Media Release

Housing affordability threatens Melbourne’s economy

Housing affordability is now at its worst level in decades and threatens Melbourne’s economic competitiveness, according to a new policy paper released by the Property Council of Australia.

*Improving Housing Affordability: A Plan for Industry and Government* proposes over 30 policy reforms for all levels of government to improve housing affordability.

The Property Council’s Victorian Executive Director, Jennifer Cunich, said “Housing affordability is an important social problem, but it is also an economic problem. Key workers – vital to a diverse and competitive economy – are being priced out of the Melbourne property market.

“Melbourne is in danger of losing its economic competitiveness if a generation of hospitality workers, transport operators, sales assistants, hospital workers, cleaners and carers don’t have affordable housing options close to work.

“Housing affordability is now worse than it was when interest rates were 17 per cent in 1989.

“Clearly the present approaches are not working – we need new solutions, and fast,” she said.

The Property Council proposes a suite of reforms in land supply, taxation, planning and savings measures, and new partnerships with the private sector in order to improve affordability.

Attracting private sector funds into affordable housing is the Holy Grail for improving housing affordability and the paper’s flagship solutions are a securitised housing trust and a bond scheme, in partnership with government and industry.

The *Improving Housing Affordability: A Plan for Industry and Government* proposes:

- **Increase Land Supply** – Support the State Government’s push for a guaranteed 25 year’s supply of land for development.

- **Invest in Strategic Planning** – Get on with the implementation of M2030. This means investing in the infrastructure within activity centres as well as providing the necessary transport infrastructure between activity centres. Melbourne needs a metropolitan planning authority: ensure that VicUrban acts as a development facilitator in the established parts of Melbourne streamline development assessment; and use voluntary agreements with developers to provide affordable housing.
Lowering Taxes – to reduce the cost of land development; funding infrastructure through debt borrowing, not levies; phasing out stamp duties; and exempting land tax for key projects.

Boosting Savings – by means testing the First Home Owner’s Grant; establishing low deposit home loans; exploring incentives such as nest egg and matched savings accounts and early access to superannuation; facilitating equity partnerships and key worker housing subsidies.

A Role for the Federal Government – in our cities by re-establishing the housing ministry; boosting funds for private investment in affordable housing; encouraging the Future Fund to invest in affordable housing projects and creating a sister fund to invest in social infrastructure; offering National Competition Policy payments to the states for reforms that improve affordability.

Increasing the Role of the Community Housing Sector and Private Enterprise – by investing in upskilling the community housing sector, allowing them to be more entrepreneurial in their activities and transferring public housing to the private sector for management and redevelopment.

The paper includes two flagship initiatives to attract private sector funds:

Initiate a Bond Scheme Pilot Study – whereby government bonds are issued to the private sector to raise funds for investment in affordable housing by offering a ‘guaranteed minimum’ after tax return, targeting lower income earners and potentially assisting over 150,000 households per annum.

Initiate a Securitised Housing Trust Pilot Scheme – whereby the trust will finance affordable homeownership for low-middle income earners requiring a rental contribution from the occupant and a $30 million pa contribution from government which can generate $840 million in housing assets.

Ms Cunich said, “The great Australian dream of home ownership is now out of reach for many Australians.

“New home buyers have fallen by 20 per cent over the past decade and half of those under 30 believe home ownership will never be affordable in their lifetime.

“We need new ideas and new solutions to the affordability crisis and a new partnership between government and industry to make breakthrough improvements in affordability,” Ms Cunich said.

Improving Housing Affordability: A Plan for Industry and Government has been prepared in close consultation with Property Council members since early 2006.

The paper is available at: www.propertyoz.com.au

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