, 2024). The lag has certainly contributed to high house prices and rents.

The deputy governor of the RBA pointed to Covid-related supply chain disruptions as a major factor impacting supply. She also highlighted the negative impact of the HomeBuilder program, a controversial program established by the Coalition government during the pandemic which gave homeowners a substantial subsidy for undertaking renovations. The program exacerbated material and labour shortages. The legacy of the supply chain disruptions in the context of high costs and interest rates is significant:

While much of the supply chain disruption has been resolved, the pipeline of projects remains elevated and some capacity constraints are still binding. Businesses in our liaison program are reporting that finishing trades are currently in short supply (Hunter, 2024).

The National Housing Supply and Affordability Council (NHSAC) was established by the government at the end of 2023 'to build an evidence base and provide expert advice that will support policy making to improve outcomes across the housing spectrum' (NHSAC, 2024, p. 1). The NHSAC, in its analysis of the shortfall, highlighted the cost of construction and the high cost of land. The high costs and the attendant high risks have resulted in developers and builders being hesitant to invest:

Higher costs have also contributed to higher-than-average rates of insolvencies in the construction sector and eroded equity buffers for some developers and builders, reducing capacity and appetite in the sector (NHSAC, 2024, p. 4).

Inflation, supply shortages, the excessive construction costs and high interest rates have resulted in many construction companies struggling to survive (Francis, 2024). In the 2022-2023 financial year, nationwide 2,117 building companies collapsed (Francis, 2023). The trend has continued and in the year to June 2024, 1,408 construction firms in Australia's most populous state, New South Wales, went into liquidation (Wade, 2024).

4. Current federal government policy – will it resolve the housing affordability crisis?

The federal government has announced a range of measures to increase the supply of affordable and social housing and touts the figure of \$32 billion 'invested in housing under this government' since coming into power in 2022 (Australian Government, 2024). It is difficult to untangle this figure, but it appears to include 'An additional \$16.5 billion for new and existing infrastructure projects across Australia over 10 years' (Australian Government, 2024e). The central planks of the federal government's housing policy are the National Housing Accord intended to increase overall housing supply, the argument being that increasing supply will make homes affordable, and the Housing Australia Future Fund (HAFF) which is aimed at increasing the supply of affordable and social housing. Commonwealth Rent Assistance is the most sizeable annual expenditure related to affordable housing. These programs and a number of smaller programs are discussed and assessed below.

4.1. The National Housing Accord, increasing housing supply

The federal government has focused on housing supply as the primary mechanism to reduce the cost of housing. The 'National Housing Accord' between the federal and state and territory governments initially agreed to a target of one million new homes in the five years from 1 July 2024. The homes are to be delivered by state and territory governments with support from the federal government. Only 20,000 of these dwellings are to be affordable housing – '... between 70 and 80% of market rent'. In August 2023, the target was revised to 1.2 million new homes by mid-2029. The prime minister, Anthony Albanese, when launching the federal government's new target commented, '... building more homes will make housing more affordable whether you're building, renting or buying' (Albanese, 2024).

The new target is to be facilitated by three federal government measures. The 'New Home Bonus', the 'Housing Support Program' and the 'National Planning Reform Blueprint'. The \$3 billion **New Home Bonus** is a cash incentive. State and territory governments that build more homes than their allocated target will be rewarded \$15,000 for every residential property over the target. Of course, there is every possibility that the \$3 billion allocated will not be used.

The **Housing Support Program** is a \$500 million dollar 'competitive funding program'. Local and state governments can bid for federal funding for 'connecting essential services, amenities to support new housing development, or building planning capability' (Australian Government, 2024).

The **National Planning Reform Blueprint** involves endeavouring to develop a 'a more efficient and effective planning and approvals process ... to address Australia's housing challenges' (The Australian Government, 2024, p.1). The ten measures agreed to by the National Cabinet involve creating a national approach to planning. Planning ministers in the respective states and territories will be required to update the National Cabinet twice a year as to how they are going about meeting the housing target they have been allocated. The key strategies are to alter planning legislation to hasten the building of homes, identify appropriate land for development and densification.

There is much scepticism as to whether the 1.2 million target will be reached. The economics advisory firm, Oxford Economics, estimated that high interest rates and construction costs will result in the government missing its target by at least 20%. In April 2024, residential building starts were at their lowest level since 2012. The NHSAC, in its first report to government, estimated that from 2024 to 2029 housing supply will increase by 1,040,000 homes and noted the complexity of the zoning and planning system as factors hampering supply: 'Complex zoning and planning approval requirements further constrain supply' (NHSAC, 2024, p. 5). In sum, it appears highly unlikely that the federal government's target, 1.2 million extra homes by 2029, will be met.

Even if the target is met it will not necessarily make housing more affordable. Studies have shown that an increase in supply does not necessarily result in a drop in house prices and more affordable housing. A study of housing supply in Australia between September 2011 and March 2017, found that although the number of residential properties increased by 9.5% and outpaced the 8.5% increase in population, 'the mean value of residential properties rose by 36.5%, from \$490,800 in 2011 to \$669,700 in March 2017' (AHURI brief, 2017). Further, most of the homes built in Australia are geared towards the higher price deciles. Thus between 2005-06 and 2013-14, 'less than 5% of [residential property] approvals were in the bottom 20% of the house and unit real price distribution ...' (Ong et al., 2017, p. 2).

In Sydney, areas around stations have been designated as the main sites for the delivery of new housing and the NSW state government has pledged that 15% of the housing built in these 'transport-orientated development' (TOD) programs will be affordable housing. However, the targets in several areas have been watered down to as little as 3% (Tayler, 2024). It would appear that the developer lobby has put pressure on the state government - all the building will be undertaken by private developers. The chief executive of the developer lobby group, Urban Taskforce, was explicit that any imposed affordable housing target beyond 3% will be resisted. He commented,

Unfortunately, the affordable housing 'contribution', which is proposed to apply in perpetuity, renders a large proportion of these sites unfeasible for development ... In almost all cases, such an impose renders development unfeasible. You can't make a profit, so the private sector and the banks won't invest the funding needed for construction (in Tayler, 2024).

4.2. Housing Australia Future Fund (HAFF)

The HAFF, established in November 2023, is a \$10 billion investment vehicle set up by the federal government to provide funding for the building of social and affordable housing. The fund will invest in equities, government bonds and other assets. Each year the fund has to transfer \$500 million to state governments and community housing providers (CHPs) for the building of social and affordable housing. The government has described HAFF as the centrepiece of its social and affordable housing policy and has claimed that in its first five years, HAFF will provide funding for the building of 20,000 social housing dwellings and 10,000 affordable homes. The affordable homes would be for frontline workers such as police and nurses and 4,000 of the 20,000 social housing dwellings would be reserved for women and children leaving domestic violence.

The way HAFF operates is complex. Community housing providers and state governments can tender for social housing projects and if a contract is signed, can start building. The government will service the interest payments. The first tender for funds from HAFF was in January 2024. There were bids from state and territory governments, fund managers and 37 bids from Community Housing Providers (CHPs). The 37 CHP bids were for projects worth \$13.8 billion, that if successful would provide 22,600 homes, however only \$500 million is available (Bleby, 2024). Housing Australia, an organisation established by the federal government in 2023, is responsible for

deciding which tenders are worth funding and thereafter for allocating funding.

There are varying views as to whether HAFF will deliver the 30,000 homes. National Shelter, a peak affordable housing organisation, in its submission to a Senate Inquiry, called it 'the most critical housing legislation to be brought forward for the past ten years' (Commonwealth of Australia, 2023, p. 9). PowerHousing Australia, a forum for a number of CHPs, commented that HAFF 'has the potential to be a transformative reform, that creates a structural shift in the housing system which will enable the housing needs of significantly more Australians to be met' (Commonwealth of Australia, 2023, p. 9). However, the notion that the HAFF will deliver has been questioned. The Greens Party housing spokesperson in the federal Parliament, Max Chandler-Mather, portrayed the policy as hopelessly inadequate:

It [is] clear the government has no idea how their own housing plan will work - no projections of what returns the Fund will earn, no estimate of how much will be paid to investment managers and no modelling of whether its target of 30,000 homes will even be achievable. People desperately in need of social and affordable housing deserve certainty - that looks like guaranteed ongoing investment in building housing, not an ill thought-out gamble on the stock market that looks increasingly unlikely to meet the government's own inadequate target (Chandler-Mather, 2023).

Housing scholars have concluded that the HAFF is too modest and needs to be substantially increased if it is to make an impact on the enormous shortage (Coates, 2023; Pawson, 2024). Although it is too early to assess whether the HAFF has the potential to deliver 30,000 social and affordable homes, it does appear to be a long shot. Of course, even if successful, the 30,000 homes provided over 5 years will make a minimal contribution to resolving the crisis.

4.3. National Agreement on Social Housing and Homelessness (NASHH)

The latest federal budget allocates \$9.3 billion over five years to the NASHH. Under the agreement between the federal government and the states and territory governments \$1.8 billion will be allocated each year '... to help people who are experiencing, or are at risk of homelessness and support the effective operation of Australia's social housing and homelessness services' (Australian Government, 2024e). The agreement includes

\$400 million dedicated to homelessness services which state and territory governments must match.

4.4. The social housing accelerator fund

In order to pass the HAFF legislation, the federal government had to obtain the support of the Greens and the independent Senators. The Greens made the passing of HAFF conditional on the government allocating more money (direct grants) for the building of social housing. Ultimately, in June 2023, the ruling Labor Party agreed to set aside an additional \$2 billion and called the program the social housing accelerator fund. The \$2 billion has been delivered to the states and it is expected that the funds will be used to build 4,000 social housing dwellings (Australian Government, 2024). All the funding has to be committed by the states and territories within two years ending 30 June 2025. There is no indication that the program will be a permanent feature.

4.5. National Housing Infrastructure Facility social and affordable housing (NHIF SAH)

State, territory and local governments and CHPs can apply for funds from the NHIF SAH, a \$1 billion facility. The funding is to be used for 'demolition and site remediation' and 'onsite and linking infrastructure'. The fund will also provide grants for the building of crisis and transitional accommodation for women and children escaping domestic violence.

4.6. The First Home Guarantee Scheme (FHGS)

The FHGS is administered by a Housing Australia and 'enables an eligible home buyer to buy a home with as little as 5% deposit ...' (Housing Australia, 2024). Housing Australia 'guarantees to a participating lender up to 15% of the value of the property purchased that is financed by an eligible buyer's home loan'. The scheme has price caps which vary by location. Thus in NSW, in Sydney and regional centres in NSW the price cap is \$900,000 and in the rest of the state it is \$750,000. In Sydney, it is extremely difficult to purchase a house for \$900,000, so purchasers would in almost all cases be confined to apartments, semi-detached homes or townhouses. Nation-wide there were 35,000 places available annually from 1 July 2024 to 30 June 2025. An individual applicant needs to be earning a maximum of \$125,000 and 'joint applicants', \$200,000. Successful applicants are responsible for paying the mortgage. Between July and December 2023, 26,000 people took advantage of the FHGS (Collins, 2024).

4.7. Shared equity home buyer helper

The help to buy scheme, if passed by the Senate in the federal Parliament, involves the state government contributing up to 30% of the cost of an existing home or 40% of a new build. The government retains the equity it contributes. The scheme is capped at 40,000 homes, 10,000 homes a year for four years. At the time of writing the legislation for the scheme had still not been passed. The Greens housing spokesperson has argued that the scheme 'will actively accelerate rising house prices for the 99.8% of renters denied access to [the] scheme ...' (Chandler-Mather, 2024). The government requires the support of the Greens to pass the legislation.

4.8. Commonwealth Rent Assistance (CRA)

The CRA is federal government's primary expenditure on annual housing assistance. In 2022-2023, the government allocated \$4.7 billion for CRA. Approximately 1.3 million 'income units' (individuals or groups of individuals) received CRA (AIHW, 2024). In 2024-2025, the federal government committed an extra \$2.7 billion over five years to increase the CRA by 15%. The increase translates to a maximum of \$18 a week. The median rent in Australia's capital cities in August 2024 was around \$650 a week, so although welcome it will not resolve the enormous pressure low-income renters experience in the private rental market.

5. Conclusion: will the various policy settings resolve Australia's critical shortage of affordable and social housing?

Although there is a recognition by government that Australia is in the grip of a deep housing crisis, the policies that have been put in place by the federal government will have minimal impact. It is doubtful that the government's central focus, increasing housing supply, will increase affordability. Based on present numbers, it is highly unlikely that the target of 1.2 million homes by mid 2029 will be reached and even if the target is reached, it is probable that almost all of the homes built will not be affordable for the bottom 40% or even bottom 60% of income earners.

The policies to increase affordable and social housing will certainly increase the absolute number, but even if the projected increases are realised, they will barely keep up with population growth and demand. Whether the

Housing Future Fund, the government's primary policy to increase the supply of affordable and social housing, will ensure the predicted delivery of 20,000 social housing dwellings and 10,000 affordable homes, is questionable. What is also not clear is whether the programs (the social housing accelerator fund and the National Housing Infrastructure Facility social and affordable housing) to deliver direct cash grants to the state and territory governments will continue in the coming years.

Clearly, in order to resolve the crisis what is required is extremely bold and far-reaching government intervention. The amount allocated for the building of social housing needs to be increased dramatically. The very generous tax concessions for investors need to be lessened or ideally scrapped over time. The Parliamentary Budget Office (PBO) has calculated the annual value of revenue foregone due to negative gearing and capital gains tax discount was \$10.92 billion in 2023-24 and that by 2034-35, the revenue foregone will increase to \$22.85 billion. Between 2024-25 and 2033-34, the Parliamentary Budget Office has estimated that \$165.58 billion of revenue would be foregone due to negative gearing and the capital gains tax (Parliamentary Budget Office, 2024). If this potential revenue was diverted to the building of social and affordable housing it would certainly make a dramatic impact.

The capacity of landlords to increase the rent to whatever the market can tolerate needs to be curtailed. Rent caps in line with the CPI for present and new tenants are essential. The legislation governing eviction also needs to be reviewed. At present it is far too easy for landlords to evict their tenants. The power of landlords could also be lessened by making short-term rentals highly unattractive. This has the potential to return around 130,000 properties to the long-term conventional private rental market which would immediately increase the vacancy rate by a couple of percentage thereby lessening the pressure on tenants. A proportion would also enter the home ownership market. Commonwealth Rent Assistance needs to be substantially increased so that the proportion of tenants in rental stress is substantially reduced (see Bradbury, 2023).

A more contentious policy option is cutting immigration so as to lessen demand. This has implications for the education sector and the overall growth of the economy which historically has been reliant on high levels of immigration. Perhaps a well thought out cutback on immigration for a few years may help alleviate the crisis.

In sum, the emphasis on home ownership, the encouragement of the financialisation of housing by putting in place an extremely generous tax regime, the reluctance of all levels of government to invest in social housing, more especially over the last three decades, and a pervasive reliance on the market to sort out the housing market in a context of high interest rates and population growth, has led inexorably to a housing crisis that requires massive government intervention to sort. We can confidently conclude that the present housing policy tinkering by government will not resolve the crisis.

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