national shelter inc.

SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO FIRST HOME OWNERSHIP

October 2003

Contents

About National Shelter

National Shelter is the peak national body advocating for disadvantaged housing consumers. National Shelter has been in operation since 1976 and cooperates closely with other national bodies working on housing related issues, homelessness and welfare.

The work of National Shelter is directed towards the elimination of homelessness and housing related poverty. National Shelter aims to ensure that every person has access to housing that is secure and appropriate to their needs, at a price within their capacity to pay.

National Shelter has operated without Government funding since 1997. This submission was prepared for National Shelter by Karel Eringa at Shelter Western Australia, in consultation with all State and Territory Shelters.

Recommendations

National Shelter recommends:

1. **That the Commonwealth and State Governments increase funding for social housing under the Commonwealth State Housing Agreement to $4.7 billion per year, or failing this, to a level where social housing is at least able to maintain its current proportion of total housing stock.**
2. **That the Commonwealth and State Governments commit to a series of short, medium and long term targets for the social housing sector, both in absolute terms and relative to total housing stock.**
3. **That the Australian Government adjust the policy parameters of the Commonwealth Rent Assistance program so that it delivers affordability to recipient families, including:**
    a. **removing rent thresholds,**
    b. **targeting payments towards tenants who experience housing stress, and**
    c. **further investigation of a 'zoning' model taking account of geographical variations in rents (noting that no recipient should be made financially worse off if a zoning model was adopted).**
4. **That Commonwealth Rent Assistance be extended to all housing payments, including mortgages.**
5. **That a Review be conducted of Commonwealth Rent Assistance, with particular attention to the effect of this program on rent levels.**
6. **That First Home Owner Grants be made available only to families earning below the median income, and for dwellings below the median housing price in the area.**
7. **That a Review be conducted of the First Home Owners Grant program, with particular attention to the effect of this program on housing prices and the affordability and accessibility of home ownership.**
8. **That, if a limited amount of funding is available for housing programs, the capital outlay for housing demand subsidies be scaled back over time and the capital outlay for programs that directly increase the supply of affordable housing, such as the Commonwealth State Housing Agreement, be increased over time.**
9. **That the current blanket exemptions on CGT and imputed rents associated with the family home be replaced by concessions whose size is inversely related to the family income.**
10. **That the ability for individuals to use rental losses as a tax deduction be inversely related to the rental value of the investment property.**
11. **That all State and Territory Governments provide full exemptions on stamp duty to home purchasers in the bottom two income quintiles.**
12. **That all State and Territory Governments revise the rates at which stamp duty is charged on an annual basis, with a view to ensuring that real revenue remains constant over time.**
13. **That research be conducted into the impact of land tax systems in the various States and Territories on investment in affordable rental housing.**

14. **That a Commonwealth Housing Minister and Housing Department be created. Housing should be a Cabinet portfolio, and the Minister and Department should coordinate all housing related policies and programs.**
15. **That a National Housing Policy Framework be developed to inform housing policy direction at all levels of Government over the next five to ten years.**
16. **That an Affordable Housing Innovation Unit be established with a brief to develop and test innovative ideas to increase housing affordability.**

Background

High quality housing at an affordable price is a fundamental element of strong societies and healthy economies. Housing is central to people's quality of life, and is vital in ensuring positive outcomes in employment, education, health and social well-being. National Shelter is deeply concerned that home ownership is becoming increasingly unafforable and more difficult to access, particularly for people on lower incomes. National Shelter therefore welcomes this Inquiry into First Home Ownership.

National Shelter believes that the current housing affordability and accessibility crisis is a direct result of the lack of policy direction on housing by the various levels of Government in Australia. A large amount of money is involved with intervening in the housing market through an array of policies, programs, taxes, subsidies, schemes and incentives. However, this submission argues that these initiatives are not grounded in a consistent policy framework, do not reinforce each other, and in many cases work against one another's aims. As a result, significant Government intervention in the housing market has delivered neither affordability nor accessibility to a large number of recent and prospective home purchasers.

In addition, National Shelter believes that the various levels of Government have failed to recognise the close links between affordability in the rental sector and accessibility to home ownership. In view of these links, National Shelter believes that any solution should tackle the housing system as a whole, including private rental, social housing and home ownership, rather than any measures exclusively on first home ownership.

After more than a decade of ad hoc measures, falling housing affordability is now a major issue across the country. The problems are mounting rapidly, and a clear policy direction at all Government levels is required before the structural problems become so large as to be irreparable.

The Australian Housing System

The housing system in Australia is changing. For many years, high rates of home ownership underpinned by high employment levels and an adequate income support system ensured that most Australians were well housed. In the last two decades, however, rising housing prices have put the Great Australian Dream of home ownership out of the reach of an increasing proportion of Australians.

During this period, real incomes have fallen significantly at the bottom end, and there is a severe shortage of houses that can be purchased affordably by low to middle income earners. Such shortages now occur in all State and Territory capitals, and in many regional areas. Housing affordability problems are climbing the income ladder to affect the 'working poor' and middle income households, as housing prices have boomed in many areas of urban and regional Australia.

While housing price increases have provided a windfall to existing home owners, prices have now increased to the extent where families who are anything less than wealthy cannot afford to purchase their own home, let alone purchase housing that is adequate to their needs. Moreover, housing affordability appears to be lowest in areas with high employment opportunities, making it difficult for lower income households to move to where the jobs are.[1]

[1] For instance, see National Shelter, *Creating the Links between Housing, Employment and Income Support*, Adelaide, 2001, or Mike Berry and Jon Hall, *Policy Options for Stimulating Private Sector Investment in Affordable*

Whilst recognising the current discrepancy between family incomes and the mortgage repayments required for home purchasing, some analysts have pointed to the cyclical nature of the housing market and argued against Government intervention. In the view of these analysts, housing prices are currently approaching the top of the cycle and will soon start falling relative to family incomes, thus restoring affordability and accessibility.

National Shelter disagrees with this view. Whilst there have most certainly been short term fluctuations, the general pattern across the country is that housing price growth has outpaced income growth for more than two decades. As the Productivity Commission's Issues Paper on First Home Ownership notes, mortgage repayments have increased as a proportion of full ordinary-time male earnings over this period.[2]

At the same time, the Issues Paper indicates that affordability has not fallen as dramatically when measured relative to household income.[3] National Shelter believes that this discrepancy highlights that an increasing number of Australian families have been forced to have both parents in the work force in order to be able to pay the higher mortgage repayments associated with higher housing prices.

However, the question regarding the nature of the current high level of housing prices relative to household incomes is irrelevant in one important respect. Whether cyclical or structural, the fact is that housing has become increasingly unaffordable for first home purchasers for a protracted period of time, in all capital cities and in many regional areas.

As a result prospective purchasers now face a difficult dilemma at a time in their lives when previous generations would have started building equity in their own home. People wishing to enter home ownership, say a couple starting a new family, have a choice between purchasing now and remaining in the rental market for the time being in order to save a deposit.

The first option, to purchase immediately, results in these purchasers acquiring housing that they cannot afford from their current income, is not appropriate to their needs in terms of location, size or state of maintenance, or both. Purchasers taking this option typically sacrifice some necessities of life – food, education, clothes, medication, a social life, etc – in order to be able to realise their dream of home ownership. They sacrifice what they hope is short term pain for a major long term gain: the opportunity to trade up to more appropriate home or refinance their mortgage once housing prices have risen and their equity has grown.

There is no doubt that in a time of rapidly rising housing prices this strategy has proven an effective way into home ownership for a large number of families. Nevertheless, in view of the longer term price cycles in the housing market this strategy can also be typified as gambling all of the family's life savings and most of its income on one asset, the family home.

As long as housing prices continue their current upward trend and interest rates remain low, this gamble will pay off. However, with a large number of recent purchasers at or beyond their capacity to pay their mortgage, this strategy becomes problematic if housing price growth slows down or stops altogether, or if interest rates rise before a purchaser has accumulated significant equity in its property.

The case of interest rate rises has been well published in the media in recent months. Income constraints will mean already stressed purchasers will be unable to

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Housing Across Australia – Stage 1 Report: Outlining the Need for Action, prepared for the Affordable Housing National Research Consortium by the Australian Housing and Urban Research Institute, September 2001.

[2] Productivity Commission, *Issues Paper: First Home Ownership*, September 2003, p.6

[3] Productivity Commission, *Issues Paper: First Home Ownership,* September 2003, p.7

meet the higher debt servicing, and their still low equity will make them unable to refinance their loan. For many recent purchasers, interest rate rises are therefore likely to lead to mortgage default and a shattered Australian Dream.

However, the case of slowing growth or falling prices in the housing market has been debated much less extensively. If this occurs, recent home purchasers will find their equity growing slowly or not at all, for what history suggests may be a period of anywhere between two and ten years. Until house prices start rising once again, or their income increases significantly, such purchasers may find themselves stuck in a house that is inappropriate to their needs or with a mortgage worth more than their house. If the downturn is longer rather than shorter, this could have a severe impact on the family's long term prospects in terms of employment, education and health.[4]

Despite these risks, many people have chosen the path of purchasing a home that will put them in housing stress for an indefinite period of time. As a result, the proportion of mortgage payments to household income has increased in many areas across the country.

Private rental

Some prospective purchasers choose the alternative option of remaining in the rental market for a longer period of time in order to save a deposit, or because it gives them greater flexibility in terms of finding and keeping employment. This is evidenced by the fact that the average age of first home purchasers has increased from 32.7 years in 1990 to 35.7 years in 2000.[5] The fact that the average length of stay in the private rental market is increasing points in the same direction.[6]

However, continuing to rent whilst saving a deposit carries risks with it too, although in this case the danger lies in rising, rather than falling, housing prices. As house prices rise, accessibility falls as the deposit required for, and costs associated with entering home ownership increase. For instance, the recent strong growth in housing prices has substantially increased the savings required to purchase a dwelling. This has reduced housing accessibility across the country, despite historically low interest rates.

In other words, for many prospective purchasers, growth in the costs of accessing home ownership has outpaced their ability to save a deposit in recent years. This implies that many families who selected the more prudent option of remaining in the rental market in order to save a deposit may have found themselves locked out of home ownership for much longer than they might have anticipated.

Prospective purchasers in this situation have no option but to keep renting until housing price growth slows down. Once growth has slowed sufficiently for these purchasers to be able to meet the financial entry requirements, they then face a choice between investing in a stagnant or falling housing market and remaining in the rental market for a further period to increase their deposit.

In either case, this group of prospective purchasers will be dependent on the rental market for accommodation for what can be, as discussed above, a protracted period of time. However, the above discussion is based on one important underlying assumption: that the rental market will be able to provide affordable accommodation, particularly to people in the bottom two income quintiles. If prospective first home

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[4] The impact of housing on employment is discussed in National Shelter, *Creating the Links between Housing, Employment and Income Support*, Adelaide, 2001. In addition, a number of projects by the Australian Housing and Urban Research Institute are currently exploring the links between housing and 'non-housing outcomes'.

[5] Annette Sampson, *Old get richer, while young find home prices too steep*, Sydney Morning Herald, 4 June 2003

[6] Maryann Wulff and Judith Yates, *Low Rent Housing in Australia 1986 to 1996*, Australian Housing Research Fund, March 2001.

buyers cannot afford the rent on their intended temporary residence in the rental sector, they will be unable to save a deposit for a home, and therefore unable to purchase a home at any stage in their lives.

Unfortunately, there is now ample evidence indicating that there is a grossly inadequate supply of affordable rental housing at the bottom end of the market. For instance, in a seminal study based on ABS data, Yates and Wulff found that the supply of affordable rental accommodation at the bottom end of the market declined significantly between 1986 and 1996. The study identified a shortage of 150,000 units of affordable rental dwellings.[7]

More recent evidence confirms that this trend is continuing. For instance, a recent report by National Shelter and ACOSS indicates that 330,360 or 35% of recipients of Commonwealth Rent Assistance (CRA) are in housing stress.[8] The same report indicates that 9% or 85,000 recipients spend more than 50% of their income on rent

Regional Australia

Much of the recent discussion about the affordability and accessibility of home ownership has focused on the capital cities, and in particular on Sydney and Melbourne. For instance, a recent study by the Affordable Housing National Research Consortium found that in June 2000, no private renter in the bottom two income quintiles could afford to purchase in any metropolitan location in Sydney, Melbourne or Adelaide.[9]

However, housing affordability in other State capitals and many regional areas is becoming of increasing concern. For instance, a recent paper by Shelter WA found that the income required to purchase a median priced house in Perth rose from $49,357 in June 1998 to $80,643 in June 2003.[10] In Adelaide, the proportion of suburbs where a median priced house was affordable to a family earning the median household income fell from 48.9% to 5.6% over the same period.[11]

The table below indicates that increasing housing prices have resulted in a high level of housing stress throughout urban and regional Australia, particularly among lower income families: on average, 26.0% of Australian home purchasers spent in excess of 25% of their weekly gross income on housing loan repayments in 2001.[12] However, this figure was 54.1% for those earning between $300 and $699 per week and 70.2% for those earning less than $300.

While the table indicates that the rate of housing stress for home purchasers fell with the remoteness of the area, it also shows greater than average rates of housing stress for purchasers earning less than $700 per week, regardless of location. For instance, the rate of housing stress among purchasers earning between $300 and

[7] Maryann Wulff and Judith Yates, *Low Rent Housing in Australia 1986 to 1996*, Australian Housing Research Fund, March 2001

[8] National Shelter & ACOSS, *Rent Assistance: does it deliver affordability?*, September 2003. Housing stress is defined as households in the bottom two income quintiles paying more than 30% of disposable household income in mortgage payments or rent.

[9] Mike Berry and Jon Hall, *Policy Options for Stimulating Private Sector Investment in Affordable Housing Across Australia – Stage 1 Report: Outlining the Need for Action*, prepared for the Affordable Housing National Research Consortium by the Australian Housing and Urban Research Institute, September 2001, p.59

[10] Karel Eringa, *The State of Affordable Housing in WA 2003*, Shelter WA, August 2003

[11] Australian Bureau of Statistics data shows that median gross household incomes in South Australia increased from $736 to $861 per week between June 1998 and June 2002. Assuming that this growth rate continues, the median household income will reach $889 in June 2003. Assuming average transaction costs of 5% and a deposit of 10% (including any FHOG funds), a family on this income could afford to purchase a house with maximum value of $117,300 in June 1998 and $136,900 in June 2003. Data from the Real Estate Institute of South Australia shows that in June 1998, 88 out of 180 Adelaide suburbs for which data was available had a median house price below this figure in June 1998, but only 20 out of 356 suburbs in June 2003.

[12] These estimates use 25% of income as the benchmark for housing stress, rather than the more common 30%.

$699 per week ranged from 34.7% in very remote areas to 49.4% in inner regional areas. For households with an income below $300 per week, this varied from 62.1% in very remote areas to 70.2% in inner regional areas.

Proportion of Purchasers spending more than 25% of Household Income on Mortgage - 2001

Weekly Gross Household Income	Major Cities	Inner Regional	Outer Regional	Remote	Very Remote	Australia
$1-$299	70.4%	70.2%	70.1%	66.2%	62.1%	70.2%
$300-$699	58.9%	49.4%	44.1%	43.6%	34.7%	54.1%
$700-$1499	26.1%	17.3%	16.1%	16.7%	11.2%	23.0%
$1500 or above	12.6%	7.4%	6.0%	5.2%	3.0%	11.4%
Total	**27.0%**	**24.3%**	**23.4%**	**21.3%**	**17.0%**	**26.0%**

Source: Australian Bureau of Statistics, Australian Social Trends*, 4102.0, 2003*

In addition, housing stress extends to the rental sector, indicating a low potential for families in rental accommodation to save up the deposit required to access home ownership. For instance, the table below indicates that all States and Territories recorded a rate of housing stress among CRA recipients in excess of 20%, while this rate was over 30% in all capitals except Hobart.

In Western Australia, the Australian Housing Survey of 1999 indicated that 57% of renters in the bottom two quintiles paid more than 30% of their income in rent.[13] *Housing Strategy WA* calculates on the basis of ABS data that that by 2001 this proportion had increased to 60% and also found that 44% of home buyers in the bottom two income quintiles experienced housing stress.[14] In South Australia, it is estimated that four of out of five renters lived in housing stress in 2001.[15]

Proportion of CRA Recipients in housing stress, 30/11/2001

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Capital City	46.4%	35.8%	31.5%	30.5%	29.8%	24.4%	41.1%	41.9%	37.1%
Total	38.0%	32.0%	31.0%	28.9%	27.9%	21.3%	41.1%	38.8%	33.1%

Source: Productivity Commission, Report on Government 2003*, Table 16A.49*

Rental housing stress is a problem in more remote centres as well. For instance, a recent report by Queensland Shelter indicates that in Townsville, 51% of renters in the bottom 40% of incomes are in housing stress.[16] A recent report prepared by Shelter WA for the Broome Working Group on Affordable Housing found that home purchase was beyond the grasp of an increasing number of residents "with the median house price in Broome reaching $261,100 in the December quarter of 2002. Even at the current low interest rates, this would require weekly repayments of over $400 per week"[17] and a family income in excess of $100,000 per year.

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[13] Australian Bureau of Statistics, *Australian Housing Survey 1999*, ABS Ref: 4182.5.48.001, 1999
[14] Department of Housing and Works, *Housing Strategy WA – Context Paper*, Draft 1 September 2003
[15] Shelter SA, *Submission for the State Housing Plan*, June 2003. This estimate uses 25% of income as the benchmark for housing stress, rather than the more common 30%.
[16] Queensland Shelter, *Affordable Housing Needs in the Townsville Region*, August 2003
[17] Karel Eringa and Paul Pendergast, *Meeting Youth Housing Needs in Broome Through Collaborative Practice: Consultants Final Report*, June 2003, p.16.

Existing Programs and Policies

It will be evident from the discussion above that a sizable number of Australian families face rents beyond their capacity to pay. This implies that these families will face great difficulty making ends meet, let alone accumulate savings at the pace required to purchase their first home. Perhaps paradoxically, this implies that one essential strategy to foster home ownership is to ensure an adequate supply of affordable accommodation in the rental market.

Unfortunately, the existing policy levers and programs do not adequately address the current level of housing need and in some cases counteract each other. Moreover, they are the responsibility of a number of different Ministers and Departments at both the State and the Commonwealth level.[18] This section examines a number of Government programs related to renters and purchasers.

Commonwealth State Housing Agreement

The Commonwealth State Housing Agreement (CSHA) is the main vehicle through which Australia's Commonwealth and State Governments fund social housing.[19] Social housing is important not only because it houses certain sections of the community who are unable to access private rental or purchase their own home, but also because it can be a springboard to home ownership. To a large extent, rents in the social housing sector are determined as a proportion of the tenant's income. This ensures affordability and therefore, at least in principle, enhances the tenant's ability to save the deposit required to enter home ownership.[20]

Unfortunately, State and Commonwealth Government commitments to the CSHA have fallen from $1.73 billion in 1996/97 to $1.25 billion in 2003/04:[21] a decline in real terms of over 30%. As a result, social housing is now an alternative for a smaller proportion of Australians than it has been in the past: social housing stock has declined from 6.2% of total housing stock in 1994 to 4.7% in 2001.[22]

It is worth noting that the decline in Government funding has come despite the fact that a number of inquiries, including the 1993 Industry Commission Report on Public Housing[23] have demonstrated conclusively that capital expenditure on public housing is the most cost effective way of increasing access to affordable housing.

National Shelter has previously calculated that the amount of social housing stock in the country would need to be doubled in order to ensure that all Australians have access to affordable and appropriate housing, and for social housing to be able to serve as an effective springboard into home ownership. This would require a five fold increase in funding for social housing, to around $4.7 billion per year.[24]

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[18] For instance, the Commonwealth State Housing Agreement is administered by the Commonwealth Department of Family and Community Services through the various State Housing Authorities. The First Home Owners Grant is administered by Commonwealth Treasury through the various State Revenue Departments. Commonwealth Rent Assistance is administered by the Commonwealth Department of Family and Community Services and paid as part of Centrelink pensions and allowances.

[19] Social housing consists of rental housing operated by Government (public housing) and non-Governmental non-profit organisations (community housing)

[20] Although in practice the income of many social housing tenants will in many cases be too low to be able to afford home ownership.

[21] In 2003/04, the Commonwealth Government will contribute a maximum of $930 million under the Agreement, while the States and Territories will put in an additional $355 million.

[22] Australian Bureau of Statistics, *Australian Housing Trends*, 1996 and 2001.

[23] Industry Commission, *Public Housing Volume 1: Report*, Report #34, November 1993

[24] National Shelter, *Rebuilding the Australian Dream: National Shelter Policy Platform 2003.*

National Shelter recommends:

1. **That the Commonwealth and State Governments increase funding for social housing under the Commonwealth State Housing Agreement to $4.7 billion per year, or failing this, to a level where social housing is at least able to maintain its current proportion of total housing stock.**
2. **That the Commonwealth and State Governments commit to a series of short, medium and long term targets for the social housing sector, both in absolute terms and relative to total housing stock.**

Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) is a non-taxable income support supplement paid by the Commonwealth Government to tenants in the private and community sector who receive a Centrelink payment, including those who receive more than the base rate of Family Tax Benefit Part A. Public housing tenants are not eligible for CRA.

CRA is subject to both a minimum threshold rent and a maximum rate, both of which are indexed twice per year. People paying rent below the minimum threshold do not receive any payments. Above this amount, CRA is paid at a rate of 75 cents for every dollar above the threshold until the maximum rate is reached. In December 2002, the average CRA payment was $73.54 per fortnight, and 914,647 individuals and families were in receipt of this payment.[25]

However, CRA is neither targeted towards people in housing stress, nor designed to ensure affordability for those who are. For instance, as at 30 November 2001 32.4% of CRA recipients paid less than 30% of their income in rent before receiving this payment. On the other hand, 33.1% of CRA recipients were still in housing stress even after receiving this payment.[26]

In other words, roughly one third of CRA recipients did not need assistance with their housing costs. Another third was left paying more than 30% of their income in rent, and CRA was only effective in eliminating housing stress for the remaining third. This is a poor record for a program on which the Commonwealth Government has spent in excess of $1.6 billion per year in each year since 1993/94.[27] In terms of the scope of the current Inquiry, the failure of CRA to deliver affordability means that a large number of tenants are left unable to save up a deposit for their first home.

Finally, a recent study by National Shelter and ACOSS, which has been attached to this submission, finds that the lack of targeting towards affordability has led to regional discrepancies in the efficacy of CRA to alleviate housing stress.

For instance, average CRA entitlements are highest in Sydney, where recipients are entitled to an average $76.60 per fortnight in rent assistance. As the average rent paid by CRA recipients in Sydney is $310.11 per fortnight, this represents an average 24.7% rental subsidy. Average CRA entitlements and rents are lowest in regional Tasmania. Here, the average assistance is $67.27, towards an average rent of $210.27. This represents an average subsidy of 32.0%.[28]

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[25] National Shelter & ACOSS, *Rent Assistance: does it deliver affordability?*, September 2003.

[26] Productivity Commission, *Report on Government Services 2003*, Table 16A.49. For a more detailed analysis on CRA and housing affordability, see National Shelter & ACOSS, *Rent Assistance: does it deliver affordability?*, September 2003

[27] Productivity Commission, *Report on Government Services 2003*, Table 16A.74. The 2003/04 figure is $1.92 billion: National Shelter & ACOSS, *Rent Assistance: does it deliver affordability?*, September 2003.

[28] Source data from National Shelter & ACOSS, *Rent Assistance: does it deliver affordability?*, September 2003.

National Shelter recommends:

3. **That the Australian Government adjust the policy parameters of the Commonwealth Rent Assistance program so that it delivers affordability to recipient families, including:**
    a. **removing rent thresholds,**
    b. **targeting payments towards tenants who experience housing stress, including the 'working poor', and**
    c. **further investigation of a 'zoning' model taking account of geographical variations in rents (noting that no recipient should be made financially worse off if a zoning model was adopted).**

Besides its flawed policy parameters, there are two more fundamental problems associated with CRA. The first of these is that CRA is currently limited to the rental sector only, and does not extend to home purchasing. This means that families who are otherwise in the same circumstances will receive income assistance with their housing payments if they rent, but will not receive any financial assistance if they pay an equivalent amount in servicing a mortgage.[29]

Leaving aside any equity issues, this differential treatment provides a financial disincentive to purchase, and reduces the affordability of home ownership *vis à vis* renting. A recent international comparison on housing demand subsidies found that several other countries avoid this disincentive by extending this type of assistance to all housing payments:

> *Australia is unusual in restricting housing allowances within income security to private renters. In New Zealand, about 15% of accommodation supplement recipients in 1999 (before the recent changes) were purchasers … In Canada, 7% of social assistance recipients were owners/purchasers and could get assistance with housing costs.*[30]

As noted above, with the recent rise in house prices, mortgage payments have increased to the extent that 54.1% of households with a gross income between $300 and $699 per week and 70.2% of households with a gross income under $300 are paying more than 25% of their income in mortgage costs.[31]

There is growing concern that this has increased the exposure of many families to interest rate rises. One way to alleviate these concerns, as well as removing the disincentive to purchase, is to extend CRA to mortgage repayments. This would effectively provide a safety net for low income families. However, National Shelter repeats that the current CRA policy parameters require adjusting to ensure that the program delivers affordability and is targeted towards people in housing stress.

National Shelter recommends:

4. **That Commonwealth Rent Assistance be extended to all housing payments, including mortgages.**
5. **That a Review be conducted of Commonwealth Rent Assistance, with particular attention to the effect of this program on rent levels.**

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[29] However, the Prime Minister's Taskforce on Home Ownership has recently proposed a 'housing lifeline', offering limited loans to some households experiencing housing stress. The merits of this scheme are discussed in more detail below.

[30] Kath Hulse, *Demand Subsidies for Private Renters: A Comparative Review*, Paper to 'Our Homes Our Communities Our Futures' National Housing Conference, Brisbane, October 2001

[31] Australian Bureau of Statistics, *Australian Social Trends*, 4102.0, 2003.

The second fundamental problem with Commonwealth Rent Assistance is that there is no guarantee that this payment will not increase rents. After all, CRA raises the purchasing power of low income housing consumers, and private landlords will charge the highest rent that tenants will pay. However, any causality between a program such as CRA and housing affordability is difficult to prove. The comparative analysis of housing assistance programs referred to above finds that:

> *In none of the countries in the study is there evidence that housing allowances have stimulated an increase in the supply of affordable rental housing; instead, there is widespread concern in all four countries about contraction in the supply of rental housing that would be affordable to households in receipt of housing allowances.* [32]

However, the study also warns that:

> *Governments have generally assumed that housing allowances do not contribute to inflationary pressure on rents, based on econometric modelling and some empirical research emanating from the US which supports the contention that housing allowances do not impact on rent levels generally but may have an effect on specific sub-markets. It is not clear that these findings translate to Australia or New Zealand where housing allowances are based on entitlement and recipients comprise more than 40% and 50% respectively of the unassisted rental market, rather than less than 5% for housing choice voucher recipients in the US.* [33]

National Shelter believes that further research into the effect of CRA on rent levels across a number of submarkets is urgently required.

FHOG

Another program that has been the subject of similar widespread concern regarding its impact on housing prices is the First Home Owners Grant (FHOG). This grant was introduced in 2000 to offset the impact of the Goods and Services Tax on people purchasing their first home. Eligible applicants are currently entitled to a one-off $7,000 payment, and around 306,000 payments were made between July 2000 and June 2002. Total expenditure on the program during this period was almost $3 billion.[34]

Again, any causality between a program such as the FHOG and housing affordability is difficult to prove, and to date there has been little research into the impact of this subsidy on housing prices.

In addition to concerns regarding its potential effect on housing prices, the FHOG has been criticised since its inception for its untargeted nature. There is a dual concern here. Firstly, all first homebuyers are eligible for the grant, regardless of their income, regardless of the price of the property, and regardless of whether they already own property overseas.[35] While figures on the income of FHOG recipients are not available, National Shelter is concerned that a large proportion of FHOG monies appears to have been received by people who can by no means said to be in

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[32] Kath Hulse, *Demand Subsidies for Private Renters: A Comparative Review*, Australian Housing and Urban Research Institute, September 2002, p.6

[33] Ibid.

[34] Australian Bureau of Statistics, *Australian Social Trends*, 4102.0, 2003, p.174. Around 86% of the grant recipients received the initial amount of $7,000, while the remaining 14% received the $10,000 or $14,000 to build or purchase a new home.

[35] And regardless of their age. For instance, The Australian reports that “dozens of children – some as young as 12 months – had received the $7000 grant” in Victoria, Western Australia, Queensland and Tasmania. James Madden, *States caught in grant loophole*, The Australian, 15 October 2003

housing stress.[36] In this sense, the FHOG has increased accessibility to housing only for some recipients.

Secondly, the FHOG is available both for established homes and for newly built homes, although the bulk of the grants appears to be paid for the purchase of existing dwellings.[37] The rationale of providing these grants for established home is unclear, since the grant was originally intended to compensate first home purchasers for the cost of the GST, but established homes do not attract this tax. Leaving aside this question, providing a grant towards purchasing an established dwelling can have only one impact: an increase in prices. In this sense, the FHOG under its current policy parameters increases access to home purchasing for some recipients at the expense of reducing affordability for all prospective home buyers.

National Shelter acknowledges that more research is required into the impact of demand subsidies, including the CRA and FHOG schemes, on housing prices, accessibility and affordability. Nevertheless, in view of the increasing shortage in the supply of affordable housing noted above and the potential inflationary risks associated with demand subsidies, it is surprising that in the last decade housing assistance has focused to such a large extent on funding demand subsidies such as FHOG and CRA, at the expense of initiatives that directly increase supply, such as the CSHA.

National Shelter recommends:

6. **That First Home Owner Grants be made available only to families earning below the median income, and for dwellings below the median housing price in the area.**
7. **That a Review be conducted of the First Home Owners Grant program, with particular attention to the effect of this program on housing prices and the affordability and accessibility of home ownership.**
8. **That, if a limited amount of funding is available for housing programs, the capital outlay for housing demand subsidies be scaled back over time and the capital outlay for programs that directly increase the supply of affordable housing, such as the Commonwealth State Housing Agreement, be increased over time.**

[36] Mike Berry, *Affordable Housing Project: Background Paper*, Brotherhood of St Laurence, December 2002
[37] Mike Berry, *Affordable Housing Project: Background Paper*, Brotherhood of St Laurence, December 2002

Tax Concessions

The programs discussed above are important in terms of their potential to increase the affordability and accessibility of housing for first home buyers. However, they are relatively limited in scope compared to certain tax based incentives aimed to stimulate investment in housing.

As an indication, the combined annual value of CRA, CSHA and FHOG is less than $4 billion per year, whereas the tax concessions available to home purchasers alone have been estimated at between $17 billion and $21 billion per year, or $4,200 per household per year.[38] Such concessions include incentives for owner occupiers such as capital gains tax (CGT) exemptions, non-taxation of imputed rents, stamp duty concessions and land tax exemptions for the family home, as well as tax deductibility of costs associated with investment properties (negative gearing).

National Shelter has a number of concerns regarding these tax concessions. Most importantly, these tax concessions are not targeted towards people who are in housing stress, and therefore the bulk of the cost of the concession is not provided where it increases accessibility for first home purchasers.

Tax Concessions on the Family Home

Tax exemptions to imputed rental income and CGT on the family home are available equally to owner occupiers on low incomes and to those on high incomes. Since the monetary value of these exemptions is greater for properties with a higher value, the tax losses associated with these exemptions result mainly from dwellings with a value above the median. Moreover, because there is a positive correlation between family income and the value of the family home, the monetary value of these exemptions is greater for richer families than it is for poorer ones.

The above indicates that these tax concessions have a regressive effect. Nevertheless, this does not necessarily imply that they are not important for lower income home purchasers. Indeed, given the current levels of housing stress experienced by mortgagees discussed above, it may be argued that many poorer families would be unable to afford home ownership without this exemption. However, it does mean that the current blanket exemption is a very inefficient way of increasing accessibility to home ownership.

National Shelter recommends:

9. **That the current blanket exemptions on CGT and imputed rents associated with the family home be replaced by concessions whose size is inversely related to the family income.**

Negative Gearing

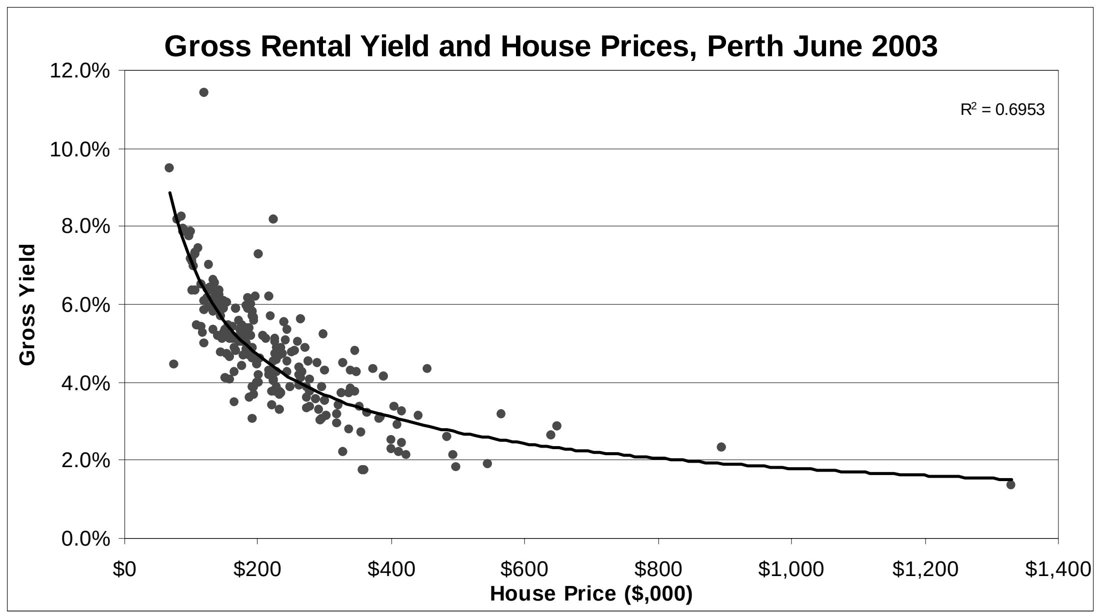
The concerns regarding the lack of targeting towards people with lower incomes and regressive outcomes also apply to negative gearing. However, there is a further problem with the current system of negative gearing, which is that it implicitly encourages investment in properties with a higher rental value.

This is due to two factors. Firstly, as noted above, higher rental value will generally be associated with higher value properties. Many of the costs associated with owning investment properties, including for instance maintenance costs and insurance, are

[38] Judith Yates, *A distributional analysis of the impact of direct and indirect housing assistance*, Australian Housing and Urban Research Institute, August 2002. This figure only includes the non-taxation of capital gains ($9 billion to $13 billion depending on the valuation method) and the non-taxation of imputed rents ($8 billion).

directly related to the value of the property. As this means that the costs associated with these higher property values will generally be higher, the monetary value of negative gearing concessions will also be higher for higher rental dwellings.

Secondly, preliminary research by National Shelter indicates that higher value properties will generally yield relatively lower rents and relatively greater rental losses. For instance, the figure below shows a statistically significant[39] inverse relationship between property prices and gross rental yields at the suburb level in Perth. As most costs associated with the property are not related to the gross rental yield, lower gross returns generally also mean lower net returns, and therefore a greater monetary value of the negative gearing concessions.



Source: Department of Land Administration, Value Watch – Metropolitan Rental Values Summary*, Perth, June 2002*

In other words, property investors stand to receive greater tax concessions if they invest in higher value rental properties. The negative gearing system therefore encourages investment in high value properties, at the expense of rental stock that is affordable to people on lower incomes.[40] The resulting shortage of affordable housing at the lower end of the market[41] means that many lower income families will be unable to save up the required deposit to enter home ownership.

Put differently, the current system of negative gearing is one of the causal factors of the current shortage of affordable housing stock. Although some organisations have advocated abolishing negative gearing altogether, National Shelter believes that it is possible to change the policy parameters in order to make negative gearing an effective instrument in stimulating investment in affordable housing. This can be achieved by progressively limiting the ability of individuals to use rental losses as a tax deduction as the rental value of the investment property rises.

National Shelter recommends:

10. **That the ability for individuals to use rental losses as a tax deduction be inversely related to the rental value of the investment property.**

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[39] R^2=0.6953, falling to 0.6709 if the two suburbs with median prices over $800,000 are excluded from the analysis.

[40] For instance, housing investment in Sydney and Melbourne appears to have focused on in high value inner city apartments, a sector in which vacancy rates are climbing. In Perth, vacancy rates are high at the top end of the rental market, but very low vacancy at the bottom end: Real Estate Institute of WA, *Market Update*, March 2003.

[41] See Maryann Wulff and Judith Yates, *Low Rent Housing in Australia 1986 to 1996*, Australian Housing Research Fund, March 2001

Stamp Duty

The above discussion refers only to taxes and incentives that are operated by the Commonwealth Government. However, the various State and Territory Governments also operate a range of taxes and charges related to home ownership. Most prominent among these is stamp duty. While the various States and Territories calculate stamp duty in different ways, there are a number of shared features. These include:

- The rate at which stamp duty is levied increases with property values in all States and Territories
- Further stamp duty concessions are available for purchasers on low incomes in all States and Territories
- The rate at which stamp duty is levied is not indexed to increases in housing prices. In other words, increases in housing prices in excess of CPI result in real increases in State and Territory stamp duty revenues.

In particular the final point has received a great deal of attention in various media outlets in the current cycle of housing price increases, as stamp duty has increased to 3-5% of property values in the various State and Territories.[42] National Shelter agrees with the various critics that stamp duty adds to the cost of housing and is therefore a barrier to accessing home ownership, particularly for prospective purchasers at the bottom end of the market.

National Shelter recommends:

11. **That all State and Territory Governments provide full exemptions on stamp duty to home purchasers in the bottom two income quintiles.**
12. **That all State and Territory Governments revise the rates at which stamp duty is charged on an annual basis, with a view to ensuring that real revenue remains constant over time.**

Land Tax

The other major tax operated by all State and Territory Governments except the Northern Territory is land tax. Again, rates vary across the various jurisdictions, but again there are a number of common features. These include:

- Land tax is charged at a constant rate, related to unimproved property values in all States and Territories where it is charged.
- Owner occupiers receive a full exemption on land tax in all States and Territories where it is charged.
- The rate at which land taxes are calculated is not indexed to increases in housing prices. In other words, increases in housing prices in excess of CPI result in real increases in State and Territory land tax revenues.

Unfortunately, National Shelter is not aware of any research into the impact of land taxes on investment in affordable rental housing.

National Shelter recommends:

13. **That research be conducted into the impact of land tax systems in the various States and Territories on investment in affordable rental housing.**

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[42] Real Estate Institute of Australia, *Homes less affordable: urgent answers needed*, September 2003. In June 2003, stamp duty ranged was 4.79% of the median house price in Melbourne, 3.53% in Sydney and 2.76% in Hobart.

Policy Solutions

Housing in general, and first home ownership in particular, is of enormous social, economic and symbolic value to Australians. This is evidenced by the fact that the various levels of Government in Australia intervene in the housing market to the extent of tens of billions of dollars each year. Despite this, there is a severe and growing shortage of public and private rental housing, while the income required for home purchasing has become less affordable due to rising housing prices.

So far, this submission has highlighted a number of shortcomings of individual housing related taxes, subsidies, incentives, grants and concessions. However, there is a more fundamental problem in that many of these taxes and incentives work against each other. For instance:

- Taxes such as stamp duty and GST reduce accessibility to home purchasing, while the FHOG is intended to increase it.
- The current policy parameters regarding negative gearing effectively reduce the supply of affordable rental housing at the bottom end of the market, while CRA is intended to increase access to rental housing for low income families.
- Land tax increases the cost of investing in rental housing, whereas negative gearing provisions are intended to reduce it.

In addition, the current confusion of State and Commonwealth Departments responsible for administering the various housing related payments, overlapping portfolios impacting on housing (eg. Treasury, Planning, Infrastructure, Regional Development, Family and Community Services, etc) is making any consistent direction in housing assistance difficult if not impossible.

National Shelter believes that a Commonwealth Housing Minister and Department with responsibility for housing are required to provide long term policy direction. Housing should be a Cabinet portfolio, and the new Minister and Department should have responsibility for all existing housing related policies and programs, including Commonwealth Rent Assistance, the Commonwealth State Housing Agreement and the First Home Owners Grant, as well as any new initiatives.

National Shelter recommends:

14. **That a Commonwealth Housing Minister and Housing Department be created. Housing should be a Cabinet portfolio, and the Minister and Department should coordinate all housing related policies and programs.**

A Commonwealth Minister and Department for Housing would be an essential first step towards creating a housing system that delivers affordability and accessibility to all Australians. However, this would still only unify Federal Government programs whilst leaving levers controlled by the various State and Territory Governments outside of its scope. This would leave significant scope for inconsistency and confusion.

In order to resolve the current housing crisis, National Shelter believes that a National Housing Policy Framework should be developed, to identify ways in which the current uncoordinated system can be unified and reformed to use existing funds more efficiently and effectively. Once this has been accomplished, this Framework should then identify areas where additional funding is still required. Finally, this Framework would provide a structure from which ad hoc policy proposals could be explored and, if deemed appropriate, trialed.

In order to be effective, the National Housing Policy Framework should operate at all levels of Government and seek to develop opportunities for partnerships with the private and community sectors. The Framework should be devised in consultation with key stakeholders, including Federal, State and Local Government, housing consumers and providers, the housing industry, support agencies and relevant community groups. The Framework should address all issues regarding the provision of affordable housing, including home purchasing, private rental and social housing, and address both the supply and demand side of affordable housing.

National Shelter recommends:

15. **That a National Housing Policy Framework be developed to inform housing policy direction at all levels of Government over the next five to ten years.**

Affordable Housing Innovation Unit

Over the years, Government, industry and the community sector have put forward a range of ideas to increase the supply of affordable housing. Some of these ideas have appeared promising on paper, but no concerted effort has been made to foster the practical development of such ideas.

National Shelter believes that an Affordable Housing Innovation Unit in the Department of Housing would provide budget support to test, facilitate and promote innovative approaches to promoting the accessibility and affordability of housing for first home purchasers. Successful projects should be publicised and full details of the process made available for others to use.

National Shelter recommends:

16. **That an Affordable Housing Innovation Unit be established with a brief to develop and test innovative ideas to increase housing affordability.**

Shared Equity Scheme

One innovative scheme that has been widely promoted recently is the shared equity scheme developed by the Menzies Research Centre for the Prime Minister’s Home Ownership Task Force. In brief, the scheme would allow prospective home buyers to be able to use equity, as well as debt finance. Under the scheme, the purchaser would provide 70% of the up front costs of purchasing the dwelling, while the remaining 30% would be provided by a silent third party. In exchange, the silent party would receive 60% of the capital gain upon sale of the property.

National Shelter is not opposed to shared equity arrangements in principle. Experience from various State operated schemes indicates that shared equity can be a good solution in a number of situations, eg. preventing home purchasers from losing the family home where a financial crisis occurs.[43] However, National Shelter believes that there are at least five difficulties associated with using shared equity to increase access to home ownership.

Firstly, in all of the shared equity arrangements of which National Shelter is aware, the silent partner provides a share of the equity. This partner shares in the eventual capital gains, but does not share the costs of maintaining or improving the property. National Shelter is aware of a number of cases in which this has led to misunderstandings and conflict between the two partners. However, it is difficult to safeguard against this type of conflict.

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[43] For example, the GoodStart shared equity scheme has helped public tenants and applicants into home ownership since 1997.

Secondly, the scheme effectively stimulates demand for housing by increasing the purchasing power of prospective home purchasers. As with any scheme that boosts demand, this is likely to increase housing prices. The extent to which this is likely to occur will depend on the success of the scheme; the more successful the scheme, the more it will raise housing prices.

However, the scheme only provides access to home ownership in a very limited number of cases. For instance, a family earning the median gross household income of around $1,006 per week in June 2003 would be able to affordably purchase a dwelling of up to $152,000 using a traditional bank loan.[44] Under the Menzies scheme, the same family would be able to affordably purchase a $213,900 home.

This represents an increase of more than 40% in the family's purchasing power.[45] However, the table below shows that this figure does not buy a median priced house in Sydney, Melbourne, Brisbane, Adelaide or Canberra, and if current trends continue not for much longer in Perth.[46] This implies that the impact of the scheme on the affordability of housing purchase is marginal, as it only would only make median priced housing accessible to families earning the median household income in Hobart and Darwin.

Median House Prices, Australian Capital Cities, June 2003

	Sydney	Melbourne	Brisbane	Adelaide	Perth	Canberra	Hobart	Darwin
Median House Price	$465,000	$359,000	$289,000	$220,000	$210,200	$305,000	$180,000	$206,000
Increase since June 2002	19.9%	9.6%	25.7%	29.4%	13.2%	34.0%	38.5%	3.0%

Source: Real Estate Institute of Australia, Market Facts, *June Quarter 2003*

A fourth, more fundamental difficulty is that shared equity in housing is not attractive to many potential investors including, in particular, financial institutions. Housing lending is a substantial, low risk proportion of the business of these institutions. Under current regulations, however, financial institutions face limitations to their lending based on their liquid assets. Investing in shared equity gives a financial institution a higher yield and higher risk return, but effectively at the expense of reducing their capacity to lend a much greater amount.

There is only one way to make investing in shared equity financially attractive in the face of the capital requirements faced by financial institutions, ie. to increase the expected yield on the investment. This is, in fact, the approach taken by the Menzies Research Centre scheme, which raises the expected yield on the investment by giving the silent partner 60% of the capital gains for an investment of 30% of the equity.

National Shelter is concerned that this arrangement is likely to transfer much of the financial advantage of home ownership from purchasers entering the scheme to the silent partner. For instance, in the example of the $216,000 house, the silent partner provides 30% of the equity – an initial investment of $64,800.

Using house price growth of 10% per year, this property would increase in value by 136% over the next ten years, to $509,300. Taking into account transaction costs associated with selling the asset, this capital gain would make the average traditional

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[44] Affordability is defined as paying 30% of disposable income towards servicing a mortgage. These figures assume a deposit of 10%, including any FHOG monies, and costs at 5% of the value of the property.

[45] The 30% equity investment from the silent partner leads to a greater increase in purchasing power because it applies to the total value of the property rather than the purchaser's share.

[46] In fact, the Real Estate Institute of WA reports that the median house price in Perth had risen to $215,500 in August 2003, above the figure affordable to median income families under the Menzies proposal

home buyer $163,600 better off than if s/he had rented the same house over the same period – an average net return on investment of 5.8% per year over the period.

However, a home buyer entering into the shared equity scheme would be entitled to only 40% of this capital gain. After paying for all relevant costs, the scheme buyer is left with a gain of just $26,000 after ten years. This represents an average net return of 1.5% per year – below the rate of inflation. In effect, the scheme buyer would pay more than $100,000 over ten years to attract 30% equity investment in a $216,000 property. Moreover, should house price growth average less than 8.3%, the purchaser would have been better off financially renting rather than buying.

On the other hand, the financial picture is quite different for the silent partner. Assuming a 10% per year increase in housing prices, the share of this party increases from $64,800 initially to $240,800 after ten years. This represents an average net return of 15.7% per year. In addition, the risk on this investment is very low for the investor. For instance, if the rate of housing price growth falls to 8.3% per year, the silent partner's return by no means becomes negative, although it does fall to 13.4% per year.

It will be clear from the above that National Shelter is concerned that there are extreme inequities between the home purchaser and the silent partner in the shared equity scheme developed by the Menzies Research Centre. The scheme is biased to such an extent that most of the financial gains but very little of the risk associated with home ownership are effectively transferred from the home purchaser to the silent partner.

Housing Lifeline

Another measure proposed by the Prime Ministerial Task Force on Home Ownership is the 'housing lifeline'.[47] The "lifeline is designed to offer bridging assistance to homebuyers suffering from temporary economic hardship so that short term setbacks will not have disastrous long term consequences."[48]

The Task Force describes the lifeline as essentially a line of credit that would be available to renters or buyers that meet an assets-based means test, on an as-needs basis. The lifeline would allow the household to draw down a payment from the Federal Government to tide it over the short-term crisis, up to a pre-defined maximum. Repayment would be through the tax system and linked to the household's ability to pay, similar to the way in which HECS operates.

The thinking behind the proposal is a premise that "[p]erhaps the main problem for low income households relates to the *risk* that they face and the affect of this risk on their prospects of success in either the rental or the mortgage markets."[49] On the micro level, this means that if a family is unable to meet rental or mortgage payments, they may lose their housing. On a macro level, the paper notes that "the risks associated with low income households mean that landlords and lenders will rationally discriminate against low income households in the housing market."[50] The housing lifeline is intended to overcome both the micro and the macro consequences of short term fluctuations in the financial circumstances of low income families.

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[47] The housing lifeline is described extensively in Joshua Gans and Stephen King, *Volume 2: Policy Options for Low Income Households*, The Menzies Research Centre Limited, June 2003

[48] The Menzies Research Centre Ltd, *Summary of Findings for the Prime Ministerial Task Force on Home Ownership Vol. 1, 2 & 3*, June 2003, p.4

[49] Joshua Gans and Stephen King, *Volume 2: Policy Options for Low Income Households*, The Menzies Research Centre Limited, June 2003, p.60

[50] Joshua Gans and Stephen King, *Volume 2: Policy Options for Low Income Households*, The Menzies Research Centre Limited, June 2003, p.60

National Shelter agrees that a housing lifeline would be beneficial to families experiencing a temporary crisis. However, National Shelter has some concerns regarding the workings of the scheme and its potential impact.

Firstly, National Shelter is concerned with the proposal for families to self-assess their need to draw down on their housing lifeline. While this may be attractive from an administrative point of view, it also extends very easy credit to low income families in a time when household debt is at record levels.

Secondly, National Shelter is concerned that because of the fact that the lifeline will be given as a loan rather than a grant, in some cases the housing lifeline may transform a temporary financial crisis into long term poverty. For instance, where the financial crisis arises due to a family gearing itself to an unsustainable level, extending more credit may be counterproductive. In this case, the repayments associated with the housing lifeline will be added to other repayments for credit cards, HECS debts and mortgages, potentially resulting in a substantial proportion of a low income family's income being spent on debt servicing for an extended period of time.

Finally, National Shelter is concerned that the housing lifeline concept does not address the fundamental disincentive to purchase discussed above. This is that Commonwealth Rent Assistance is available to a large number of low income renters, but no assistance is available to home purchasers who are otherwise in the same financial situation. While a lifeline would represent a small step towards redressing this inequity, it would by no means removes the financial disincentive to purchase.

National Shelter therefore repeats its assertion that the best way to remove this disincentive is to extend CRA to mortgage repayments. This would also effectively provide the safety net for low income families that the housing lifeline is intended to provide, without the side effect of further raising household indebtedness.

Conclusion

The fundamental cause of the severe reduction in accessibility and affordability of housing for first home purchasers lies in the overall housing system, which is best described as disjointed and ineffective, though extremely expensive. This implies that, perhaps paradoxically, any measures aimed at increasing the accessibility and affordability of home ownership by solely targeting potential first home owners is doomed to failure. At best, such programs may be ineffective while at worst they may further raise housing prices or exacerbate the current mismatch between the type of housing that is required and the type of housing to which investors are attracted.

National Shelter believes that a National Housing Policy Framework is an essential first step to addressing the current housing affordability and accessibility crisis. Developing such a Framework is the only way in which the current uncoordinated system can be unified and reformed to use existing funds more efficiently and effectively, and would provide a solid structure in which to ground any new initiatives.

Most importantly, it is essential that such a Framework include not only home purchasing, but also private rental and social housing. Any Framework must address both the supply and demand side of affordable housing, operate at all levels of Government, and involve the private and community sectors.

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