



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: 007

Date authorised for publication: 11 August 2022

28 July 2022



Level 4, Plaza Offices - West
21 Terminal Avenue, Canberra Airport
ACT 2609
T (02) 6175 3300
capitalestatedevelopments.com.au

Committee Secretary
Standing Committee on Economy and Gender Equality
Legislative Assembly
GPO Box 1020
CANBERRA ACT 2601

Email: LACommitteeEGEE@parliament.act.gov.au

Dear Committee Secretary

Inquiry into Housing and Rental Affordability

Thank you for the opportunity to make a submission to the Inquiry into Housing and Rental Affordability (**the Inquiry**). Capital Estate Developments (**CED**), a subsidiary of the Capital Property Group, understands that the Inquiry will report on a range of matters impacting property supply and demand in the ACT.

Housing affordability is a challenge for most western world countries. Canberra and the Sub-Region is influenced by the ACT's employment base and big City amenity and is no exception.

In November 2021, the ACT Chief Minister was reported to have said the housing boom was not limited to Canberra and was mainly due to ultra-low interest rates. *"It's a national and global phenomenon, and in fact, Australia's house prices are the lower end of the OECD."*

Given the complexity and broad focus of the Inquiry, CED has provided comments based on our experiences as follows.

1. 2021 Australian Census

The baseline demand for dwellings in Canberra and the Sub-Region is sourced from the population and population growth. The communities of Queanbeyan-Palerang Regional Council (**QPRC**) and Yass Valley Local Government Areas (**LGAs**) directly adjoin the ACT and have for decades mostly commuted to Canberra for work. The further out Upper Lachlan and Goulburn-Mulwaree LGA's have over the past 15 years become more under the influence of commuting to Canberra for work and Canberra's housing market pricing. Effectively, Canberra and the Sub-Region act as one housing market.

The following population and number of dwellings data is extracted from the August 2021 Census.

| | Population | Number of Dwellings |
|--|-------------------|----------------------------|
| Canberra | 454,499 | 186,963 |
| Canberra, adjoining QPRC and Yass Valley | 535,084 | 220,277 |
| Canberra and Sub-Region | 575,651 | 239,524 |

The Census also indicates that 30.7% of Canberra dwellings are for rent and 30.6% of Queanbeyan dwellings are for rent. This calculates to circa 67,625 dwellings in the Canberra/Queanbeyan rental pool.

2. ACT Government Housing

As at June 2020, the ACT Government owned and provided to the ACT community 11,921 dwellings of which 936 were community Housing. This means the Government had 6.4% of the total ACT housing stock at June 2020.

In September 2021, the ACT Chief Minister announced:

“The ACT Government will make one of the single largest investments to increase and improve the amount of affordable and public housing in the history of self-government to provide essential housing for low income Canberrans at risk of homelessness.

Addressing housing affordability is a national challenge impacting all Australians. Building on the ACT’s nation leading commitment to eliminating stamp duty and to grow and renew public housing, today’s commitment of \$100 million in additional funding supports the ACT Government’s long-term commitment to provide more and better housing options for all Canberrans.

It’s an investment that will also create and protect local jobs as we work towards our target of 250,000 local jobs by 2025.”

3. Denman Prospect

The current development proposal of the first 2 stages of Denman Prospect by CED will, on current planning, comprise approximately 1,750 single detached, 120 semi-detached, 2,900 high density and multi-unit and circa 200 aged care dwellings. This means about 75% of dwellings will be multi-unit development in a ‘Greenfield’ locality.

The August 2021 Census recorded a Denman Prospect community of 2,759 with an average household of 3.1 people.

Over 950 multi-unit dwellings developed at Denman Prospect, representing 20% of total dwellings, will comply with the ACT Government’s affordable policy, 360 of which CED propose will be Build-to-Rent.

Housing affordability has been one of those drivers that has influenced the market to provide and accept higher density living compared with traditional greenfield housing supply, and we are pleased to have driven this process with the aim of providing quality developments as part of our strategy. Ironically the current affordable housing policy simply encourages developers to build the cheapest possible dwellings, which we believe is a bad outcome for the Territory in the long term.

In addition to providing 20% of all dwellings at Denman Prospect at an Affordable threshold set by government, CED has also self-imposed a permissive caveat on the land that it sells. That caveat requires the vendor to donate 0.01% of revenue received for the sale to be donated to charity Homes 4 Homes (H4H).

H4H is a subsidiary of charity The Big Issue, and distributes all money received to Community Housing organisations' in Canberra. To date over \$1M has been raised and distributed to a range of housing initiatives coordinated by YWCA, Havelock House and Community Housing Canberra. These housing providers directly assist the needy and vulnerable in the ACT.

By imposing the permissive caveat CED are providing the opportunity for a perpetual revenue stream for Community Housing providers, as the caveat can only be removed when the property owner elects to opt out of the scheme. To date there has been a retention rate of over 95% of the 1800 blocks and dwellings constructed and sold in Denman Prospect. We believe all land sold in the ACT should have this permissive caveat in place.

4. The Challenge

As referenced by Chief Minister Barr in November 2021, affordable housing is a major challenge for all governments.

“It’s a national and global phenomenon, and in fact, Australia’s house prices are the lower end of the OECD.”

Currently the ACT Government’s Affordable Home Purchase scheme policy is as follows:

| Tier | Dwelling Size | Maximum Price |
|-------------|--|---------------|
| Tier 1 (T1) | Dwellings with a Net Living Area of up to 80m ² | \$335,610 |
| Tier 2 (T2) | Dwellings with a Net Living Area of between 81 and 105m ² | \$387,477 |
| Tier 3 (T3) | Dwellings with a Net Living Area of greater than 105m ² | \$441,378 |

Generally, private sector capital will go to where it is wanted and where investment is viable. Broadening government policies targeted to facilitate private sector investment to grow the Canberra rental dwelling pool proportion of total housing stock will be a key initiative.

5. Rental Affordability

As regularly reported over the past two years, Canberra has emerged as Australia’s most expensive capital city to rent a house or a unit.

The vacancy rate for rental accommodation in Canberra and Queanbeyan is less than 1% of stock available. The average Canberra/Queanbeyan dwelling occupancy at the August 2021 Census was 2.4 persons.

Employment growth will increase Canberra's population (currently an average of about 2 persons/job) and thus flow on to demand for housing in Canberra and the Sub-Region. The ACT Government policy announced by the Chief Minister in September 2021 is to "... *create and protect local jobs as we work towards our target of 250,000 local jobs by 2025*"; a growth of about 20,000 jobs.

The low vacancy rate, Canberra's above national average income, jobs growth and only 30.7% of total dwellings being in the rental pool, are factors contributing to the high rentals paid.

6. ACT Planning Strategy 2018

The 2018 ACT Planning Strategy has a target of achieving 70% of new dwellings being in existing suburbs and constrains greenfield development to 30%, albeit not all greenfield development will be standard block dwellings, similar to Denman Prospect as noted in point 3 above. The Planning Strategy has reversed the history of Canberra's development which was traditionally based on 70%+ of standard dwelling blocks, but has now reverted to 70% multi-unit/high density dwellings.

7. Current Economic and Regulatory Settings for addressing Residential and Non-residential Property Vacancy in the ACT

CED notes that the Inquiry focuses heavily on addressing residential vacancy in the ACT, however, more focus should be on the impact that land supply has on housing availability, and the limited number of affordable dwellings available on the market.

A mechanism that the ACT Government has at its disposal to speed up development in existing suburbs and assist in housing affordability and availability is the Lease Variation Charge (LVC). The LVC is administered by the ACT Government with the charge based on the increase in value that arises from the granting of additional lease conditions.

The ACT Government can amend the LVC to suit the policy objectives of the time. For instance, in 2020 the ACT Government announced the 'Construction Sector Recovery Package' which reduced the LVC up to 25% for developments requiring a lease variation. Similarly, an LVC exemption was approved in 2016 for childcare centres to enable the use of land under the lease for the development of a childcare centre.

CED makes the point that the LVC could be used more effectively to facilitate additional development and affordable housing, particularly in areas with urban renewal sites. For example, designating an area of North Canberra (i.e. Turner, Braddon, Dickson) where there is access to transport corridors for a new development to be subject to a reduced/no LVC if it achieves 20% affordable housing. This would inject additional affordable housing into the market and support the ACT Planning Strategy of achieving a compact and efficient city with 70% of development as infill.

CED also has concerns about the likely impact of Territory Plan Variation 369 – Living Infrastructure in Residential Zones and the impacts it may have not only on the development of new suburbs like Denman Prospect but on the wider ACT community. Plan Variation 369 will have a direct result on block owners whereby the new rules will result in smaller development/redevelopment and the reduction of hard landscaped areas (i.e., pools and pergolas) to accommodate for the increased soft landscaping requirements.

8. Other Matters

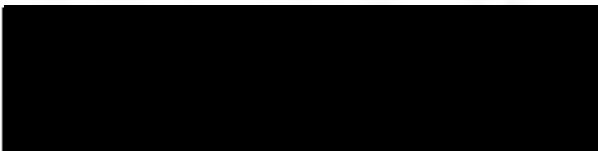
- One of the great hurdles for all land and residential housing providers (including the ACT Government's own agencies – most notably the SLA), is the complexity and timeliness of gaining planning approval in the ACT. This planning complexity is not only for civil design and construction, but also the built form that is subsequently constructed. The heart of this problem is not so much the planning agency, but the process of multiple rounds of multiple agency referrals.
- Having regard to location factors influencing the market, an affordable dwelling in the inner suburbs of north Canberra should not be the same price point as an affordable dwelling in the outer reaches of north Gungahlin.

9. Submission

CED would welcome recommendations from this Inquiry that result in ACT Government policies that facilitate:

- i. Private sector investment in residential dwellings to increase the Canberra rental dwelling pool proportion of total housing stock from 30.7% over the next 2-3 years and beyond.
- ii. Government investment in public housing to increase the proportion from the current 6.4% of total Canberra housing stock.
- iii. More use of the LVC as a mechanism for increased investment in desired 'growth hubs' for Canberra.
- iv. Discounted rental accommodation be included as an acceptable form of housing to address the ACT Government's requirement for Affordable Housing.
- v. Faster planning approvals are provided from the planning agency charged with delivering higher volumes of approvals.
- vi. A wholesale review of the Affordable Housing Threshold is required. The price point can be determined on a Canberra District basis and having regard to increased building costs, and the recent surge in residential property values in the ACT.
- vii. All land sold in the ACT have the H4H permissive caveat requiring a 0.01% donation to address homelessness for the needy and vulnerable.

Yours sincerely



Nick McDonald Crowley
Director