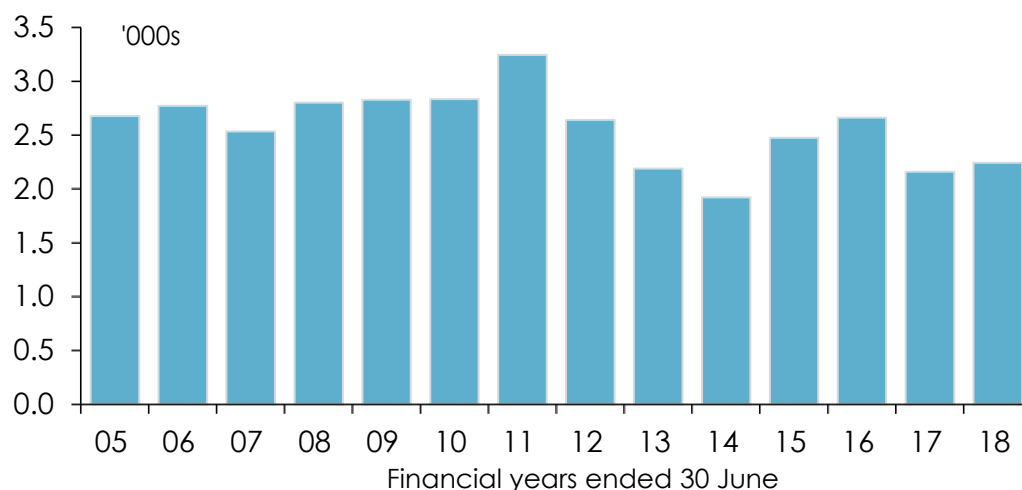


Tasmanian Affordable Housing Roundtable – 6th September 2018

Opening remarks by Saul Eslake

- We all know that Tasmania's economy has been doing very well recently. State Treasury estimates that in the financial year just ended Tasmania's economy grew by 3½%, the fastest rate in a decade. Employment grew by 3.1% in 2017-18, also the fastest in a decade. The proportion of working-age Tasmanians who have a job is the highest it's been in more than seven years. Business confidence is the highest in the nation, and that's reflected in more rapid growth in business investment than in any other state.
- This much improved economic performance is becoming more widely recognized and appreciated. Proportionately fewer Tasmanians are leaving the state than at any time since the mid-1980s; while arrivals from the mainland are adding proportionately more to Tasmania's population than at any time since 2008-09. And overseas migration is also adding proportionately more to our population than at any time since at least the early 1980s.
- Moreover, as my colleagues at the University's Institute for the Study of Social Change point out in their recent *Tasmanian Housing Update*, the composition of immigration to Tasmania is changing in ways that amplify the impact on housing demand. While the outflow of Tasmanians to the mainland remains dominated by people aged between 15 and 24 – people who are more likely to be leaving their parents' homes than 'freeing up' homes which they either had previously owned or been renting – an increasing proportion of those arriving in Tasmania from either the mainland or overseas are aged between 25 and 44, and they are more likely to be adding directly to the demand for housing.
- However, while the demand for housing has clearly been growing more rapidly, the supply of housing hasn't. Dwelling completions have averaged about 2,200 per annum over the last two financial years (equivalent to about 0.9% pa of the existing housing stock) compared with an average of 2,627 per annum over the preceding decade (equivalent to about 1.1% of the existing housing stock)

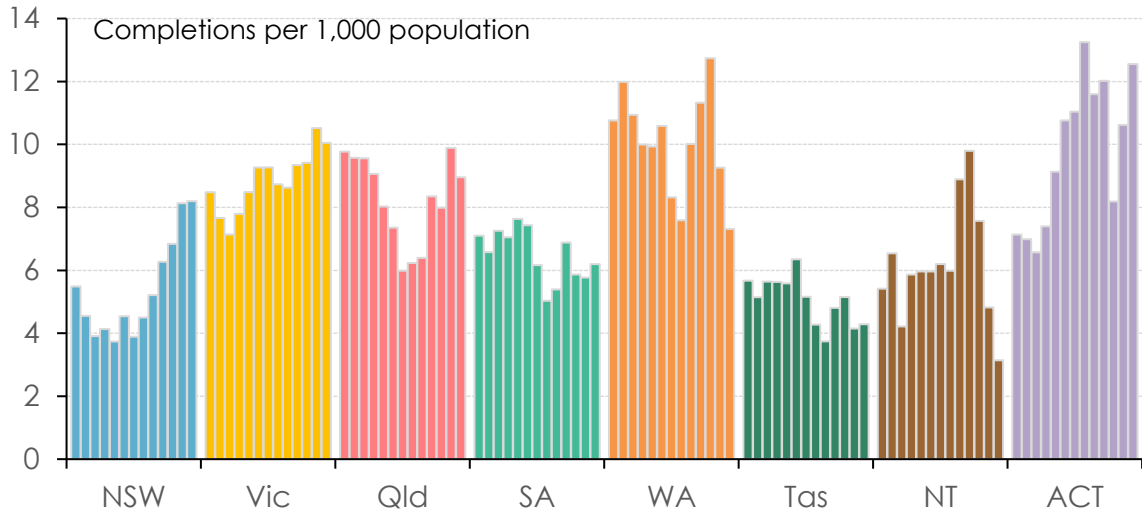
Residential building completions, Tasmania



Note: 2017-18 figure is first three quarters at annual rate. Source: ABS 8752.0.

- Dwelling completions per 1000 population have been lower in Tasmania than in any other state or territory over the past decade

Dwelling completions per 1,000 population, States & Territories, 2005-06 to 2017-18

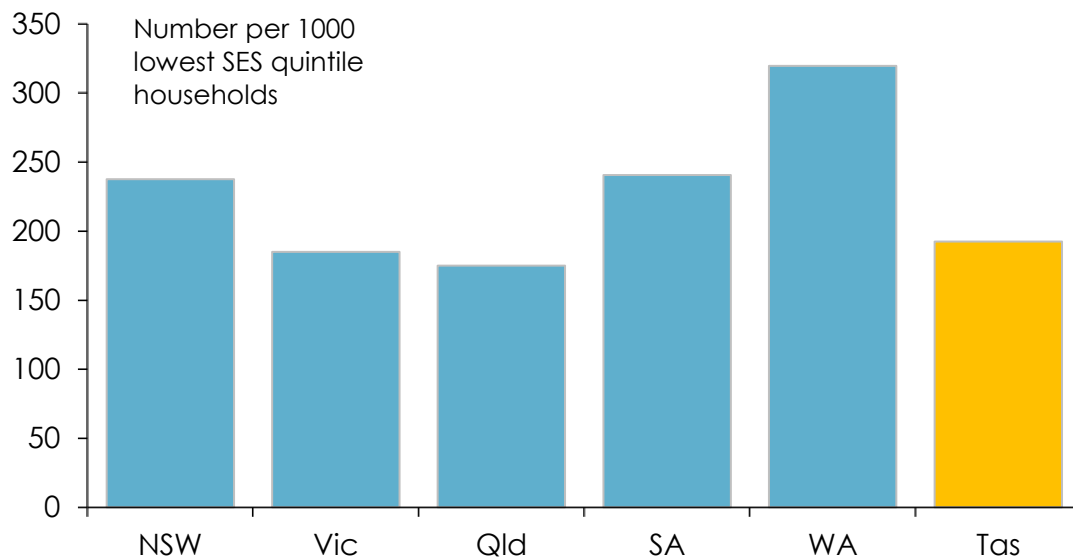


Note: 2017-18 figures are first three quarters at annual rate. Sources: ABS 8752.0 and 3101.0.

- It's well known that housing supply is relatively inelastic – it takes time to respond to an increase in demand. Dwelling approvals and commencements have picked up over the last 18 months or so, but at annual rates of around 2,800 they still represent the equivalent of about 1% of the existing housing stock, and hence still aren't high enough to make inroads into the shortage of housing relative to demand. It's possible that labour shortages are constraining the capacity of the building industry to respond to the increase in housing demand.
- Given the excess of housing demand over housing supply, it's hardly surprising that both prices and rents have risen significantly, especially in Hobart, over the past two years.
- My scepticism regarding the efficacy of cash grants or tax concessions to property purchasers as a way of inducing additional housing supply is well-known so I am not going to rehash those arguments today, other than to note that there's no evidence that the measures of that nature which have been implemented in Tasmania in recent years have been any more effective here than they have in the other places where they've been tried.
- In addition to the pick-up in Tasmania's population growth rate, we've also seen a significant increase in the number of short-term visitors to Tasmania (up more than 12% over the past three years). This is a good thing for Tasmania's economy – but it is adding to pressures on the housing market.
- My ISSC colleagues have presented persuasive evidence that a significant number of properties previously rented to Tasmanians have been converted to short-stay accommodation for tourists – especially in the Hobart metropolitan area – in recent years.

- While their findings have been contested by others, the fact that the Government has recently moved to heighten awareness and enforcement of relevant regulations governing the use of residential properties for short-stay tourist accommodation indicates that it (the Government) does recognize that there are some problems in this area.
- Tasmania simply doesn't have enough social housing to meet the needs of disadvantaged citizens. According to figures published in the Productivity Commission's *Report on Government Services* the stock of public and community housing fell by 393 (or 2.9%) between June 2013 and June 2017 (cf. an increase of 2.0% on the mainland).
- As of June 2017 there were approximately 192 social (ie, public or community) dwellings per 1000 households in the lowest (national) SES quintile in Tasmania – slightly higher than Victoria or Queensland but below the national average of 225.

Social housing dwellings per 1000 lowest SES quintile, June 2017



Note: Number of social housing dwellings excludes Indigenous housing. Number of lowest SES-quintile households derived by multiplying the estimated number of households in each state in 2015-16 by the estimated proportion of the population of each state in the lowest SES quintile in December 2016. The resulting estimates are thus approximations. Sources: Productivity Commission, *Report on Government Services 2018*; ABS *Household Income and Wealth (6523.0) 2015-16*; Commonwealth Grants Commission *2018 Update*.

- Although this is a rough calculation, it's broadly consistent with the Grants Commission's analysis suggesting that Tasmania spent about \$30mn (or 18½%) less in 2016-17 than it would have needed to in order to provide housing services at a similar 'standard' to the average of all states and territories. In that context it's worth noting the Government's election commitment, funded in the recent state Budget, to provide \$100mn over four years under Stage II of its Affordable Housing Strategy.
- However I think the Government needs to consider using other tools at its disposal – including the planning system, – to encourage faster growth in the supply of affordable housing, by both the private sector and the community sector.