

## Housing policy is captive to property politics, so don't expect politicians to tackle affordability

March 10, 2016 2.07pm AEDT



Before entering politics, Scott Morrison was employed to develop policy for the Property Council of Australia, which is now leading the charge against negative-gearing reform

Prime Minister Malcolm Turnbull's [recent warnings](#) that house prices would fall steeply under a Labor government confirm the underlying politics of housing policy in Australia. The default position for politicians is to sound concerned about housing affordability, but do nothing.

In a [recent paper](#), we draw on the notion of “policy capture” to understand why politicians and governments appear determined to avoid seemingly obvious solutions to housing problems.

Policy capture theories explain how special interests can have a disproportionate influence on public policy. Their techniques include the construction and provision of information (or “evidence”), problem forming and framing, lobbying, financial

donations and direct political action. The vectors of influence include think-tanks, professional lobbyists, “spin doctors” and peak interest groups.

Our analysis applies the lens of policy capture to understand the sorry history of Australian housing policy over the past two decades.

## All talk, little action

Numerous national and state policy processes have pointed out the need for more affordable housing in Australia since the Productivity Commission [reported on home ownership costs](#) in 2003-04.

The [National Housing Supply Council](#) (axed in 2013) estimated that Australia needed around 500,000 [more affordable homes](#). But very few government initiatives have directly supported affordable housing supply.

Rather, the response has been to hold inquiries, form taskforces and blame another level of government. State and local planning systems take most of the flak. The withdrawal of Commonwealth funding [for social housing](#) – accounting for around 12% of new dwellings in the mid-1980s but only around 2% today – hardly rates a mention.

## A narrative of ‘artificial barriers’ and planning constraint

Conservative think-tanks have played a key role in framing a policy narrative that presents planning system barriers as the housing problem. And regulatory reform is presented as the solution.



Bob Day, formerly head of the Housing Industry Association, is now a senator. AAP/Mick Tsikas

The Institute of Public Affairs' (IPA) long-running [Great Australian Dream Project](#) was launched under the leadership of [Bob Day](#), former head of the [Housing Industry Australia](#) and now Family First senator. The IPA campaign focuses squarely on the impact of “regulatory policy” and “artificial” land-supply constraints.

For “evidence”, the IPA cites the work of private consultancy firm Demographia. Its [annual housing affordability surveys](#) purport to prove links between planning and high house prices, despite being [widely debunked](#).

Writing the foreword to Demographia’s latest report, Day argues that barriers to home ownership are “the product of restrictions imposed through planning regulation and zoning”.

Planning rules have also dragged young women out of the home, he laments:

We cannot deny the rising generation a home of their own merely to satisfy the ideological fantasies of urban planners ... We cannot deny ourselves the joys of grandchildren because young women have to work to pay mortgages instead of raising a family.

Providing adequate and well-located land is an important measure of planning systems. Barriers to diverse or affordable housing development must also be dismantled where these are shown to exist.

But the politics of property and planning seems perversely to encourage speculative land development (buying rural, industrial or low-density residential land and agitating for a valuable rezoning), while enabling nervous residents to block proposals for affordable and social housing development.

The [Property Council of Australia](#), along with other development industry “peak groups”, has been vocal in blaming the planning system for affordability pressures. It has staunchly opposed the inclusionary housing measures that predominate in the global cities of the US and Europe but remain nascent in Australia.

Inclusionary planning approaches preserve affordable housing opportunities when land is rezoned or following major public infrastructure investment. These approaches do have many limitations and usually depend on other sources of finance to deliver homes for very low-income groups.

But their strength lies in ensuring that the benefits of public infrastructure investment and urban development are not solely capitalised in house and land values. These gains benefit existing owners at the expense of those trying to find a decent place to live.

In another example of the “revolving doors” phenomenon whereby politicians and senior bureaucrats slide between industry, advocacy and officialdom, [Treasurer Scott Morrison’s CV](#) includes six years as the Property Council’s national manager, policy and research. The Property Council is leading the charge against [“seismic” changes to negative gearing](#).

## **More houses, but young people still can’t buy a home**

The housing supply crisis, which has been debated for much of the past ten years, appears to have temporarily resolved. New housing starts are at their highest in a decade. But despite the narrative of housing shortage as the reason for high prices, new supply hasn’t made houses more affordable for aspiring first home buyers.

That’s because we’re trapped in a housing system that seems dependent on rising prices (driven by market demand) to stimulate increased supply. It’s a catch 22. When house prices slow, so does housing construction, anticipating a drop-off in demand.

That's why the scare campaign about [negative gearing](#) is so effective. That most economists think Labor's proposed changes [would be benign](#) has been lost in the [emotions and fear surrounding this debate](#).

According to the Property Council, the nation's economy and our own personal wealth is a fragile "[house of cards](#)", vulnerable to collapse with any shift in the status quo.

## **Can we create affordable supply without reducing prices?**

The debates do reflect two enduring policy problems:

- how to keep housing construction running when price growth slows or reverses; and
- how to create affordable housing without lowering prices across the market.

Luckily, there's a proven way for governments to stabilise housing production, despite market fluctuations and without bringing down existing home prices. That's to expand, radically, the size of the non-profit/affordable housing sector.

Governments can do so by driving investment towards affordable rental housing and by enabling new housing products. These range from low-cost home ownership schemes to community land trusts and shared equity programs.

These models are well established overseas. Numerous studies have demonstrated their [potential significance and viability](#) for Australia. Even the Property Council [supports incentives](#) for affordable housing development.

As yet another working party [considers the problem of affordable housing](#), let's hope its members are listening to the wide range of voices who have long called for real "financing and structural reform".

Low-income tenants and aspiring homeowners haven't had much traction in this arena. They have been locked out by the latent political power of the property-owning electorate and the pervasive campaigns run by the development industry.

Despite the tenor of the current debate, real change is on the table. The question is whether those who are the main beneficiaries will continue to enable the charade or whether the politics of housing policy can finally turn.