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## MEDIA RELEASE

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# INVESTMENT IN AFFORDABLE HOUSING WON'T CAUSE A DROP IN PRIVATE MARKET HOUSE PRICES

*Politicians must put aside ineffective market boosting policies if they wish to achieve housing affordability and improve social housing infrastructure in Australia.*

- Australia has become dependent on high house prices to sustain new housing construction, which is why new supply hasn't resolved affordability pressures for first home buyers or renters
- Public policy should prioritise affordable housing development
- A not-for-profit social housing sector is needed to house people facing unemployment and financial stress

Professor of Urban and Regional Planning at the University of Sydney, Nicole Gurrán, presented the annual Henry George Address hosted by economic think tank Prosper Australia earlier this month and said the elephant in the room must be addressed.

**"Despite the hand wringing about housing affordability, no-one really wants house prices to fall – because we've become dependent on high property prices to maintain new construction.** The only way that I can imagine [solving housing affordability] is if we build up the other part of the housing system that's missing, and that's our non-profit sector, so our social and affordable housing sector," she said.

"The COVID-19 pandemic exposes what I regard to be the real problems in our housing system: the pressing risk of evictions and the squalor in which many of our renters are living in; the economic risks for homeowners in the context of their debt burden; and the wider macroeconomic risks around our unsustainable housing system and the threat that falling housing demand implies when it comes to the important industry of the construction sector."

However, the profit-driven private sector will not fill the demand gap by building more houses to meet the low-cost housing need without clear financial incentives.

**"The real housing problem is that for most people it's not a problem.** Most of us are living in our own homes and benefit greatly from property prices rising. We don't experience the problems faced by young people, aspiring homeowners, and renters."

Prof. Gurrán said falling interest rates and access to negative gearing tax benefits had seen a flood of mum and dad investors into the property market, with increased competition in lower range rental units driving up prices for both home buyers and renters and reducing security and tenure for renters.

“The concern is, from the construction industry perspective, that we’re not having a demand signal to produce the houses that we still need, notwithstanding the fact that we’re having a drop in immigration and in demand. Also, we’ve got all of that unmet [affordable] housing need that the market was unable to meet in good times, and isn’t able to meet in bad times. So we have to build up that non-profit sector of the market.

**“The good news for people who are anxious about property prices is it’s not going to hurt them.** Boosting the affordable housing sector doesn’t bring down house prices – and it protects against wider economic shocks from job losses in construction”.

“For homeowners, it actually doesn’t matter if you’re an owner-occupier. As long as you’re not overly leveraged, it actually doesn’t matter if prices do their cyclical thing,” she said.

Prosper Australia planning spokesperson Emily Sims said pump priming private sector housing was the wrong approach, and the pandemic emphasised the need for enduring solutions.

**“Homebuyers grants, renovators grants, along with reduced taxes and oversight on property developers have all contributed to increased house prices.”** she said.

“While we’d like to see the government address the structural problems by rolling-back negative gearing and the capital gains discount on property, we understand that people are worried about price falls and negative equity.

“What we do not need to fear is increasing our stock of social housing. With COVID creating so much uncertainty, knowing that there is a pipeline of affordable, secure rental homes - along with ongoing work for our struggling homebuilders - has never been more important.”

**ENDS**

## EDITOR’S NOTES:

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**Details of event:** A full transcript of the Henry George address, including the slide deck, can be downloaded at <https://bit.ly/330hfsC>

**About Prosper:** Prosper Australia is a research institute which aims to hold up a light to the dusty corners of our economic system that aren’t working for the common good anymore. In particular, we believe the missing piece in a lot of economic and taxation analysis is *land*.

<https://www.prosper.org.au>

**About Nicole Gurrán:** Nicole Gurrán is Professor of Urban and Regional Planning at the University of Sydney, where she directs the University’s AHURI (Australian Housing and Urban Research Institute) research centre.