

Additional comments by Senator Nick Xenophon

1.1 Even by the high standards of Senate committee reports, this report on housing affordability is a landmark examination of the crisis facing millions of Australians. My colleagues and the committee secretariat deserve to be commended for their incredibly hard work on this inquiry and the overall thrust of the report.

1.2 Sadly for many Australians, home ownership is a dream that is becoming increasingly out of reach. Soaring property prices in our capitals have seen many low and middle income earners excluded from the property ownership market despite increasing average wages. As one witness told the committee:

Home ownership provides security of tenure and helps a family to build roots and connections within their community. Research shows that home ownership contributes to wellbeing, feelings of financial security, community pride and better educational and health outcomes for families.¹

1.3 The statistics are sobering. While the number of home owner-occupiers in Australia has remained steady at approximately 70 percent over the past four decades,² the number of families experiencing housing stress has been on the rise. A 2014 report by National Shelter states that:

Between 2002 and 2012, the average nominal rent increased by 75.8% for houses and 91.8% for other dwellings (mostly flats/apartments), while average earnings rose by 57% and house prices rose by 69%.³

1.4 The report continued:

In 2009–10, 60% of lower-income rental households in Australia were in rental stress.⁴

1.5 I am encouraged by the committee's majority report that the issue of housing affordability is being taken seriously. The committee has made a number of sensible recommendations that will go towards improving home ownership rates across the country.

1 Mr John Oliver, Chief Executive Officer, HomeStart Finance, Proof Committee Hansard, 28 July 2014, p. 2

2 The Australian Bureau of Statistics, 1301.1 Year Book Australia 2012, Housing - Home Owners and Renters, available at <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/1301.0Main+Features1292012>, accessed 7 May 2015.

3 National Shelter, Housing Australia Fact Sheet, p. 1, available at <http://www.sheltersnsw.org.au/publications-new/factsheets-new/226-housing-australia-factsheet/file>, accessed 7 May 2015.

4 National Shelter, Housing Australia Fact Sheet, p. 1, available at <http://www.sheltersnsw.org.au/publications-new/factsheets-new/226-housing-australia-factsheet/file>, accessed 7 May 2015.

1.6 However, I query in terms of policy priorities whether there should be a greater emphasis on home ownership rather than surrendering to the view that an increasing number of Australians will have to rely on long term rental accommodation.

1.7 I think it is important that there be clear national goals set as to the level of home ownership that should be aimed for and desirable, and that must involve a holistic view of a range of measures. These must include: local and state government planning laws, the costs of outer and extra urban developments (in terms of infrastructure and social costs) and the role of the Commonwealth to provide 'carrot and stick' incentives to encourage home ownership and housing affordability. In addition there ought to be transparent and accountable goals on increasing levels of home ownership, reducing rental and mortgage stress as well as levels of homelessness.

1.8 It also needs to be acknowledged that the current commercial lending market ought to be subject to targeted government intervention to encourage home ownership. The HomeStart scheme in South Australia is a stunning success story which for over a generation has allowed 65,000 home loans to be approved that the commercial market would have shunned. Other states could learn from the South Australian example.

1.9 It was HomeStart, with its strong record of social inclusiveness and enabling home ownership for those that the banks would otherwise shun, that raised the issue of adopting a measure such as Canada's Home Buyers Plan that allows first home buyers to use their superannuation to buy a home. I believe this is worth investigating, but after considerable feedback following my raising of this proposal I believe it needs to be proceeded with cautiously. It needs to be part of a suite of measures, including changes to negative gearing (with an emphasis on increasing the stock of affordable rental accommodation), planning law changes and other policy levers to prevent such a measure having an inflationary impact on the housing market.

1.10 Issues of urban planning and its impact on social indicators must also be more seriously considered. I find it extraordinary that in my home state of South Australia the square mile of the City of Adelaide (bounded by north, south, east and west terraces) has a residential population of 23,000 residents compared to 46,000 residents 100 years ago. Any affordable housing policies must take into account the social and economic benefits of driving population growth to reinvigorate inner urban areas in a way that would make these areas attractive for young people and families. The consequential benefits in terms of reducing the cost of ever expanding infrastructure needs of extra-urban developments must be taken into account.

1.11 Finally, in terms of over-heated housing markets, particularly in Sydney, which can distort the entire housing market and with it housing affordability, there must be a better way. There ought to be a requirement for the Australian Prudential Regulatory Authority to further stress test housing loans, particularly in the Sydney market. Interest rates by themselves are too blunt an instrument to do this. This should also prompt an examination of the importance of decentralisation and affordable

housing in regional communities. The Commonwealth could play a key role in providing incentives to encourage this.

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