



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY
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Submission Cover sheet

Inquiry into Housing and Rental Affordability

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Standing Committee on Economy and Gender and Economic Equality

Inquiry into Housing and Rental Affordability

Submission

Introduction

ACT, State and Commonwealth governments have addressed housing affordability for decades but with little impact. ACT housing remains unaffordable for significant segments of the population and other indicators of housing stress, such as waiting lists, show the situation is worsening. This is despite all the funding schemes and past approaches since the 1970's. For example the Chief Minister's "Canberra Social Plan" (2004) announced 'goals' of increasing the supply of public and community housing and of reducing homelessness. A major Ministerial Statement (September 2004) also proposed; ensuring an adequate supply of affordable housing in the ACT, building a viable and sustainable social housing sector and reducing homelessness. Public housing has not been increased, affordable housing has not been ensured and homelessness has not been reduced. ACT housing failure is reflected in the enormous increase in waiting times for housing from a matter of a few months in 1999 (attachment a) to over several years in 2022. We need a new approach.

Terms of Reference

The Committee's Terms of References a.) to g.) range across various issues relevant to both housing and commercial property supply. More generally, the Committee is charged with considering the social impacts and outcomes of economic policies.

a) Causes of Vacancies

Vacancies result from a combination of economic and political factors. The core cause is the desire of investors to maximise returns which induces vacancies as owners with-hold supply while they wait for more lucrative opportunities. Owners may create longer vacancy periods than otherwise if they advertise leases at high rents to, supposedly, test-the-market. Other vacancies arise when the nature of a particular property is outcompeted by new or renovated properties with higher standards of facilities and fitout or by properties with locational advantages. Moving transport infrastructure or services may destroy opportunities for some properties, thereby generating vacancies, while boosting the incomes of others.

However according to Adina Cirson, Executive Director of Australia's Property Council, the ACT has "the highest net demand of any commercial leasing sector in the country, and lowest vacancy since 2009 (and) is pushing record low vacancy rates".¹ Interestingly, Cirson points out that commercial vacancy rates vary according to the grade of property; whether grade A to D. Similarly in the case of housing, vacancy rates are now below 1%.² Low vacancy reflects a 'sellers market' where sellers face, and benefit from, a high demand and accommodation stress. This encourages owners to lift rents above normal market prices leading to three effects; firstly investors move investment to the premium end of the market where higher purchasing power exists; secondly, the second and third quintiles in family incomes then find themselves priced out of the market and finally, investors are able to obtain artificially high returns from relatively small properties such as units which proliferate.

1 <https://archive.ph/1RniO>

2 <https://archive.ph/shO2Q>

In summary, low vacancy encourages private investors to increase rents. In housing, while higher rents can be coped-with by upper quintiles of family incomes this causes stress for lower quintiles of the family income distribution.

d) reducing vacancy to support availability and affordability

Standard economic theory recognises that *ceteris paribus*, increasing supply (ie reducing vacancy) will reduce market prices (ie rents). However this only applies when there are no restrictive commercial practices, no gaming the system, or other constraints on supply. It is possible that where demand is high and where private investors strategically place new units and seek to profit maximise, that current high rents are maintained.

According to Tu Pham, ACT Auditor-General, in 2005 the quantity of public housing was 11,552 properties and Housing ACT expenses (2004-05) were around \$108 million including rates and 220 fulltime employees of Housing ACT.³ Average costs per property therefore were around \$9350 p.a. or \$180 per week. This suggests that public provision was many times more efficient than private provision as, at the same time, median private rents for 3 bedroom houses were \$310 per week (December quarter 2005). Further, in 2005, no public tenant paid more than 25% of assessable household income and tenants enjoyed security of tenure.

There are therefore considerable social benefits and economic efficiencies in increasing public supply of properties to generate the necessary vacancies to reduce waiting periods to 1990 levels and to ensure that rents do not exceed 25% of household incomes. Given such a development, availability and affordability will potentially return to past conditions.

g) other related matters

The current Terms of Reference do not include ACT Government Budget issues nor any consideration of costs of housing construction, maintenance and management. However an overview is possible.

In 2022, private construction costs for housing are very low. A basic flat for a single person costs no more than \$45,000 for an acceptable new dwelling of 30 square metres (at \$1,500 per square metre on a level block).⁴ This cost can be entirely funded by single 'NewStart' recipients for 25% of current income (25% of \$321 p.w. is \$80). Depending on what other costs are added on, it should be possible that secured-tenure public housing can be provided for all who want it with no, or minor, additional cost to the ACT budget.

The spending of \$60 million per kilometre of light rail or of \$28.44 million for 'design and consultation' of a theatre centre strongly suggests that funding for projects, more in line with previous government statements on housing affordability and with community needs, should not be an issue. Provided the extra costs imposed by profit maximising private investors are excluded, basic housing always produces enough rental revenues to cover all necessary economic costs.

Christopher Warren



³ ACT Auditor-General's Performance Audit Report – Public Housing (May 2006) p23 and table 2.2.

⁴ <https://archive.ph/laNGj>

Median Wait Periods - Months 1999

	Belconnen	City	Tuggeranong	Woden
House				
2 bedroom	7.9	3.8	11.9	2.1
3 bedroom	1.3	0.9	5	3.5
4 bedroom	3.9	2.8	5.7	6.1
Flat				
Bedsitter	n/a	0.9	n/a	0.3
1 bedroom	3.2	1.3	14.9	0.7
2 bedroom	1.2	0.8	11.9	0.6

[\[www.hansard.act.gov/hansard/1999/week09/2863.htm\]](http://www.hansard.act.gov/hansard/1999/week09/2863.htm)