

# The Saturday Paper

FROM 7AM: THE GREAT HOUSING DISASTER Ange McCormack investigates Australia's property crisis. LISTEN NOW

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COMMENT

**Michael Pascoe**

## The housing crisis won't be solved like this

Another week, another federal budget, another housing announcement or three. Another several billion dollars promised for social housing on top of last year's clutch of announcements and billions. Yet for all this, the federal government is not really trying to solve the crisis. All it is doing is managing perceptions.

All the announcements and all the dollars of the past two years don't even add up to maintaining our disastrous status quo as we embark on the five-year National Housing Accord from July 1.

To attempt to solve the affordability crisis would require naming the root failure of the past four decades and pledging to restore our previous normality.

No, it is not the combination of the capital gains tax discount and negative gearing – that merely capitalised on and worsened the core dereliction. It's not the temporary, student-driven immigration surge, although that obviously contributes – and there really are many essential workers we must import.

The root is the steady abandonment of public and social housing, loading the lowest quintile of Australians, one in five, into a private market they should not be in, that they can't afford, that has been permanently inflated beyond their reach, and that the

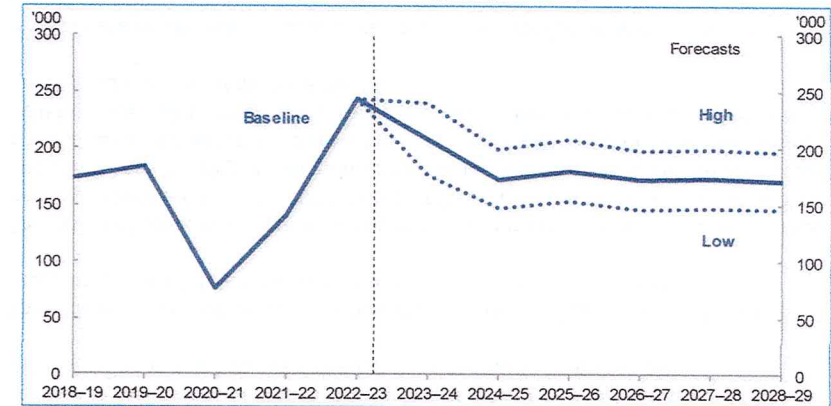
government is happy to leave unaddressed. Tucked away in Tuesday's budget papers was a simple, blistering sentence: "Research notes that since 1996, the level of social housing construction has not been enough to keep pace with sales and demolitions of existing social housing stock."

Government media releases boast that nearly a million households – about a quarter of all renters – will receive the maximum rate of Commonwealth Rent Assistance.

With Tuesday's increase, the CRA is budgeted to cost nearly \$32 billion over the next five years, cash effectively subsidising private landlords. And rents haven't finished rising.

The status quo, relying on "the market", means continuing homelessness, dire poverty, social insecurity and the subsequent problems that feeds.

**New housing demand: low, baseline and high population growth**



Note: Demand is measured in number of households. Source: NHSAC analysis of ABS Census data 2024; Treasury MYEFO 2023.

All the initiatives announced so far – if successfully implemented – will barely maintain the existing proportion of public and community housing at 3.8 per cent.

The government does not aim to do much more. The federal opposition promises to do much less.

The government's "independent, evidence-based expert" adviser on housing supply and affordability, the National Housing Supply and Affordability Council (NHSAC), published its "State of the Housing System 2024" two weeks ago. It found the various announced policies would add 40,000 social dwellings over the five years of the accord.

Anthony Albanese's stretch goal is 1.2 million new dwellings – so public and community housing would know its place at 3.3 per cent of that. At the original target of a million, social housing having a share of 4 per cent is less than a rounding error given the size of the problem, not enough to increase the existing proportion.

In any event, the NHSAC thinks net new supply will fall short at 909,000. The rounding error comment still applies. The budget papers bravely "project" that the federal government will help "support around 55,000 new social and affordable homes" by 2029. The level of "support" varies from helping the states provide utilities to ongoing subsidies for 30,000 community housing dwellings, to actually paying for some public housing to be built.

There's a kicker in the government's main "40,000 new dwellings" figure: that's gross, not a guaranteed addition to social housing stock, given the track record of states demolishing and flipping.

The NHSAC report, like every report on affordable and social housing, makes depressing, dispiriting reading: "From the 1940s to the 1980s, government housing agencies built large volumes of new public housing. Instead of focusing mainly on the direct provision of non-market housing, governments have shifted towards a model of providing rent assistance payments to enable more households to rent in the private market. The provision of social housing is now primarily focused on supporting people in greatest need. "The number of non-market dwellings has stagnated as a result. This has contributed to a one-third decline in social housing as a share of the housing stock, from a peak of 5.6 per cent in 1991 to 3.8 per cent in 2021. This indicates a reduction in the availability of adequate housing."

The NHSAC's statements contrast with an industry, politic and commentariat that overwhelmingly remains trapped in the real estate industry's preferred version of

events: *Oh, if only governments would get out of the way and let the market rip, while providing various subsidies and tax breaks, of course.*

Letting the market rip, withdrawing a significant direct government presence to keep the market honest, is how we arrived at this nationwide omnishambles.

The slide in the proportion of social housing stock from 5.6 per cent to 3.8 per cent represents about 200,000 dwellings – which is about how many we're short.

The extent of capacity erosion shows up in the Productivity Commission's annual report on government services. The 2022-23 report found the number of permanent public and community housing dwellings increased by just 0.5 per cent, while the percentage of households in greatest need grew 4 per cent. Nearly 35 per cent of people seeking help from specialist homelessness services could not have their housing needs met, never mind the interminable waiting lists.

It wasn't always this way. It sounds like heresy now, but Robert Menzies was the main architect of the Great Australian Dream, both privately and publicly owned. He knew housing was too important to be left to "the market". Menzies certainly wanted his legion of "little capitalists" owning their homes, but he also wanted everyone affordably housed. He knew this was key to a stable society.

What Menzies did not suggest as a priority was using housing as the cornerstone for bigger little capitalists owning other people's homes. That vision was John Howard's. His private landlords needed more tenants to boom, and shrinking the proportion of public housing provided them, helping to fuel the inflationary spiral.

In 1984-85, 9.3 per cent of dwelling units completed were public sector, 13,269 out of 143,433. A decade later, that was down to 4.5 per cent, 7855 out of 173,197 in 1994-95.

And then the rot really set in.

In 2004-05, only 1.9 per cent of dwellings completed were public, which became about the norm. Another decade later, it was 1.8 per cent. The latest dwelling completion figures are for the 2023 calendar year: 3266 new social dwellings out of 172,248 – 1.9 per cent. And remember the erosion factor.

But the very worst performance in more than my lifetime belonged to the Coalition government in 2019 – only 2325 public out of 202,306 dwelling completions, just 1.1 per cent. That was only 83 more public completions than managed during the 2020 lockdowns.

The housing minister in 2019 was Michael Sukkar. He remains the Coalition housing spokesman. Somebody could think something he had to say on housing policy might be worth listening to. I don't.

Then came the pandemic. Most economists nominated public housing when asked what sort of stimulus spending would be most useful, the best bang for buck and able to be controlled by government.

Instead, the Coalition delivered HomeBuilder – an uncapped, demand-driven (i.e., stupid) gift to private individuals (i.e., voters) who mostly did not need it.

Treasury estimated it would cost \$688 million. The bill finally ran to more than \$2.5 billion and put a bomb under housing construction inflation. We're still digging out shrapnel, dressing wounds and burying builders. Now all the Coalition is offering is to allow people to use superannuation towards buying a home – the same old increase-demand-to-push-prices-higher trick.

The exception to four decades of bipartisan policy failure was part of the previous Labor government's response to the global financial crisis. The Social Housing Initiative delivered more than 19,500 net new dwellings between 2009 and June 2012, "representing a nominal increase of 5.5 per cent in overall social housing stock", according to Australian Housing and Urban Research Institute analysis.

Australian Bureau of Statistics figures show 12,401 public dwellings were completed in the 2010-11 financial year, 8.2 per cent of total completions and the highest number since the 1980s.

With a funding cap of \$300,000 per dwelling – housing was cheaper a dozen years ago – the initiative was run through the states to accelerate projects ready to go. There was an investment of \$4.55 billion on new projects and repairs for about 80,000 existing homes.

The states' public housing development skills had not totally atrophied when the GFC hit. Since then, the annual Productivity Commission report has recorded states going nowhere while outsourcing as many of their responsibilities as possible to community housing – that is, charities. Putting aside the separate failures in Indigenous housing, the number of public and community dwellings in New South Wales fell from 151,004 to 149,678 in 2022-23. Victorian social housing has been virtually stagnant for a decade – a 3.6 per cent increase since 2014 can't really be called "growth", particularly when all of that was in the past two years.

Figure 18.1 Size and scope of housing in Vic  
By year, by housing type (a)



Source: *Report on Government Services 2024, Productivity Commission*

Western Australia lost 1336 permanent public and community dwellings between 2017 and 2023, dropping to 40,347. South Australia had 3.4 per cent more social dwellings a decade ago than it had last year – 43,910. Perth and Adelaide have the tightest rental markets in the country, with vacancy rates about 0.5 or 0.6 per cent, and, correspondingly, the sharpest rent increases.

Source: *Report on Government Services 2024*, Productivity Commission Anthony Albanese is proud of his log cabin story, growing up in public housing. That was nice for him, back in the day, when public housing was actually available.

*This article was first published in the print edition of The Saturday Paper on May 18, 2024 as "Betting the houses".*