



# Resetting the Housing Affordability Equation for Australians

## Purpose

To permanently address the causes of Australia's artificially high housing prices.

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## Challenge

A brief analysis of the Australian housing market reveals many endemic challenges:

- Australia's housing prices are very high by international standards
- there remains a long-term failure of housing supply to meet demand for both greenfield and brownfield development – driving the cost of homes ever upward
- there are very few financial incentives in place which encourage the private sector to create 'key worker' affordable housing at any scale
- governments have historically failed to create appropriate and productive density around job and transport corridors – denying Australians access to opportunity
- 25% of the cost of a new home consists of government taxes and charges<sup>5</sup> – this sunk cost denies people the flexibility to follow employment and other opportunities
- our planning systems are under-resourced and prone to unnecessary delay – reform them and we can pursue a growth trajectory when health constraints allow
- we lag similar global markets in providing Build-to-Rent housing – a form of quality rental accommodation that can be constructed and provide jobs even when demand for build-to-sell housing is falling.

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## The Plan

**3.1 Allow new housing to be purchased at lower prices** by creating a permanent improvement to planning systems such that they produce outcomes that are faster, cheaper and better.<sup>6</sup>

**3.2 Efficiently and strategically rezone and service land** to provide the housing and economic assets in the places that it is needed in our cities, suburbs and towns.

**3.3 Support the creation of a new pipeline of quality rental housing** by supporting the emergence of Build-to-Rent housing in Australia. Significant withholding tax, land tax and planning settings materially disadvantage Build-to-Rent housing and therefore its ability to provide a better housing solution for people who rent. Build-to-Rent housing projects can often be brought forward faster than traditional build-to-sell housing as they are not reliant on pre-sales to commence construction.

**3.4 Incentivise the private sector to create affordable housing for key workers** and older people at risk of homelessness, and to do this at scale. We recommend bringing the community housing sector, the development sector, institutional investors, state governments and Federal Treasury together to create a new framework, leveraging existing tax settings, learning from the US tax credit scheme and developing a reformed successor to the former National Rental Affordability Scheme (NRAS).

**3.5 Support the creation of a new pipeline of quality retirement living housing** through reclassifying retirement living as commercial residential premises for GST purposes, akin to the treatment for off-campus student accommodation, and replicating the Retirement and Aged Care Incentives Scheme initiated by Brisbane City Council. Additionally, council rates and utilities costs for retirement villages should be reduced in line with the individual seniors discount that applies in the community and in recompense for operators providing the equivalent of council services.

**3.6 Remove disincentives to right size for older Australians** by enabling full rate age pensioners aged 75 years or older and who own their own homes, to quarantine a portion of their surplus sale proceeds from the age pension assets test.