



Housing Policy in Australia

A Case for System Reform

Hal Pawson · Vivienne Milligan
Judith Yates



Housing Policy in Australia

“Australia has avoided a recession in its economic system for nigh on 30 years. Good management our political leaders claim. But Australia’s housing system has failed throughout this time: homelessness has risen; insecure and unaffordable rental are common-place; the over-valuing of homeownership has escalated; and a massive shortage of social and affordable housing has been allowed to develop. How is such neglect or mismanagement of Australians’ housing dreams possible? This book explains why and what to do about it.

Pawson, Milligan and Yates carefully document compelling evidence on these issues to provide a contemporary and robust analysis of the when, where, how and why of housing problems in Australia. Moreover, the authors provide the policy solutions and actions to be taken by Federal, State and local governments, as well as the development, finance and property management industries.

Pawson, Milligan and Yates are Australia’s foremost housing analysts. This book is essential reading for anyone with an interest or a care in reforming Australia’s housing system to be once again fit for all Australians.”

—Ian Winter, *Housing consultant, and Director, Australian Housing and Urban Research Institute 2000–17*

“Housing policy and housing systems are rapidly changing and profoundly reshaping access to affordable and high quality housing across all Australia’s cities and regions. *Housing Policy in Australia* superbly harnesses international evidence and more than two decades of experience to not only analyse but also provide potential solutions to the current housing policy impasse. The book’s comprehensive canvassing of housing system diversity—tenures, social differentiation, historical trends—will become necessary reading for housing practitioners and students. The ambitious reform agenda proposed by the book deserves to be carefully digested and implemented by professionals working across the housing sector.”

—Robyn Dowling, *Professor of Planning and Dean of Architecture, Design and Planning, University of Sydney*

“Despite 27 years of uninterrupted economic growth, Australia confronts a crisis of structurally-embedded housing unaffordability and insecurity across all tenure types. Debt-fuelled speculative investment has driven high rates of after-housing poverty and declining access to home ownership, particularly for young Australians. The nation’s growing ranks of renters, most seriously those on low and moderate incomes, are trapped in a cycle of housing stress, at increasing risk of homelessness.

In this important book, three leading Australian scholars combine their respective and collective research and deep, industry-engaged policy expertise to explain how and why the bipartisan post-war commitment to secure, affordable housing as a fundamental platform for social and economic participation, has collapsed. They present a searing indictment of the very real and profound consequences of three lost decades of housing policy reform for all Australians, not only the most vulnerable.

Underpinned by a sophisticated analysis of the evolution and dynamics of housing policy, the institutions and systems in which it is embedded and with which it interacts, and informed by comparative analysis, this volume is an exemplar not only for housing and urban studies, but for policy studies more broadly.

The authors’ present an urgent and compelling case for a transformational national housing strategy—including enhancements to the policy-making framework, phased reforms to alleviate the worst of current affordability pressures and coordinated, longer-term measures to tackle structural challenges. It is essential reading for policy-makers and those who advise them, including researchers, whose collective failures have created and sustained Australia’s housing policy vacuum. The book is accessible to all Australians concerned about future prosperity, social cohesion and wellbeing.”

—Anne Tiernan, *Professor of Politics and Public Policy and Dean (Engagement), Griffith Business School, Griffith University, Australia*

Hal Pawson · Vivienne Milligan ·
Judith Yates

Housing Policy in Australia

A Case for System Reform

palgrave
macmillan

Hal Pawson
UNSW Sydney
Kensington, NSW, Australia

Vivienne Milligan
UNSW Sydney
Kensington, NSW, Australia

Judith Yates
University of Sydney
Sydney, NSW, Australia

ISBN 978-981-15-0779-3 ISBN 978-981-15-0780-9 (eBook)
<https://doi.org/10.1007/978-981-15-0780-9>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer
Nature Singapore Pte Ltd. 2020

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Cover illustration: © www.gograph.com/[Kudryashka]

This Palgrave Macmillan imprint is published by the registered company Springer Nature Singapore Pte Ltd.

The registered company address is: 152 Beach Road, #21-01/04 Gateway East, Singapore 189721, Singapore

FOREWORD

For a country that has long considered itself to be relatively well housed, it may come as a surprise that Australia does not have a coherent housing policy, or at least not so you'd notice. This is in marked contrast to the decades after World War Two when, in line with other comparable countries, the Federal government took up the challenge of housing Australians with gusto. The 1945 Commonwealth-State Housing Agreement heralded the advent of a generally comfortably housed population in the thirty years that followed. Housing became a prominent component of the now long-lost contract between what used to be called 'capital' and 'labour' with overt government support for housing being a 'fourth pillar' of the post-war political settlement, alongside wages growth, social security and trade protection.

Fast forward to 2019 and a national policy framework for housing is just a faded memory. As the authors of *Housing Policy in Australia* note, the last intellectual flowering of such an approach was the 1991–1992 National Housing Strategy, which at least attempted to conceive of housing as a holistic policy domain. Any hope that this might result in innovative policy reform quickly dissipated, however, and by the mid-1990s political interest in housing policy had collapsed. Hopes for positive reform were swept away by the neo-liberal 'turn' in policymaking. Essentially this saw any direct involvement by government in housing dwindle to that of offering accommodation, on an increasingly temporary basis, to the most needy or homeless, or as a booster for the private market through increasingly generous taxation subsidies and permissive

planning systems. In the process, housing has been tuned into a financialised and debt-fuelled speculative asset class in which prices have decoupled from household incomes. In effect, the market became the policy.

With the Australian Federal Opposition fighting, and losing, the 2019 general election in part around proposals for modest housing reforms, prospects for a more coherent approach to the deepening problems in housing Australians seem bleak. This book spells out these problems in graphic detail: housing debt and housing unaffordability at unheralded and unsustainable levels; rising homelessness and levels of housing stress; a residualised and degraded public housing sector; a failing home ownership market; growing reliance of the younger generation on insecure private renting; and the latest crisis of confidence in the quality of high rise multi-unit housing (which was meant to provide a lasting solution to housing supply in our expanding cities).

Together with the looming need to somehow retool our housing stock to deal with the challenge of climate change, you might have thought governments across Australia would be pursuing every option to develop new policies to deal with the complex and interrelated issues that have emerged as the housing market has failed. But no. It's business as usual and don't whatever you do disturb the housing market money-go-round. The words 'ostrich', 'head' and 'sand' come to mind.

The current Australian national housing policy vacuum is hardly surprising given that, as this book clearly describes, responsibility for the diverse policy domains related to the housing system is fragmented across a range of federal and state government departmental fiefdoms. Local government, meanwhile, is effectively disengaged from policy debates in this area (other than as the whipping boys for developer grievances about planning 'delays'). Moreover, that debate has been increasingly driven by vested interest groups outside government, in particular, a highly organised, resourced and vocal property lobby which never wastes an opportunity to press for less regulation, less oversight and greater tax breaks for private sector interests. In the process, the capacity of Australian governmental process to adequately address the complex issues the country faces over housing has been steadily eroded.

But we all share some blame for this state of affairs. The Australian Academy has played its own part in creating this housing policy vacuum. Despite 20 years of the Australian Housing and Urban Research Institute, whose funding in large part has supported the research that

underpins this volume, housing policy receives only limited and disjointed support in our major tertiary institutions. Where it is recognised, it is tackled as a subsidiary to other major degree subjects or squeezed into accredited courses supporting the various built environment professionals (architects, quantity surveyors, planners, civil engineers, etc.) for whom housing policy remains a tangential interest. This is a systemic failure and one that greatly contributes to the low level of informed engagement with housing as a central policy concern in Australia.

Despite this unpromising situation, it is worth asking what a national housing policy might look like. This is what the authors of this volume, comprising three of the most eminent scholars in their field, have attempted to do.

The book offers policymakers and practitioners a framework to help them ‘join the policy dots’ and develop a coherent response. Firstly, it addresses the policy fragmentation issue by taking a system-wide view of the interrelated aspects of housing supply, demand and regulation that constitute the way in which housing is developed, financed, managed and consumed. Secondly, it moves well beyond the limitations of seeing housing as simply some natural outcome of the working of a mystical market in which prices signal appropriate responses from both consumers and producers. Instead the authors adopt a much more nuanced framework focusing on the governance arrangements, institutions and stakeholders that in reality actively shape the housing system. Thirdly, based on the evidence mounted, it proffers a high-level direction and staged process to achieve fundamental reform.

Housing Policy in Australia enters the conversation at a highly inauspicious, yet critical time. It offers an evidence-based and detailed analysis for anyone interested in understanding how we have found ourselves in this increasingly unsustainable policy void. A key take-away from this book is that the malaise at the heart of the Australian housing system is also a problem for many other jurisdictions, not least those of the Anglosphere. However, unlike Australia, other national governments have at least found partial solutions to some of these problems. In Australia, the standard ministerial reaction is to hope the next property boom gets underway as fast as possible.

The authors conclude with a set of principles and carefully considered reforms that should guide any long-term attempt to address Australia’s failing housing system, with a primary focus on unaffordability. The proposals are both sensible and achievable, but will require political

willpower and bipartisanship to deliver. It is surely not beyond our political class and those who advise them to recognise the benefits of adopting a coordinated approach to unravelling the tax-fuelled speculative spiral that has ensnared our housing system. A more rational approach to housing policy is possible, but only by tackling the issue holistically. Our political leaders would do us all a huge favour by reading this book and beginning to implement its proposals. As the authors rightly conclude: “There is no responsible ‘business as usual’ option”.

Professor Bill Randolph
UNSW Sydney
Kensington, Australia

ACKNOWLEDGEMENTS

We are indebted to the many colleagues and partner organisations who helped to make this book possible. Credit for much of the underlying evidence base is due to the Australian Housing and Urban Research Institute (AHURI). Over the past 20 years the AHURI network, supported by government and member university funding, has generated a huge research trove valued by policymakers and academics not only in this country but across the world. Much of our own research supporting the arguments in this book originates from AHURI-commissioned work. We also acknowledge the evidence-based contribution of the Grattan Institute through their many powerful analyses of housing and urban issues published in recent years.

Special thanks are due to certain esteemed academic colleagues whose work has richly informed individual chapters in the book. Among the Australian housing research community, we pay particular tribute to Keith Jacobs, Kath Hulse and Nicole Gurran for their scholarship as it has contributed to Chapters 2, 6 and 9, respectively, and to Gavin Wood and Rachel Ong Viforj for Chapters 3 and 5. Chapter 7 benefited significantly from Daphne Habibis' Indigenous housing expertise and Chapter 8 owes much to Julie Lawson's research leadership on affordable housing financing. As well, the insights of Peter Phibbs, Terry Burke and Mike Berry have informed many of our perspectives. Among overseas-based colleagues, special mention is due to Glen Bramley for his contributions in inspiring Chapter 2 and inputting to Chapter 9, and to Duncan Maclennan for his influence on Chapters 2 and 10.

Much of our own research has profited from the lively and supportive intellectual environment of UNSW's City Futures Research Centre. We especially acknowledge the respected leadership and encouragement of Bill Randolph, Centre Director and renowned Australian urban policy guru. Thanks are also due to our Editor, Per Håkan Arvidsson, to our publisher Palgrave Macmillan and to the publisher's anonymous reviewer of our book proposal. Likewise, UNSW Built Environment Faculty support for editing costs has been greatly appreciated.

Finally, we cannot thank enough our partners Wendy, Gary and Warren for their enduring support.

CONTENTS

1	Introduction	1
	<i>1.1 The Rising Prominence of Housing Policy Debates</i>	1
	<i>1.2 Objectives and Exploratory Themes</i>	3
	<i>1.3 What Is Housing Policy?</i>	8
	<i>1.4 Key Concepts in Housing Policy and Analysis</i>	12
	<i>1.5 Governance, Institutions and Geography</i>	21
	<i>1.6 Structure of the Book</i>	25
	<i>References</i>	25
2	Why Governments Intervene in Housing	31
	<i>2.1 Efficiency Motivations</i>	32
	<i>2.2 Equity Motivations</i>	37
	<i>2.3 Financial Stability and Economic Productivity</i>	38
	<i>2.4 Critical Perspectives on Housing Policy Interventions and Their Underlying Dynamics</i>	40
	<i>2.5 Conclusions</i>	46
	<i>References</i>	46
3	Unpacking Australia’s Housing Affordability Problem	51
	<i>3.1 Introduction and Overview</i>	51
	<i>3.2 Home Ownership Affordability</i>	52
	<i>3.3 Housing Affordability More Broadly Defined</i>	58
	<i>3.4 Explaining Rising Unaffordability</i>	69

CONTENTS

3.5	<i>Conclusions</i>	78
	<i>References</i>	79
4	Social Housing in Australia: Evolution, Legacy and Contemporary Policy Debates	87
4.1	<i>Introduction</i>	87
4.2	<i>Australia's Social Housing in an International Context</i>	89
4.3	<i>Social Housing in Australia: The Rise and Fall of Public Housing</i>	92
4.4	<i>Social Housing Diversification</i>	113
4.5	<i>Public Housing Transfers</i>	122
4.6	<i>Conclusions</i>	125
	<i>References</i>	126
5	Home Ownership and the Role of Government	135
5.1	<i>Home Ownership in a Comparative Context</i>	136
5.2	<i>Home Ownership in Australia</i>	138
5.3	<i>What Makes Home Ownership Different from Other Tenure?</i>	156
5.4	<i>Conclusions</i>	165
	<i>References</i>	166
6	Private Rental Housing: Market Roles, Taxation and Regulation	177
6.1	<i>The Private Rental Policy Challenge</i>	177
6.2	<i>Australia's Private Rental Sector</i>	180
6.3	<i>Tax and Regulatory Settings Affecting PRS Investment</i>	188
6.4	<i>Regulation of Landlord–Tenant Relations and Rental Property Management</i>	199
6.5	<i>Demand-Side Private Rental Assistance</i>	206
6.6	<i>Conclusions</i>	209
	<i>References</i>	209
7	The Indigenous Housing Policy Challenge	217
7.1	<i>Introduction</i>	217
7.2	<i>Key Factors Contributing to Indigenous Housing Disadvantage</i>	220

7.3	<i>Indigenous Housing Policy Approaches</i>	223
7.4	<i>Australian Indigenous Housing Policy Eras and Their Governance</i>	228
7.5	<i>Forms of Housing Assistance for Indigenous Australians</i>	239
7.6	<i>Conclusions</i>	250
	<i>References</i>	252
8	Financing and Governing Affordable Rental Housing	259
8.1	<i>Introduction</i>	259
8.2	<i>The Shift to Private Financing of Affordable Housing</i>	262
8.3	<i>The Affordable Housing Business Model</i>	265
8.4	<i>International Financing Models and Trends</i>	272
8.5	<i>Affordable Housing Financing in Australia</i>	281
8.6	<i>Conclusions</i>	292
	<i>References</i>	293
9	Roles of Land Use Planning Policy in Housing Supply and Affordable Housing	299
9.1	<i>Introduction</i>	299
9.2	<i>Land Use Planning, Land Economics and Value-Capture</i>	301
9.3	<i>Land Use Planning and Affordable Housing: Principles and Practices</i>	306
9.4	<i>Land Use Planning in Australia</i>	312
9.5	<i>Planning for Affordable Housing in Australia</i>	316
9.6	<i>How Far Does Planning Constrain Housing Affordability?</i>	327
9.7	<i>Conclusions</i>	330
	<i>References</i>	331
10	Housing Policy in Australia: A Reform Agenda	339
10.1	<i>The Case for Urgent Action</i>	339
10.2	<i>Revisiting Our Exploratory Themes</i>	342
10.3	<i>Current Housing Challenges in 2020</i>	344
10.4	<i>A Reform Agenda</i>	346
10.5	<i>Possible Stage One Reforms</i>	354

10.6	<i>Unfinished Business</i>	355
10.7	<i>Conclusion</i>	356
	<i>References</i>	357
	Index	359

LIST OF FIGURES

Fig. 1.1	Institutions in the housing system and their interactions	7
Fig. 1.2	Housing tenure trends, 1947–2016	14
Fig. 2.1	Ratio of household and housing debt to disposable income, 2000–2018	38
Fig. 3.1	Increases in house price to income ratios, selected OECD countries: 1985–2015	53
Fig. 3.2	Real housing price and income indexes, Australia: 1985–2018	54
Fig. 3.3	House price to income ratios, Australian capital cities: 2001 and 2018	54
Fig. 3.4	Indicative mortgage interest rates in Australia: 1985–2018	56
Fig. 3.5	Deposit requirements and deposit gap as a multiple of income, Australia: 1985–2018	57
Fig. 3.6	Incidence of housing stress for lower-income households under different measures, Australia: 2002–2003	63
Fig. 3.7	Housing cost ratios by income quintiles, Australia: 1995–2016	65
Fig. 3.8	Proportion of lower-income renters in rental stress, Australia: 2008–2016	66
Fig. 3.9	Incidence of before- and after-housing poverty by housing tenure, 2015–2016	68
Fig. 3.10	Real rent indexes, Australian capital cities: 1985–2018	70
Fig. 3.11	Distribution of private rental dwellings by weekly rent, Australia: 1996–2016	77
Fig. 3.12	Indicators of supply shortage of rental dwellings for Q1 households: 1996–2016	78
Fig. 4.1	Social housing in Australia and in OECD countries	88

Fig. 4.2	State and territory government housing completions for rent between 1945 and 2018	95
Fig. 4.3	National social housing provision between 1991 and 2018	96
Fig. 4.4	Social housing in management 2001–2018: breakdown by social landlord type	118
Fig. 5.1	Home ownership rates: selected OECD countries, circa 2014	137
Fig. 5.2	Home ownership rates by age, Australia: 1985–2016	142
Fig. 5.3	Home ownership rates by age and income, Australia: 1984–2016	143
Fig. 5.4	Household net wealth by tenure and age of household, Australia: 2015–2016	162
Fig. 5.5	Household net worth by tenure, age and income, Australia: 2015–2016	162
Fig. 5.6	Housing costs as a share of household disposable income by age and tenure, 2015–2016	163
Fig. 6.1	Private rental dwellings in Australia by ownership in 2015–2016	183
Fig. 6.2	Distribution of private rental housing and other forms of housing by building types in Australia (2016) and Germany (2013)	184
Fig. 6.3	Household composition of PRS and non-PRS tenures in Australia (2016) and Germany (2017)	186
Fig. 6.4	Housing finance issued to investor landlords between 1985 and 2018 (net of re-financing)	189
Fig. 7.1	Housing tenure of Indigenous and non-Indigenous households, Australia 2016	218
Fig. 8.1	Affordable housing project costs and financing mix	266
Fig. 9.1	Valuation of additional development rights upon rezoning	303
Fig. 9.2	Impact on land value resulting from affordable housing obligation	310

LIST OF TABLES

Table 1.1	Housing policy classification: Australian exemplifications and chapter positioning	10
Table 1.2	Housing tenure archetype features	13
Table 1.3	Housing policy intervention types and responsible Australian government agencies	22
Table 2.1	Perfect competition assumptions and common violations in the housing context	35
Table 2.2	Australian interest groups active in housing policy, and their motivations	44
Table 3.1	Impact of affordability measure on estimated incidence of housing stress, Australia: 2002–2003	67
Table 5.1	Indicative government support for home ownership: c.2018	154
Table 6.1	Australian private rental typology	181
Table 6.2	Tax treatment of private landlord income and capital gains in ten countries	195
Table 6.3	Security of tenure: Australasia, Europe, North America (selected countries)	202
Table 7.1	Historical summary: Indigenous housing policies: pre-1970s–2019	225
Table 7.2	Provision of social housing to Indigenous Australians 2017/2018	241
Table 8.1	Government financial support for affordable housing	269
Table 9.1	Australian approaches to supporting affordable housing through the planning process	317



CHAPTER 1

Introduction

1.1 THE RISING PROMINENCE OF HOUSING POLICY DEBATES

Australia has traditionally been seen as a relatively egalitarian country supported by a well-functioning housing system. However, the efficacy of Australia's housing policy now faces mounting scrutiny. While acknowledging that most Australians remain well housed, one of the nation's leading housing economists declared not long ago that "it can no longer be said that we are, in general, affordably housed; nor can it be said that the 'housing system' is meeting the needs and aspirations of as large a proportion of Australians as it did a quarter of a century ago" (Eslake 2013, p. 7). Such developments have undermined prevailing complacency about the nation's housing system—and with it, Australia's traditional housing narrative.

Australia's time-honoured 'housing story' has been facing a growing challenge, not just in the very recent past, but arguably for at least 30 years. The ideal of ever-expanding suburban home ownership is incompatible with the compact city notion that has infused metropolitan planning orthodoxy since the 1990s. At least since the early 2000s, access to home ownership (suburban or otherwise) has become an increasingly remote prospect for many aspirant first home buyers, as property prices have escalated ahead of wages. Sharply falling home ownership rates among young people, and the virtual exclusion of even middle-income first home buyers from extensive areas of our largest

cities, have provoked widespread concern. Such anxieties often crowd out media coverage of the arguably more important issues: rising rental stress and homelessness. Yet those concerns have also triggered growing popular unease.

Increasingly, there is disquiet about structurally embedded housing unaffordability as this impacts on economic productivity when workers are locked out of housing markets close to employment growth centres (Maclennan et al. 2018, 2019). Another feature of Australia's housing tradition increasingly viewed as problematic is the way that tax-subsidised cultural preference for home ownership and property investment has posed growing risks to Australia's economic stability. In 2019, for example, Australia's central bank (the Reserve Bank of Australia) warned that the nation's high household indebtedness posed a "vulnerability" in relation to financial stability (RBA 2019).

All this needs to be viewed within the context of housing system challenges posed by Australia's sustained population growth, reflecting both natural increase and international migration. Over the last two decades respectively, annual population growth rates have averaged 1.6% (2010s) and 1.4% (2000s) (ABS 2018). In comparator countries, Canada, the UK and New Zealand, equivalent rates for 2017 were 1.2%, 0.6% and 1.9%, respectively (World Bank 2019).

For all of the above reasons, housing policy has acquired growing popular and political prominence in Australia after decades of near invisibility. Housing affordability has emerged as a dominant issue in three of the last five federal elections (2007, 2016, 2019). Numerous parliamentary and other official inquiries have focused on this issue over the past decade (Dodson et al. 2017, pp. 22–28). Thus, it seems that Australia is now fully embedded in an era where housing challenges are consistently at the forefront of public consciousness and popular policy debate. The wide-ranging implications of housing system concerns are reflected in discussions on broader contemporary themes including tenure inequality, mortgage indebtedness and asset-based welfare, as well as urban design and residential development.

It is with all of these considerations in mind that we believe the time is ripe for a book which overviews and critiques housing policy in Australia, compares and contrasts Australian approaches with those of comparator countries, and identifies possible reform directions.

1.2 OBJECTIVES AND EXPLORATORY THEMES

This book's central aim is to present a broad picture of Australia's contemporary housing policy landscape, its recent and historical development and its possible future evolution. Historically, it is important to recognise that housing systems in specific countries function within distinctive cultural, political and institutional traditions. These both frame and constrain policy choices and, thereby, the likely progression of policy and scope for policy reform. This refers to path dependency: the idea that "if, at a certain point in time ... [policy] takes one direction instead of another, some, otherwise feasible, alternative paths will be closed—or at least difficult to reach—at a later point" (Bengtsson and Ruonavaara 2010, p. 193).

A book seeking to understand and explain policy settings, therefore, faces the practical dilemma of settling on a starting point for analysis. For housing, as for many other aspects of Australian domestic policy, a case can be made for the overriding significance of 1945 and the immediate post-war years as a foundational era. This is strongly exemplified in the story of Australia's public housing system as recounted in Chapter 4. Other moments or short periods in subsequent history with important housing policy significance would include the middle to late 1980s, when broader financial deregulation formed a radical breakpoint in the financing of private housing investment, as elaborated in Chapters 5 and 6.

Deregulation itself featured in the dawning era of neo-liberal ascendancy, a policy paradigm within which arguably all housing strategy thinking and interventions have been subsequently contained, as further discussed in Chapter 2. In the realm of metropolitan planning, the rapid rise to prominence of 'sustainability' in the late 1980s led to the emergence of an urban consolidation ethos as an important framing role for house building from the 1990s onwards, as covered in Chapter 9. Therefore, while a degree of historical context is important in every story, the pertinent extent of it will vary, as reflected in the scope of the chapters that follow. In attempting a comprehensive review of national and state/territory-based policy instruments and programs, we discuss the institutional framework within which housing is provided and the main subsidy, tax and regulatory measures that impact on the housing system. In doing so, we aim to familiarise readers with housing system structures and market processes, as well as with key housing institutions

and stakeholders, their roles and interactions. We also seek to engage with associated contemporary debates including those focused on housing affordability and housing tax reform, as well as contestation around the role of the land use planning system in its influence on housing supply and affordability, and affordable housing provision.

We acknowledge that the housing-related challenges faced by contemporary Australian governments include numerous issues we have determined are beyond our remit. These include, for example, the typically poor energy performance of residential dwellings and the flawed systems of regulation on construction standards brought sharply into focus in Sydney in 2019 (Hanmer 2019). They also include Australia's ongoing, environmentally unsustainable, urban sprawl and the widespread public antipathy towards the densified urban renewal being undertaken to limit this. Readers with a particular interest in any of these topics will need to extend their research beyond this volume.

Alongside the book's focus on identifying and interpreting the policies and institutions that have shaped the Australian housing scene, we have interwoven three exploratory themes, as explained below. These themes are intended to generate questions and debate about why and how Australia's housing system has become more problematic.

1.2.1 An International Comparative Perspective

Cross-country comparison can facilitate understanding of both similarities and differences in national housing systems as well as stimulating debate and learning about policy possibilities and policy consequences. Using a comparative analysis, Australia, like other Anglophone nations, has been characterised as a liberal welfare regime where policies favouring home ownership (over social rental housing) and market-based provision have been preferred over a long period. This policy model can be contrasted with the housing policies of social democratic regimes of Western European nations that have favoured tenure neutral housing policies and larger government housing programs (Esping-Andersen 1990; Kemeny 1995).

By including examples of housing policy approaches across a selection of broadly comparable Anglophone and Western European nations throughout this book, we aim to illuminate Australia's housing policy choices, especially in the prevailing context of increasing pressures on housing systems and heightened debate about future

policy directions, evident both here and abroad. In choosing comparator countries to elucidate particular housing topics, we have opted for diversity, sometimes including instances of policy approaches similar to those of Australia and at other times focussing on divergent examples. The aim is to enhance awareness of typical and atypical national housing policy instruments and institutional settings, and to provoke debate about the possible implications of policy decision-making.

1.2.2 The Governance of Housing Policy

The governance of housing policy most obviously concerns the ways that governments at different levels attempt to manage official policy-making. However, modern liberal democratic countries like Australia do not run as command economies, and the concept of governance recognises that the policymaking process encompasses (and operates through) many agencies, institutions and interest groups both within and beyond government itself. Milligan and Tiernan (2012, p. 392) define the Australian housing policy community as including “industry bodies, not-for-profit organisations, universities, private consultancy firms (both large generalists and smaller specialists) and high-level independent authorities, such as the Reserve Bank of Australia and the Productivity Commission”. How any particular policy is shaped, implemented and reformed, therefore, depends on the responsibilities, power, capacities and interactions of these myriad actors and institutions. We describe the contemporary governance of housing in Australia in Sect. 1.5.

1.2.3 The Growing Financialisation of Housing

The term financialisation describes “...the increasing dominance of financial actors, markets, practices, measurements and narratives...” (Aalbers 2016, p. 2). More specifically within the context of this book’s focus, financialisation refers to “... structural changes in housing and financial markets and global investment whereby housing is treated as a commodity, a means of accumulating wealth and often as security for financial instruments that are traded and sold on global markets” as defined by a UN Special Rapporteur on Adequate Housing (Farha 2017, p. 3). The associated commodification of residential property has brought with it a growing tendency for dwellings to be viewed primarily

as tradeable assets rather than being valued according to their utility. This is part of a broader case arguing that, due to its integration within a globalised mortgage finance system, housing has played a key role in the modern reconfiguration of welfare states across the developed world (Lowe 2011).

1.2.4 *A Systems Approach to Housing Policy Analysis*

Throughout the book our analysis focuses on the influence of government policy (or intervention) as it affects all aspects of the housing system. An idealised representation of this, emphasising the roles of the various institutional players, is presented in Fig. 1.1.

Burke (2012, p. 36) fleshes out the components of a housing system by differentiating four distinct subsystems that make up the overall system in a ‘liberal market’ high-income country such as Australia:

- *Production subsystem*: land ownership structures and rights, land assembly and housing construction
- *Consumption subsystem*: the ways that housing is consumed by individuals and households
- *Exchange subsystem*: how dwellings are traded and rented
- *Management subsystem*: housing system management, including relevant housing and housing-related policy and planning at all levels of government.

The housing system fits within a broader societal system; thus, its different components are influenced by wider social, economic and demographic contexts. Housing system outcomes impact on this broader societal setting and vice versa (van der Heijden 2013).

Consistent with the housing system concept outlined above, the book’s scope extends across all of the interventions that impact on the production, financing, use and management of residential property; irrespective of whether these are officially or popularly acknowledged as housing policy. Here, we are referring to the fact that contributions to housing policy are spread across numerous spheres and agencies of government at all levels, and may either be explicit or indirect/unintended. As such, the book adopts an institutional approach to examining housing policy, i.e. an approach which accords prime importance to governance structures, system stakeholders and their interrelations.

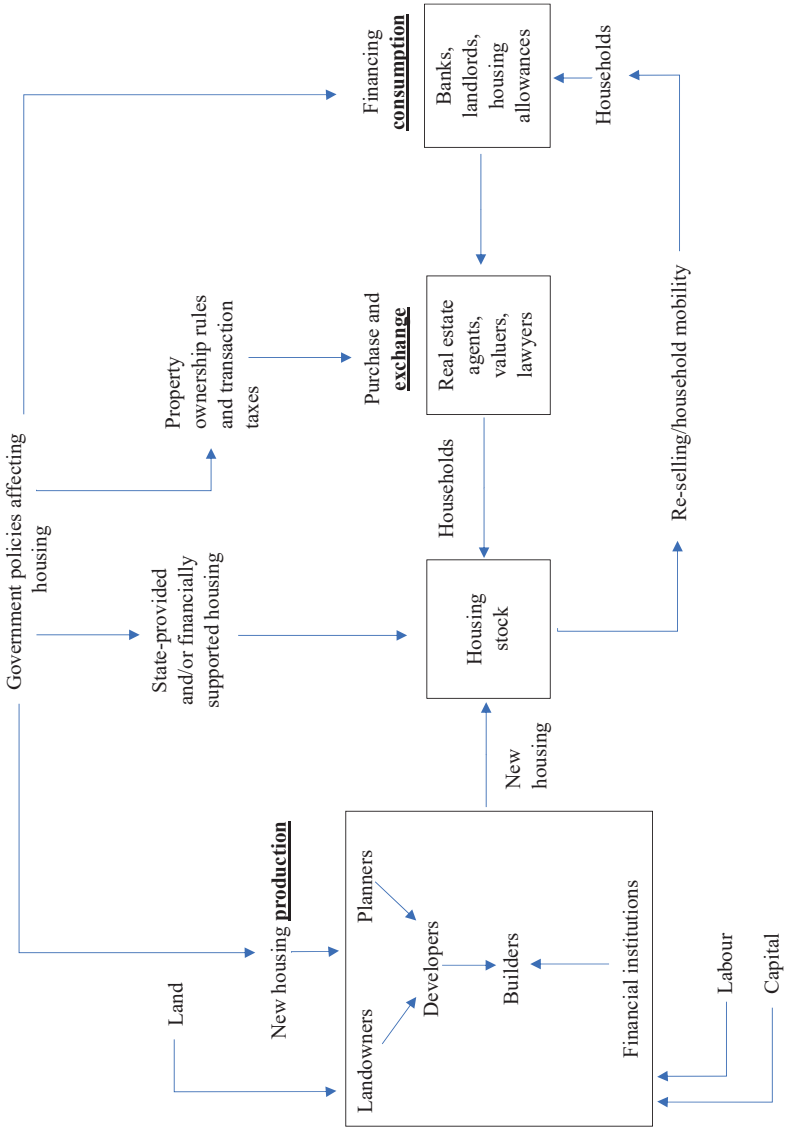


Fig. 1.1 Institutions in the housing system and their interactions (*Source* Adapted from Bassett and Short [1980])

The case for an institutional perspective as described above is broadly summarised in the contention that “...the pursuit of [actors’] goals is embedded in, and constrained by systems of rules, meanings and values” (Pierre 2011, p. 10). A similar approach is evident in the work of other leading scholars in the field including Bourne (1981), Kemeny (1988), Burke and Hulse (2010), and Lowe (2011).

The remainder of this chapter is structured in three sections that aim to establish a foundation for the chapters that follow. First, we briefly review the concept of housing policy and its dimensions. Second, we outline key analytical concepts in the study of housing and housing policy including housing tenure, housing need and homelessness, housing affordability, and affordable and social housing. Third, we provide an overview of the Australian institutional landscape within which housing policy is developed and implemented, locating where housing responsibilities sit within governmental structures, as well as detailing the range of key interest groups and stakeholders that play a part in the housing policymaking process.

1.3 WHAT IS HOUSING POLICY?

As succinctly defined by King (2009, p. 42), housing policy is “the concern for the production, consumption, management and maintenance of a stock of dwellings”. Donnison and Ungerson (1982, p. 13) describe housing policy as “any sustained course of action designed to affect housing conditions”. While not explicit in these formulations, it is important to note the imperative for influencing the distribution of housing opportunities, services and wealth accumulation as a significant component of many housing policy interventions.

Somewhat more broadly, Clapham (2018, p. 164) sees housing policy as “any action taken by any government or government agency to influence the processes or outcomes of housing”. He acknowledges that, from a governance perspective, it is accepted that many actors other than government or government entities influence the processes or outcomes of housing. At the same time, however, a primary focus on government actions reasonably follows from the conventional assumption that “the state holds a special place in this network and in many countries it is expected that the state takes ultimate responsibility for the outcomes of the housing system” (ibid.).

Consistent with this reasoning, we define housing policy as government actions or policy settings that influence (a) the supply of dwellings and its spatial distribution, (b) the characteristics and management of housing stock, and (c) who gets access to housing and on what terms.

However, as provocatively argued by Madden and Marcuse (2016), the very term housing policy may be subject to question. In their view, it “suggests the existence of consistent governmental efforts to solve the housing problem ... [portraying] an artificially clear picture of what the state actually does in myriad unco-ordinated and at times contradictory ways” (ibid., p. 119). Such reasoning is part of a broader argument about the motivations and drivers of housing policy, which we discuss in Chapter 2. Nevertheless, within the narrow context of defining the term itself, their comments usefully highlight the diffuse nature of what might be broadly classed as housing policy. Our chosen definition as above unquestionably captures a range of official programs and policy settings far wider than would normally be considered by any government as a part of its housing policy. To explore this a little further we consider the possible forms housing policy may take.

An overarching distinction can be made between direct and indirect housing policy measures, i.e. those policies deliberately intended to impact on housing (and badged as such), and other policies that may exert significant influence on housing systems and outcomes while badged under other headings. The simplest example of a direct housing policy might be the state provision of rental accommodation, as in Australia’s traditional public housing model (see Chapter 4). Many indirect housing policies are embedded within the tax system, e.g. the tax treatment of capital gains accruing to residential property owners (see Chapters 5 and 6). Significant housing impacts, often unintended, may also arise from infrastructure and transport policies, population and settlement policies, social welfare programs and other diverse policy arenas.

Table 1.1 elucidates the major recognised forms of direct and indirect housing policy intervention in Australia using a classification of whether each impacts on the demand side or supply side, or is a regulatory measure; whether it is tenure specific or generic; and the administering government level/agency.

Table 1.1 Housing policy classification: Australian exemplifications and chapter positioning

<i>Intervention type</i>	<i>Target sector</i>	<i>Intervention form</i>	<i>Foremost instruments/responsible agencies in Australia</i>	<i>Details</i>
Demand side	Rental	Income support for low-income renters	<ul style="list-style-type: none"> • Rent Assistance payments to low-income private renters • State govt. rent assistance programs (e.g. grants/bond loans, rent subsidies/guarantees) 	Chapter 6
	Home purchase	First home owner assistance Government loans to promote low-income home ownership	<ul style="list-style-type: none"> • State first home buyer grants, stamp duty exemptions • State govt. home loan assistance • Indigenous Business Australia home loans 	Chapter 5 Chapter 7
Supply side	Rental	Direct provision of public housing Subsidies/tax incentives for non-government housing investment	<ul style="list-style-type: none"> • National Housing and Homelessness Agreement 2018 and predecessor programs • State government capital/land grant or recurrent payments to not-for-profit housing providers • National Rental Affordability Scheme annual tax offset/grant • Loan guarantees—underpinning CHP affordable housing investment via National Housing Finance and Investment Corporation • Subsidies for specialist disability and aged care accommodation supply via Commonwealth and National Disability Insurance Agency 	Chapter 4 Chapter 8
	Generic	Infrastructure provision to support residential development	<ul style="list-style-type: none"> • National/state direct public investment and grants/loans for site works 	Chapter 8

(continued)

Table 1.1 (continued)

<i>Intervention type</i>	<i>Target sector</i>	<i>Intervention form</i>	<i>Foremost instruments/responsible agencies in Australia</i>	<i>Details</i>
Regulation	Rental	Concessional tax treatment of rental investment Regulation of landlord and tenant relations Real estate agent regulation Regulatory oversight of social/affordable housing providers	<ul style="list-style-type: none"> Negative gearing tax benefit and Capital Gains Tax discount provisions for private landlords State land tax exemption for small-scale rental investors State-based residential tenancies legislation affecting tenancy terms, consumer rights, rent setting, disputes, et cetera State government fair trading/consumer rights agencies National Regulatory System for Community Housing 	Chapter 6
	Home ownership/home lending	Rules governing tax treatment of own home Interest rate controls Macro-prudential regulation	<ul style="list-style-type: none"> Capital gains and land tax exemptions for homeowners Pensioner assets test exemptions for home owners Reserve Bank monetary policy and guidance National rules affecting mortgage lenders and borrowers via Australian Prudential Regulatory Authority and the Australian Securities and Investment Commission 	Chapter 5
	System-wide	Property rights and rules of exchange. Foreign investment rules	<ul style="list-style-type: none"> State property laws, land title legislation and restrictive covenants on titles Restrictions on foreign investor residential property acquisition 	Chapters 6 and 9
		Land use planning controls	<ul style="list-style-type: none"> State urban development residential development plans, zoning controls and local government development approval processes 	
		Developer levies or non-financial incentives for affordable housing Building regulations	<ul style="list-style-type: none"> Various state-mandated, negotiated or voluntary planning agreements and policies for inclusion of affordable housing in residential development National minimum building standards/guidance and state building/design codes; includes energy efficiency and licensing of building professionals 	

1.4 KEY CONCEPTS IN HOUSING POLICY AND ANALYSIS

1.4.1 *Housing Tenure*

Housing tenure is perhaps the most widely utilised concept or classification in housing systems analysis as is reflected in the structure of this book. Simply put, tenure refers to the legally defined terms and conditions on which people occupy their homes. From one widely accepted viewpoint, housing tenures are “the most important political institutions of housing provision ... because they define the formal position of residents in their capacities as owners, co-owners and users of their dwellings, and thus set up the rules of the games between actors in the housing market” (Bengtsson 2012, pp. 209–210).

Classically, housing tenure typologies differentiate dwellings and their occupants according to property ownership, dividing those holding title to their house or apartment (owner-occupiers) from renters (non-owners with a contractual right to occupy the home, albeit often for a specified period only). Beyond this, distinctions are conventionally made between:

- owner-purchasers in the process of paying off a loan or mortgage on their home, versus outright owners who have no outstanding housing debt
- renters in terms of the legal/administrative status of their landlord (private or social).

Housing tenure archetypes, particularly as they are constructed in liberal welfare regimes, are used to flesh this out a little further in Table 1.2.

As shown in Fig. 1.2, Australia has seen a gradual decline in owner-occupation and in public housing over the past two decades, while the rate of private rental has significantly increased. Since the millennium, similar trends have been seen in many comparator countries, e.g. New Zealand, the United States and the United Kingdom. What this means for Australia is that the number of private rental dwellings has grown substantially faster than the overall rise in the number of households over the period. At the same time, there has been a proportionate decline in social housing which has failed to keep pace with household growth.

The enduring focus on housing tenure as an analytical frame in housing studies partly attests to the ways that the popularly defined tenure categories serve as shorthand for residents’ housing rights and market position. Crucial here is the *de jure* security of tenure concept which