

## FEDERAL ELECTION 2022 - AUSTRALIA VOTES

# With high prices and soaring rents, what are political parties promising to do about housing?

By business reporter [Daniel Ziffer](#)

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Aside from social housing, most of the big election commitments relate to ownership, not renting. (ABC News: Daniel Irving)

If the great Australian dream is the security of owning your home, the election campaign might feel like waking late to discover the alarm on your phone has been ringing loudly for some time.

There are a lot of problems in housing.

For people who rent, [vacancies are at record lows](#) just as Australia re-opens borders largely shut since the COVID pandemic took off in 2020.

For people paying mortgages, the Reserve Bank has just lifted rates and is set to keep doing so, making mortgage repayments more expensive.

For people trying to buy, prices are cooling after rocketing up in recent years, but higher interest rates will reduce what banks can lend you.

## Key points:

- Election policies around housing focus on potential buyers
- Stimulating demand without increasing supply may increase prices
- Renters might benefit from a rise in social housing construction

## No quick fix

Is there an answer? In housing, there's never going to be one that will fix every problem without creating losers elsewhere.

But in the looming federal election, major and minor parties are proposing policies that could:

- Build tens of thousands of social and affordable homes for rent by low-income earners and welfare recipients
- Help people buy homes with deposits much lower than the standard 20 per cent
- See the government become a co-owner of some homes as a way to lower the up-front cost for the buyers
- Cap mortgage rates at 3 per cent
- Build 125,000 homes costing just \$300,000 each

Amanda Bingham lived in transitional housing for four years after fleeing family violence.



Amanda Bingham wants to feel secure in her rental home so her child can be in one place through their schooling. (ABC News: Sean Warren)

"Finding affordable rent is really quite stressful," she says.

"If you're on welfare payments or, like a lot of single mums — whether they work full time or part time — getting into the rental market is really, really hard."

Now living with her child in a rented house that is subsidised to be affordable, she is dubious about election promises that offer to put home ownership within reach.

"It seems like a bit of a quick fix or a bandaid to say we are going to be helped by this policy," she says.

"[It suggests], 'Do this and home ownership is going to be affordable because of this.' But it can't be fixed that quickly.

"I feel like if you don't have a really good job where you're getting paid a really good amount of money, there's just no room for you to even think about buying your own home"

## Prices skyrocket

CoreLogic data show [home prices have surged 25 per cent during the pandemic](#) (from April 2020 to February 2022).

Even though the market has started slowing more recently, house prices nationally have soared 16.1 per cent over the past 12 months, according to April data from PropTrack.

Sydney and Hobart house prices fell for that month (by 0.1 per cent and 0.4 per cent respectively) but still charted [double-digit growth for the year](#).

Regional areas saw a 23 per cent lift in prices to April. And some coastal centres have experienced astonishing jumps since the pandemic began.

Rents are [up too](#). Capital city asking rents jumped 11.8 per cent in the year to April, according to SQM Research. Brisbane recorded the largest yearly jump in combined house and unit asking rents, up 15.2 per cent.

The Bureau of Statistics inflation figures — which look at all existing capital city rentals, not just properties currently advertised for lease — show a much smaller 1 per cent increase, although this is expected to catch up as more existing leases are renewed at higher rents.

[Look back at how the 2022 Australian federal election unfolded](#)

## Affordable? Not currently

"There's no way for people to rent at an affordable rate if they're on a lower income," said Kate Colvin of Everybody's Home, a campaign that aims to fix what it sees as a national crisis in housing.



Kate Colvin says government policy has allowed housing prices to get out of control. *(Supplied: Everybody's Home)*

"The big issue over a long period of time in the housing market is that we haven't seen the investment into low-cost rental accommodation that we need."

**"We need to see the federal government investing in social housing growth — and in a significant amount of social housing growth."**

Social housing is run by government or not-for-profit organisations and rents out homes for short and long terms at affordable rates.

Ms Colvin says that, per head of population, social housing is shrinking.

In 1994, it was 6 per cent of all housing in Australia. Today it is just 4 per cent.

Among [similar developed nations](#) this is very low, close to that in Japan and the US.

According to figures from the OECD, more than 37 per cent of housing in The Netherlands is social housing. In Denmark it's 22 per cent, in Great Britain around 18 per cent.

## **Let's get social**

Both major parties are promising to invest more in social housing.

Labor's \$10 billion Housing Australia Future Fund aims to build 30,000 new homes in its first five years.

Returns from this initial investment would be provided to an existing body, the National Housing Finance and Investment Corporation (NHFIC), to pay for social and affordable housing projects.

Labor says the funding would [build 20,000 social housing properties](#) in its first five years, with 4,000 allocated to women fleeing family violence and older women at risk of homelessness. A further 10,000 properties would be "affordable" for frontline workers like police and cleaners.

The Coalition is also promising to support a similar number of dwellings but with a different funding model, allowing the corporation to make an additional \$2 billion in [low-cost loans to community housing providers](#).

There is a dispute about how effective this is without dealing with a key issue: subsidising the "gap" between the cost of building social housing and the rents that people can afford to pay once it is completed.

Everybody's Home spokesperson Ms Colvin says both parties are committed to low-cost financing assisted by the corporation, but only Labor has committed to [subsidising the production](#) of more social housing.

Getting the model right is a point of contention. What's not in dispute is the need, calculated in a 2018 report by some of Australia's [leading housing academics](#).

“The overall shortfall of social housing is 433,000 properties across the country,” it says.

That requires a "structural change", according to Ms Colvin.

"We need to see the federal government back in the business of investing in social housing growth, and this is a step towards [that]," she says.

"What we would need to see, for there to be a real change on the ground for people when they go looking for a rental property and expect to find one, is a larger program over time."

## **Saving a deposit**

As house prices have surged, it's become harder for would-be buyers to get the deposit together.

You need more than a million dollars to buy a median-priced house in Australia's two biggest capitals, meaning the standard 20 per cent deposit is at least \$200,000.

Saving that has become harder, with the growth in house prices [far outstripping stubbornly low wage growth](#) and very low interest rates on deposits.

The government's Home Guarantee Scheme will next financial year allow up to 50,000 people to buy a home with as little as 5 per cent of the deposit (for 5,000 single parent families, just 2 per cent of the deposit).

Normally banks would make you pay for expensive Lenders Mortgage Insurance (LMI) — to protect the lender — if you had less than the usual 20 per cent deposit. Under the scheme, the government will guarantee that part of the loan.

The price of the properties you can buy is capped, with the caps below median home prices in some more expensive parts of the nation.

But the deal comes with a risk: if property prices fall, you could be paying off a very large mortgage for "negative equity" — [owing the bank more than the property is worth](#).

If elected, Labor says it will support the expanded scheme.

## Shared ownership

Labor's key home ownership policy is a "shared equity" scheme that would help 10,000 people own homes by [sharing the cost with them](#).

The Help To Buy scheme sees people putting forward as little as little as 2 per cent of the deposit and the government holding as much as a 40 per cent stake in the property, effectively as a co-owner.

That portion could then be bought back by the home owner over time, or the government would recoup its share whenever the property was next sold.

The scheme also avoids the need for lenders mortgage insurance and is open to people earning less than \$90,000, or couples earning less than \$120,000.

Similar schemes are in operation in some states, most notably Western Australia's long-running Keystart program.

The Labor Party estimates its scheme could cut the up-front cost of a new home by up to \$380,000 for some buyers in the most expensive markets and reduce the burden of mortgage repayments.

Non-partisan think tank the Grattan Institute floated the idea earlier this year, but acknowledged that it could add to [property demand putting some upward pressure on prices](#).

## Not enough homes



The property industry and some expert bodies warn Australia may slip back into a housing shortage within the next decade. (ABC News: John Gunn)

Many of these schemes being proposed, along with the temporary HomeBuilder stimulus scheme that gave people [\\$25,000 for renovations or new homes](#), and state-based schemes to assist first home buyers, add to demand.

That increases the amount of people who can buy and how much they can pay, pushing up prices, but doesn't increase the amount of housing.

"Supply is ready to drop through the floor," Ken Morrison, chief executive of the Property Council of Australia, says. He points to NHFIC's State of the Nation's Housing 2021-22 research report that flags a future shortage of housing.

The research suggests new supply will outpace demand by 115,300 dwellings in 2022 and 35,500 in 2023.

But after that, with migration increasing and new households forming, supply falls short by about 20,000 units of housing a year. By 2032 we'll be an estimated 163,400 dwellings short.



Ken Morrison says there were not enough properties available even before the pandemic.

*(ABC News: John Gunn)*

"We are moving back into this dangerous scenario where supply for housing will be dropping right at the time that demand will be increasing," he says.

"So we need more action on the housing supply: on zoning, on the planning rules that support new housing coming through the system, if we're able to meet this present crisis and future crises."

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## **No quick solution**

What's holding back more houses?

Standing in a half-completed house on the north-western fringe of Melbourne, Dan Senia, general manager of First Place Building Company, is struggling with increasing costs that he can't pass on.



Dan Senia says the property market is seeing a "perfect storm". (ABC News: Sean Warren)

"It's a bit of everything at the moment," he explains.

"What we're seeing is a perfect storm now of cost increases coming out of a shortage of raw materials, and cost increases coming from a shortage of qualified trades that we can get access to."

Mr Senia points to delays for timber, a doubling in the cost of steel, and a general "20 to 30 per cent cost increase in the last year alone" for materials. Soaring fuel prices also have an impact.

First home buyers are very sensitive to costs. Some are paying off a loan for the land before engaging a builder, so the company has been subsidising the rent of more than 50 clients as delays take a toll.

After 20 years in the industry across Melbourne, Mr Senia wants to see local council processes speed up, but he isn't sold on the help that federal deposit schemes will provide.

"There's a fundamental issue. And it's all good and well for the government to go and basically create a shadow mortgage over the property for first-time buyers ... but their policy isn't aligning to bank lending criteria," he argues.

The government's home guarantee scheme — avoiding costly lenders mortgage insurance — was over-subscribed. But [4,651 of the spots later came back on the market](#).

"And the reason why is because that lending criteria doesn't marry up with the criteria to get the grant," Mr Senia says.

"If you've got, for instance, a single individual earning \$125,000 ... you're probably still not going to meet the banking criteria and repayment criteria for a \$700,000 or \$800,000 loan.

"So there's a discrepancy between qualifying for the grant and qualifying for a loan."

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## Renters largely ignored

Despite there being more than 8 million people renting, renters haven't been a major target of election promises so far. In Australia, roughly a third of people own their home, a third have a mortgage and a third rent.

That propels the conversations — and policy — about housing. Anglicare Australia executive director Kasy Chambers says superannuation and age pension payments, for example, are framed around people living on that money when they own homes outright.

"We always seem to talk about the price of housing for people who are buying it," she says.

"We have an historical hangover in Australia where we think of people in the private rental market as [being in] a transitional stage in people's housing journey."

But with the price of housing — both rents and purchases — soaring, that's no longer true.

"We're seeing more and more people rent for longer and longer," she says.

Anglicare Australia's latest snapshot of almost 50,000 listings on the private rental market found [just 2 per cent were affordable for a minimum wage](#)



Anglicare's Kasy Chambers says precious few rentals are affordable for people on welfare payments.

[earner](#), and just 1 per cent for someone on welfare payments.

“I think we've ignored rental at our peril for a long time,” Ms Chambers says.

## Minor party promises

The Liberal/National Coalition and the Labor Party both hope to govern in their own right after the May 21 election. If they fail to secure a majority of the 151 seats in the House of Representatives, however, they'll need the support of independents or members of another party.



Smaller parties will be hoping the election result is tight enough to give them leverage in the next parliament. *(ABC News: Georgia Hitch)*

The Greens currently hold one seat in the House of Representatives and nine in the Senate, where there are 76 seats. This has made them a powerful voting bloc, as legislation needs to pass both houses to become law.

The Greens propose to build a million homes over 20 years: 750,000 public and community homes, 125,000 shared-ownership homes and 125,000 government-owned homes where rent would be capped at 25 per cent of income.

Based on current opinion polling, Clive Palmer's United Australia Party is not expected to win any seats in the lower house and is considered by ABC election analyst Antony Green to be only an outside chance of gaining one Senate seat.

But it is proposing an ambitious policy to hold interest rates on mortgages to 3 per cent.

It would be difficult. The Reserve Bank is independent of the government, and Australia's big banks — the mortgage holders of most of Australia's home loans — are private companies listed on the stock exchange.

Zac Gross, a lecturer in economics at Monash University, [told ABC News Radio a cap would be "costly"](#) and would either undermine bank profits and threaten financial stability, or cost a large amount through either higher taxes or higher inflation.

"If they can't make a profit when lending mortgages out to Australian households, then they're going to stop making those mortgages in the first place," he warns.

Dr Gross adds that banks would likely restrict loans to the "safest bets": wealthy people.

## Ongoing concern

There are no easy solutions. Cameron Kusher, executive manager of economic research at REA Group, notes that investors — who buy properties and then rent them out — have been departing the market since 2014.



Cameron Kusher is executive manager of economic research at REA Group. (ABC News: Lucas Hill)

"And then when the pandemic hit, that selling by investors really was supercharged," he says.

Currently about 20 per cent of real estate sales are by investors, but only about 8 per cent of purchases are by investors who will then rent them out, so the situation will get tighter.

The number of properties available for rent at the moment is about 30 per cent lower than the average over the past decade. That squeeze means lower vacancy rates and higher rents.

"It is a challenge that's not going to be really fixed very quickly," he cautions.

"Apartment projects take a long time to build. Some state governments are looking to build social housing and, again, that type takes time to construct."

For renters like Amanda Bingham, there's no comfort in the endless pursuit of stable housing.



Amanda Bingham wants more security for renters. (ABC News: Sean Warren)

"That's something that I really want for me and my child, a stable house that I can call my own and I can paint the walls and I can do that," she says.

"So, yeah, the feeling [now] is good, but it's temporary. It's not a long-time secure feeling."

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