LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY
Ms Leanne Castley MLA (Chair), Ms Suzanne Orr MLA (Deputy Chair),
Mr Johnathan Davis MLA

Submission Cover sheet

Inquiry into Housing and Rental Affordability

Submission number: 18

Date authorised for publication: 8 September 2022

Submission to ACT Legislative Assembly Committee on Economic and Gender Equality Inquiry into the Impact of Vacancies on Rental Affordability in the ACT

August 2022

Contact: Travis Gilbert [redacted]

ACT Shelter acknowledges the Ngunnawal people as the traditional owners and continuing custodians of the lands of the ACT and we pay our respects to the Elders, families and ancestors.

We acknowledge that the effect of forced removal of Indigenous children from their families as well as past racist policies and actions continues today.

We acknowledge that the Indigenous people hold distinctive rights as the original people of modern day Australia including the right to a distinct status and culture, self-determination and land. ACT Shelter celebrates Indigenous cultures and the invaluable contribution they make to our community.

ACT Shelter is a not-for-profit organisation funded by the ACT Government to provide advocacy and strategic advice on systemic issues affecting housing consumers in the ACT.

We are an informed and independent voice on housing policy issues affecting the ability of people on low, moderate or no incomes to have an affordable, safe and secure home.

The realisation of the Right to Adequate Housing for all Canberrans underpins everything we do.

[redacted]

Contact for this submission: Travis Gilbert, CEO

[redacted]

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Chairperson, Standing Committee on Economy and Gender and Economic Equality

ACT Legislative Assembly, 196 London Circuit ACT

Submission provided via e-mail to: LACommitteeEGEE@parliament.act.gov.au

1 August 2022

Mr Travis Gilbert

Chief Executive Officer, ACT Shelter Association

[redacted]

Dear Committee Secretary

Re: ACT Shelter submission to the Legislative Assembly Standing Committee on Economy and Gender and Economic Equality Inquiry into Housing and Rental Affordability in the ACT.

ACT Shelter is pleased to provide the following submission to the Assembly's Inquiry into Housing and Rental Affordability in the ACT.

As the only independent, non-government peak body in the ACT that adopts a whole-of-system, rights based approach to advice provision, advocacy and analysis of access to and outcomes from our housing system (market, sub-market and non-market based provision of residential dwellings, this Inquiry is of significant interest to us and the work undertaken by our Members.

We note the Terms of Reference are largely focused on the impact addressing under-utilisation of residential properties in the ACT that the Census and other data indicate are vacant.

ACT Shelter welcomes this Inquiry and looks forward to reading and hearing the evidence it receives in relation to the impact reducing the number of vacant properties may have on access to homes for rent. Our desktop research suggests this is an aspect of housing policy and strategy that warrants further analysis and research.
From what we have heard from members and stakeholders and the limited research we canvassed on under-utilisation and reasons why residential properties are held as vacant assets, we posit that for the majority of people our Association exists to advocate for systemic change to achieve better housing access and outcomes, the impact of simply letting those not used for short-stay or fly in-fly out work related purposes (i.e. By Parliamentary staffers and politicians) will likely be modest at best.

This submission will address only those Terms of Reference relating to residential dwellings, and begins with key points and some introductory remarks. We trust it will add value to the deliberations of the Committee of Inquiry.

Yours Faithfully

[redacted]

Travis Gilbert, Chief Executive Officer, ACT Shelter Association

- **Given the scale of rental market failure in the ACT, evidenced by historically high median asking rents and historically low vacancy rates and time from advertisement to tenanted for both attached and detached residential dwellings, ACT Shelter expects addressing under-utilisation to have a modest impact at best on either housing access or affordability.**

- **At a federal level, the formula for tax payable on the capital gain (*Selling price – transaction costs – original purchase price + associated transaction costs = capital gain (or loss)* on investment properties as a speculative asset class has incentivised holding these assets untenanted in localities that are well located close to jobs, retail and entertainment precincts, services and mass transit (i.e. The light rail corridor or adjacent town centres).**

- **Some jurisdictions have adopted measures to incentivise letting of vacant residential dwellings. This has typically been through the imposition of what is commonly referred to in housing policy discourse as a 'vacancy tax'. Evidence for the efficacy or otherwise of these measures on availability and price is scant, primarily because their net benefit to investors is dwarfed by the generosity of the Capital Gains Tax Discount.**

- **ACT Shelter is not opposed to the introduction of a fee or tax payable by investors who leave properties which could be added to private or sub-market affordable rental stock vacant but notes in order to encourage the tenanting of units bought off-the-plan, it would have been cost-prohibitive for the Territory if it exceeded 50% of the tax payable on capital gain over the past 5 years.**

- **We also note there are a range of reasons why a property owner may elect to leave a dwelling vacant and these may not be financial in nature. As SGS Economics and Planning point out in their analysis of properties vacant on Census night between 1981 and 2016, the proportion of the total number that could be feasibly converted to market rental has never exceeded about 25% of the total count.**

- **ACT Shelter contends the addition of supply at market price (already built or new) will have a limited impact on either access or price. In a market as distorted as our housing market, applying economics therum predicated on a pure market assumption, is limited at best. Our evidence to support this is market analysis of housing and population trend data between 2017 and 2022 that new supply of rented apartments exceeded expressed demand. Despite this, the vacancy rate was unchanged at 0.7% and the median asking rent is 41% higher today than it was in July 2017 (28% higher than the increase to the Consumer Price Index for the 'basket of goods').**

Recommendations

- **ACT Shelter welcomes the focus this Inquiry has on exploring options to incentivise tenanting residential properties that are currently vacant in the ACT, of which we understand there were just under 11,000 on Census night 2021. That said, we recommend the Committee acknowledge that there are a number of reasons why residential properties may remain vacant and these are often particular to the circumstances of the owner.**

- **As the SGS Economics and Planning Report (referenced below) found when it undertook an analysis of the number of properties identified as vacant on CEnsus night 2016 (about**

1,000,000), the actual number that could likely be incentivised to be added to private rental stock was much smaller.

- **We also recommend the Committee undertake to model the estimated financial value of the federal taxation setting in relation to Capital Gains Tax (CGT) which establishes a formula to apply a fifty per cent discount to the tax payable on appreciation in value of investment properties from 12 months and 1 day after purchase, tgo Point of Sale.**

- **There is no substitute for significant direct investment in, low interest long-term finance of and concessional land supply for both Housing ACT and providers of community housing (for both income-based and sub-market rent setting) and this is where the bulk of public investment and and attention at a policy, program and system level must be focused.**

- **ACT Shelter directs the Committee to support this recommendation with a view to exceed current supply commitments in the Parliamentary and Governing Agreement over the remaining five years of the ACT Housing Strategy (2023 - 2028).**

- **To finance this, the ACT Government must ensure Territory funding, land development, land release, planning, policy and tax align with federal commitments through both the existing Affordable Housing Bond Aggregator and the soon to be established Social and Affordable Housing Future Fund**

- **Most importantly, it must turn its attention to answering questions on the costs and benefits of inadequate versus adequate supply commitments for social housing relative to expressed demand (the waiting list) and affordable rental homes (currently less than 3% of all rental stock for 8% of eligible renters).**

- **One final pertinent question from us, is: What should constitute an adequate level of redistribution of a forecast $3 billion in own source revenue from charges, duties and levies applied to non-commercial land and property holdings and purchases over the forward estimates between now and 1 July 2025. By which we mean redistribution of the Government's slice of the pie collected from Canberrans the property market has served well, to Canberrans it consistently fails to serve at all.**

Introductory remarks - the role, function and affordability and accessibility of the private rental market in the ACT

ACT Shelter notes there has been a longstanding interest by media, some MLAs and some advocates in the housing space, to address perceived and actual under-utilisation of residential housing stock. Most often the focus of this attention has been on properties owned and managed by the public landlord and apartments built close to town centres and bought off-the-plan, held for four or five years, then sold 'as new', having never been tenanted.

Over the past two and a half decades, efforts have also been made to look to private rental assets as possible exit points for Canberrans who find themselves experiencing homelessness.

More recently, two ACT based providers, CHC Australia and YWCA Canberra have established not-for-profit real estate agencies, HomeGround and Rentwell offering standard property management offers and additional concessionary tax treatment to amateur landlords who let private rental assets to tenants at or below 74.9% of market rent.

Prior to this, there had been efforts made to establish linkages with the Real Estate Institute of the ACT and some niche programs aimed at appealing to altruistic investment property owners whose interest was the medium term capital gain or who had not tenanted properties they seldom occupied (as evidenced by low utilities and water use per quarter).

Given the scale of rental market failure, evidenced by a vacant rate that has fluctuated between 0.5 and 0.8% for much of the past 12 months, and historically high median asking rents exceeding $550 per week for units and $750 per week for detached houses and historically low time periods from advertisement to letting to tenant (87% of properties advertised in June 2022 were tenanted within 4 weeks of being posted, compared with the previous record of 82% in 2011) even a 25.1% reduction in asking rent, may not be enough to lift households out of rental stress or crisis.

Household profiles of real Canberrans to illustrate the scale of market failure in private rental (the housing tenure endured by 83% of Canberra's tenants)

The following household profiles are included in our submission to illustrate the scale of what ACT Shelter regards as market failure in our private market in the ACT.

The scale of rental market failure in the ACT is significant in terms of pricing out its customer base (whom we regard as renting households with a median income of $62,000 for singles and $98,000 for family households (Source: Chief Minister's, Treasury and Economic Development Directorate, 2021).

Indeed in order to avoid meeting the accepted definition of housing crisis - 50% of pre-tax income and being a household in income quintile one or two, at a median rent of $440 a week for a one bedroom, a household would need to be earning $45,160 per year before tax.

This figure is above the income ceiling for eligibility for social housing owned and managed by either Housing ACT or a Community Housing Provider and let using rent setting at less than 25% of income (Housing ACT) or 30% of household income, inclusive of Commonwealth Rent Assistance (Community Housing Providers)

1. Households on fixed incomes, rent assistance and Family Tax Benefit A and B
The following **five profiles** use real figures to show the private rental market has completely priced out all five household types on fixed incomes provided for by Centrelink.

Single person aged under 25 - Jobseeker Payment ($103/week short of median asking rent for a 1 bedroom flat or unit)

As of 1 August 2022, the median asking rent for a 1 bedroom unit **($440 per week),** exceeds to the total base rase of the Jobseeker Payment ($266 per week) plus maximum rate of Commonwealth Rent Assistance ($71 per week) **Total income support = $337 per week** (At 30 June 2022).

This means the private rental market is not an option for a single person on that payment who does not wish to share.

This is because section 4 Clauses 49a and 49b provide for a Termination and Possession Order to be served to a tenant when more than eight days of rent payable are owing and an order to remedy those arrears within seven days has not been met.

As the above figures illustrate, no property manager would deem a single person on the Jobseeker Payment 'able to pay rent' once they submit an application for a rental property.

Single person aged 25+ Jobseeker Payment (median rent $440/ week, income $394)
It is a similar story for a single person aged 25 and older receiving the Jobseeker Payment.

The maximum base rate is $323 per week, the maximum rate of Commonwealth Rent Assistance is $71 per week.

This provides a grand total of $394 per week, leaving a gap between the median asking rent and total income received of $46 per week (at 30 June 2022)

Single Person (Age or Disability Support Pension) median rent $440 per week, Income $524.40)

For a single person on the Age or Disability Support Pension, the maximum base rate was $453.40 per week. Like our single Jobseeker Payment recipients above, the maximum rate of Commonwealth Rent Assistance they can receive is $71 per week (at 30 June 2022).

This brings their total income to **$524.40 per week,** leaving just **$84.40 per week for all other living expenses** after paying the landlord.

Again, no private rental property manager would deem a single person on the Age or Disability

Support Pension able to pay rent.

Parents Next Participant (Jobseeker Payment, Family Tax Benefit and Commonwealth Rent Assistance) Median Rent (2 b.r. Unit) $605 per week, income $615 per week)

In this example, we assume a sole parent whose youngest child has turned 6 and is therefore not eligible for parenting payment thanks to reforms by the Howard and Gillard Governments that deem parents are no longer entitled to the more generous parenting payment when their youngest child turns 6. This person would receive **$348 per week in Jobseeker (dependent child)**, **$87 a week in Commonwealth Rent Assistance** and **$180 per week in Family Tax Benefit part A and part B** payments.

This would bring their total weekly income to **$615.** According to SQM Research, the Median Weekly Asking Rent for a 2 bedroom unit, Territory wide at 1 August 2022, was **$605 per week.**

On the above figures, no private rental property manager would let a two bedroom unit to a sole parent with one school aged child reliant on the Jobseeker (Parent) Payment.

Sole Parent - 2 children (aged 0 - 5) Parenting Payment, Commonwealth Rent Assistance and FTB A & B) Weekly Asking Rent $605 per week Income $707 per week

This example assumes a sole parent with two kids aged under 6 who receives $440 worth of parenting payment per week, $87 worth of Rent Assistance and $180 in Family Tax Benefit A & B payments per week.

This is the first income support recipient household who **may be let a rental by a property manager** though with only $102 left a week after paying the landlord, this is doubtful.

Note however because both children are aged under 6, we assume they can share bedroom number two. If the children were older, the scenario would be different as the median rent for a three bedroom on 1 August was $714 a week ($750 for all houses).

This would leave our sole parent seven dollars short of the rent each week.

2. Working Canberrans

A single person working full time for the minimum wage

(Median Asking Rent: $440 per week, income $720.70 per week)

This estimate is derived assuming a single person requires a one bedroom flat/unit and works 38 hours per week less PAYG using the Simple Tax Calculator on the Australian Tax Office website.

In this example, as this person derives no defined material benefit from the transfer system (a Centrelink Payment or Family Assistance Office payment), they are paying approximately 61% of their income on rent. At 50% of income, a household in quintile 1 and 2 (<$95,000 per year in the ACT) is defined as being in a housing crisis, because they have no savings capacity.

This means even a person working full time for the minimum wage is in housing crisis with a rent proportionate to income deemed **extremely unaffordable** according to Australia's National Rental Affordability Index

Single part time worker on benefits

(Median Asking Rent $440 per week, income $800 per week)

In this example, we look at a single person, employed on a casual basis with zero guaranteed minimum hours. This means some fortnights they will draw Jobseeker payment from Centrelink.

Our assumptions put their annual income at $41,600 per week.

Renting a median priced 1 bedroom flat or unit, they too would have no savings capacity and therefore be in housing crisis

Single APS Graduate

(Median Asking Rent $440 per week, income $1000 per week before tax)

In this very Canberra example, we look at a single APS Graduate with an income placing them towards the top of income quintile one. Their median rent for a one bedroom would be $40 per week, meaning they would be paying **44% of their pre-tax income**, rising to **over 50% of take-home pay per week.**

We note the advertising campaign to encourage university graduates to relocate to Canberra invites graduates to see yourself in Canberra.

Respectfully, ACT Shelter suggests it needs an accompanying by-line:

Find yourself in housing crisis.

Single hospitality worker (35 hours per week, 10 at penalty rate of double time) (Rent, $440 per week, income $1050 per week)

In this example, we look at a single hospitality worker requiring a one bedroom flat and workling 25 ordinary hours per week and two five hour shifts at double time (Pay Rates sourced from the hospitality award on the Fair Work Commission website).

In this example a key service industry worker is still paying more than **40% of their pre-tax income in rent** and **about half their take home pay**.

As inflation grows more rapidly, ACT Shelter expresses our growing concern about households in income quintile 2 paying far more than they can afford in rent.

An enrolled nurse working full time (rent $440 per week, Income $1340 per week)
In this example we use Australian Nurses Award rates sourced from the Fair Work Commission website to illustrate that even a key healthcare worker on what many Canberrans would regard as a good salary is in housing stress (paying more than 30% of their income on rent for a one bedroom flat or unit.

A single parent with 3 children working full time in community services

(Rent, $771 per week, income (work & FTB A and B, $1404 per week)

In this example, we look at a single parent employed under the Social Community Home Care and Disability Services Award

We also assume they receive approximately $244 worth of Family Tax Benefit A and B payments for each child.

Even this household finds themselves in housing crisis paying about **half their pre-tax income on rent.**

In this example, we assume they are renting a median priced four bedroom house

A single parent with 2 kids working full time for the median single income with FTB & B

(Rent $714/week, Income $1800 per week)

In this example we use the median single person income derived from the August 2021 Census community profile for the Australian Capital Territory.

We then assume the same Family Tax Benefit A and B rates p;er child applied to the above examples as their income prior to FTB is below the $80000 per year eligibility threshold for both A & B eligibility.

What we find is despite an income that is above the national median household income recorded on Census night, this household profile is still in housing stress.

A dual income couple with 3 kids on the median ACT household income and receiving Family Tax Benefit

(Rent: $764 per week, Income: $2652 per week)

This example is included to illustrate the scale of rental market failure as of 1 August 2022, is so great in the ACT, that a household on the median income plus Family Tax Benefit **is still on the verge of housing stress in the ACT when they rent a four bedroom home assuming rent set at the median asking price of $764 per week.**

In this example the couple and their kids are allocating 28.8% of their income to rent.

Addressing the Terms of Reference

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY Ms Leanne Castley MLA (Chair), Ms Suzanne Orr MLA (Deputy Chair), Mr Johnathan Davis MLA

Link to inquiry TOR: Inquiry into Housing and Rental Affordability - ACT Legislative Assembly

To inquire into and report, on:

a) causes of vacancies in residential and commercial properties;
b) current economic and regulatory settings for addressing residential and non-residential property vacancy in the ACT;
c) whether these settings may contribute to the number of vacant properties in the ACT, specifically,
  - *an evaluation of settings contributing to vacancies in residential, high density and suburban properties*
  - *an evaluation of settings contributing to vacancies in commercial and industrial properties.*

d) how reducing residential property vacancy could support housing and rental availability and affordability in the ACT;
e) how reducing non-residential property vacancy could support improved economic outcomes in the ACT;
f) whether additional economic and regulatory settings such as a vacancy tax should be considered and;
g) any other related matters.

Residential Property Vacancies in the ACT (on Census night)

a) causes of vacancies in residential and commercial properties;
b) current economic and regulatory settings for addressing residential and non-residential property vacancy in the ACT;
c) whether these settings may contribute to the number of vacant properties in the ACT, specifically,
  - *an evaluation of settings contributing to vacancies in residential, high density and suburban properties*

To the best of our knowledge, the most accurate point in time (prevalence count) of vacant residential properties in the ACT is the Census of Population and Housing conducted every five years by the Australian Bureau of Statistics.

Table 1 (below) provides a dwelling count for both the ACT and Australia and a breakdown of occupied vs unoccupied dwellings. It shows on Census night in 2021, 11,988 dwellings were unoccupied in the ACT. This was 607 fewer than on Census night in 2016. Proportionate to all dwellings, about 1 in 16 properties were vacant on Census night last year, a statistically significant decline of 1.5% from 2016 when about 1 in 12 properties were unoccupied (ABS Census 2021).

Table 1: Dwelling count Australian Capital Territory, Census night 2016 and 2021 & Australia, 2021.

Dwellings

Dwelling count *Private dwellings (excl. visitor only and other non-classifiable households)*	Australian Capital Territory, 2021	%	Australian Capital Territory, 2016	%	Australia, 2021	%
Occupied private dwellings	168,400	93.4	142,660	91.9	9,275,217	89.9
Unoccupied private dwellings	11,988	6.6	12,595	8.1	1,043,776	10.1

More information on Dwelling type (DWTD)
Table based on place of enumeration

Source: https://www.abs.gov.au/census/find-census-data/quickstats/2021/8

On face value, the addition of almost 12,000 homes to the pool of 168,000 already occupied would make a significant impact on the supply of rental homes. Indeed, in the unlikely event half the additional rental options were let at sub-market or income-based social rent, it would erase the shortfall of 5,500 affordable homes needed to wipe out homelessness, erase the social housing waiting list and lift Canberrans currently paying over 50% of their pre-tax income on rent, out of housing crisis (Australian Housing and Urban Research Institute 2020).

Is the likely impact as straightforward as it appears on face value, or are there a variety of reasons why residential dwellings are left vacant by property owners.

ACT Shelter's hypothesis in answer to the above questions relevant to this term of reference, are 'no' and 'yes'.

We are by no means subject matter experts on this however and in the course of writing this submission, turned to the internet to see if we could locate a report from folks with more expertise on this matter than us.

ACT Shelter draws the committee's attention to the following broader analysis of residential properties identified as vacant on Census night by SGS Economics and Planning.

It finds there are a number of explanatory reasons why 'no one was home on CEnsus night and provides a breakdown of vacant properties by category.

Its analysis of properties vacant on Census night 2016 by reason is summarised in the table below:

Table 3: 2016 Share of unoccupied dwellings by category

Category	Unoccupied private dwellings	Share of unoccupied dwellings
For sale	52,000	5.0%
Rental (short and long term)	110,000	10.6%
Newly completed	55,000	5.3%
Repairs or alterations	47,000	4.5%
Holiday home	237,000	22.8%
Awaiting demolition	16,000	1.5%
Resident absent	453,000	43.6%
Other	69,876	6.7%
Total	1,039,876	100%

SGS ECONOMICS & PLANNING

It is fair to say assessing the economic impact of vacant dwellings on median area market rent at a whole of territory, town centre or post code level is not a question ACT Shelter is a subject matter expert on.

What we have tracked over the past decade however, is supply of apartments and units relative to expressed demand.

Our analysis is over the past decade we have seen a slight oversupply of units and apartments (using Economic Development Directorate and housing industry data on dwelling comparisons with the demand estimate in the ACT Shelter, ACTCOSS, Women's Health Matters and Youth Coalition of the ACT *Housing Demand in the ACT 2012 - 2062 report).*

Conversely for detached houses, we find an undersupply relative to expressed demand (based on household formation and net population increase, relative to dwelling completion data on detached houses.

In any case, despite moderating in 2013 and 2014, median asking rents for apartments have continued to increase above CPI, year on year, every year since the year 2002.

While the increase has than for the (3.7% per year for flats/units versus 3.9% for houses), we do not believe relative to estimates of a slight oversupply, that there is sufficient evidence on face value to support the assertion classical economic theory in relation to demand and supply equilibrium and price, is applicable to a market as distorted by demand and supply-side interventions as the Australian housing market is.

d) how reducing residential property vacancy could support housing and rental availability and affordability in the ACT

ACT Shelter suggests at best, incentive payments, a public information campaign, regulatory changes, or indeed a vacancy tax, might see fifteen to twenty per cent of vacant properties, tenanted in the private rental market.

The addition of a similar number of social and sub-market affordable properties via the Nation Building and Economic Stimulus Plan and National Rental Affordability Scheme between 2009 and 2012 under the Rudd Government, corresponded with a fall in median asking rents for apartments of about $40 per week, and houses of about $55 per week.

We are basing this estimate largely on the findings of the SGS Economics and Planning Research referenced above and would caution against reliability in terms of meeting any credible threshold for academic rigour.

f) whether additional economic and regulatory settings such as a vacancy tax should be considered and;

ACT Shelter is not opposed to the imposition of a vacancy tax but notes the federal tax setting in relation to the application of a flat 50% discount on the rate of Capital Gains Tax payable on the appreciation in value of investment properties held for a period of more than 12 months and one day between time of acquisition and time of disposal acts as a significant financial incentive to leave some properties untenanted.

The example we are most familiar with is apartments bought 'off the plan', left untenanted and then sold years later 'as new'.

Our understanding is there are investor returns calculator tools that can be used by investors to determine the likely advantage in terms of capital gain over the life the asset is held versus depreciation in structure (not land) if the property is tenanted.

ACT Shelter therefore recommends the value of any vacancy tax or commensurate incentive payment to let a vacant property would need to exceed that of the financial advantage delivered by the federal capital gains tax treatment of housing as a speculative asset class in order to entice properties left vacant for this purpose to be added to the quantum of stock for let on the private rental market.

ACT Shelter does not proclaim in-house expertise on other regulatory settings and therefore declines to comment on possible additional regulatory proposals.

g) any other related matters.

What a home affords, not just supply, but supply of housing that is not a speculative asset

ACT Shelter offers the following concluding remarks in the context of an inflationary environment not experienced since the early 1990s.

The consequence of which looks to be a predicted moderation downard in residential property values and perversely, a predicted increase in median asking rents.

With just two increases to the cash rate set by the Reserve Bank of Australia, taking it to 0.85%, we have already witnessed public murmuring by both the Real Estate Institute of Australia and the Real Estate Institute of the ACT warning tenants lessors will have no option but to increase rent as they are unable to absorb increased borrowing costs

For many years now we have demonstrated that the average proportion of income spent servicing housing costs by households in income quintile 2 is broadly similar to that of households in income quintile 1. This is in part due to the high rate of home ownership by people on the age pension whose housing costs are limited to maintenance, repairs and residential rates and because ⅓ of Q1 households are in social rental homes let using rent setting formulae that are proportionate to income, not tied to market rent.

Over the past seven years, the ACT has experienced a gradual but persistent deterioration in rental affordability across both the private rental and submarket affordable rental tenures because rents are tied to median area market rent (the National Rental Affordability Scheme and ACT affordable Rental Housing Program).

Housing supply and the Land Release Program should be treated as investment in critical economic, health and social infrastructure and treated accordingly in Budget cycles going forward.

It is a cliche befitting an election pitch, but nonetheless true to say that subsidised housing - needs a subsidy.

The biggest impediment to increasing affordable and social rental stock in the ACT is the gap between the market asking price for land purchase and the costs of readying it for residential development.

The ACT is on a path to increase housing density, driven by both geospatial and population rationales.

If we are to ask Canberrans to downsize the Great Australian Dream to an apartment, we need to ensure greater quality of built form and relative affordability in comparison to detached houses.

We should also move to conceptualize housing as an enabler of enhanced or diminished health and wellbeing within a social determinants of health measurement framework.

In 2020 and 2021, with financial support from 12 of our member organisations, ACT Shelter commissioned the Australian Housing and Urban Research Institute to examine the costs and benefits and Return on Investment in social and affordable housing in the ACT.

These reports can be found on the AHURI website:

https://www.ahuri.edu.au/sites/default/files/documents/2021-09/AHURI-Prof-Services-Return-on-investment-for-social-housing-in-the-ACT.pdf

They illustrate the very high cost to the Government of temporarily accommodating Canberrans priced out of our rental market and triaged out of our rationed and residualised social housing system.

People missing out on both accommodation provided by specialist homelessness services and social housing because in both systems expressed demand exceeds supply, particularly for specific people (Aboriginal and Torres Strait Islander people, our transgender and intersex community, large families, people with disabilities and single working age men and women without complex needs were identified by members we consulted with in the preparation of this submission.)

ACT Shelter therefore concludes that while we welcome this Inquiry's focus on better utilising existing residential stock, we exp;ect this will only have a modest impact on median asking rents.

As we hope the household profiles we developed and included at the beginning of our submission illustrate, the scale of private rental market failure in the ACT is now so severe it is no longer confined to people on income support (though they are virtually completely priced out.

As our household profiles show, large numbers of moderate and medium income working Canberrans are being asked to find far more money than they can sustainably afford over time, just to make rent each fortnight. The consequence of this means really difficult choices every fortnight as working families compromise on health and wellbeing, holistic school and extracurricular activities and quality of life.

For other Canberrans, the situation is more dire. With no savings capacity they face the very real risk of homelessness if they prioritise paying to repair the car that gets them to the job that pays the rent - over paying rent, that fortnight.

The rationed and residualised social housing system has more than 3000 Canberran households on its waiting list.

A consequence of decades of divestment at a Commonwealth level and rent setting, income ceiling, allocations and triaging policies at a Territory level that have starved the system of rental income, is there is no money for growth and the system itself will necessarily require more investment than it can generate in revenue to operate, necessitating hard decisions in terms of asset management and urban renewal, the consequences of which we have seen play out in media in recent months.

We urge the committee to examine the evidence base and ask itself whether we can or should realistically be looking to the private market to remedy market failure.

Or whether doing so without commensurate increases in housing assistance or land price concessions or social housing supply to meet the gap between expressed demand and planned supply, is unrealistic in both the short and medium term.

Further evidence

ACT Shelter would welcome the opportunity to provide verbal evidence to the Inquiry at a later date, should the Committee members deem we can add value to their deliberations.