

19 July 2019

The Secretary,
House of Assembly Select Committee on Housing Affordability
House of Assembly
Parliament House
Hobart TAS 7000

Via email: housing@parliament.tas.gov.au

Re: Submission to the Committee

We are writing in response to your invitation to make a submission to the Committee with regard to Housing Affordability in Tasmania.

Scope of Feedback

Our experience is essentially in Southern Tasmania and thus the comments expressed herein are fundamentally based on our experience and insights in the Southern Tasmanian community and economic environment. Having said that, we believe a lot of the recent experiences in Southern Tasmania are starting to occur in other parts of the State and will probably continue to follow the same path, albeit a little bit later.

The Overall Environment

There is a lack of affordable housing in Southern Tasmania that is having a range of impacts across the community, and the economy more broadly. This is significantly impacting housing affordability.

In figures released approximately a year ago, it was quoted that the total number of dwellings built in Tasmania in the previous ten-year period totalled 2,600 per year on average. This had dropped to 2,200 dwellings in the last four years of this ten-year period. This would mean that the average number of dwellings built in the early part of that period was approximately 2,900 per year. That indicates a 25% drop in the number of dwellings being built in Tasmania in the last four to five years.

In what had been a stagnant market in Tasmania, this rate of building has historically met the demand for new housing which is largely explained by young adults “leaving the nest” and purchasing their own home for the first time.

When the above figures were released it was explained that part of the reason for the decline was a sudden and unexpected increase in large, commercial property building projects, drawing construction resources away from the residential market to the commercial market. These

commercial developments include a major redevelopment of the Royal Hobart Hospital, as well as a number of hotel and other significant commercial developments in the greater Hobart area.

The laws of supply and demand clearly indicate that when demand exceeds supply, prices go up. There are a range of both demand and supply issues that have arisen particularly in the last two to three years that have had a significant impact on the value (or sale price) of houses, and this has flowed on to rental prices of those houses. This is at the heart of the housing affordability crisis.

There are a range of factors that have impeded supply, and that have increased demand. Thus we will address each of the demand and supply issues in turn, as we see them.

Demand Side Factors

There are a number of factors that have increased the demand for housing in Southern Tasmania in recent years.

These include:

- Natural increase in housing demand from young Tasmanians entering the home ownership market;
- Increased migration to Tasmania from Mainland States;
- Increased number of International students enrolling to study at the University of Tasmania;
- Significantly increased tourism numbers coming to Tasmania;

Natural Increase

There is a natural and ongoing progression as young adults start work and look to rent or purchase their own home for the first time. They leave their parents' home and add to the demand for new housing. They may enter the rental market for a time before moving on to home ownership.

This progression has historically absorbed most of the new housing being built each year, whilst there has been only a modest population increase. Increased house prices have meant that these people are less able to purchase a property, increasing pressure on the rental market, and thus further impacting affordability for those on lower incomes who are less likely to aspire to home ownership.

Migration

It was reported recently that net migration to Tasmania in the last year totalled 6,500 people. We are aware that this is net of people leaving Tasmania. Some of the people leaving Tasmania are invariably young people leaving their parents' home, and thus not freeing up a dwelling upon their departure. This would thus suggest an increased need for housing of, in excess of 6,500 people. It would be reasonable to assume this equates to, in the vicinity of at least 2,500 houses.

International Students

The increase in University enrolments has affected housing availability and affordability in a number of ways.

Increased University enrolments impacts the private rental market with increased competition for available rental properties in the open market. This is particularly so in the affordable housing space.

In addition, the University of Tasmania has been purchasing hotels to house students, which has drawn "bed nights" out of the tourism accommodation market, thus increasing pressure and demand for further short-stay (Airbnb) accommodation options.

The ever increasing number of International University students are considered temporary residents, as we understand it, and are not captured in net migration figures, and therefore not counted in population increase figures quoted for Tasmania.

Increased Tourism

It would seem that the popularity of MONA, and the draw of tourists to Tasmania significantly contributed to the increase in both the number of tourists "discovering" Tasmania, and also changing the perception of Tasmania and its people. In crude terms, Tasmania stopped being full of "two-headed Tasmanians" and suddenly was a must visit cultural and natural hub with a lifestyle that is the envy of the country.

This, combined with a State Government that has been keen to promote Tasmania and support tourism developments, has helped increased the popularity of Tasmania as a tourist destination.

These factors have seen a dramatic increase in the number of tourists coming to Tasmania, and the amount of time they are spending in Tasmania. This clearly impacts demand for tourist accommodation, which includes short-stay (or Airbnb) accommodation. This shortfall is no doubt exacerbated by the challenges confronting developers securing approval for additional tourist accommodation developments, to be considered in more detail later.

In summary, there has been a dramatic increase in the number of people coming to Tasmania to either live, to study, or to have a holiday, all of which impact demand for accommodation options and thus housing affordability.

Demand Numbers

From data that has become reported in recent times we are aware of anticipated increased demand for beds in coming years, as follows:

- Tourism growth – an increase of 400 additional bed nights each and every year (4,000 over ten years);
- University enrolments growth – 1,000 additional students per year;
- Net migration – 6,500 individuals have moved to Tasmania in the last year (presumably approximately 2,500 families) which may or may not continue;
- Natural increase in Tasmania's population has historically required 2,500 additional dwellings per year.

Although these figures come from a range of sources, and are subject to objective confirmation, they broadly indicate an environment where there is a need for approximately 6,000 additional dwellings per year (increasing each year), when currently only 2,200 are being built each year.

This would clearly suggest a situation that requires a dramatic and urgent response across all aspects of the housing, hotel, planning and constructions sectors.

Supply Side Factors

There are a number of factors that impact the supply or availability of housing in Southern Tasmania.

These include:

- De-regulation of the short-stay accommodation market;
- Significant increase in the number of commercial property developments in the last four to five years;
- Limited ability of the building industry to grow rapidly to meet increased and unexpected demand for residential property developments;
- Land availability for development;
- Challenges obtaining planning, development and building approval for accommodation developments.

De-Regulation of Short-Stay Accommodation

There was a lack of clarity as to regulation of the short-stay accommodation market generally, and the legality of Airbnb in particular, until approximately July 2017. The Government clarified their view and effectively freed up the short-stay accommodation market at that time.

Hobart City Mission provides case management support services for low income Tasmanians seeking

rental accommodation, as part of the Housing Connect consortium. Our staff experienced a sudden and noticeable reduction in the availability of properties for long-term rental in October to November 2017, a few months after the regulatory environment of the short-stay accommodation market was clarified. Properties available for long-term rental almost ceased to exist in that very short period.

Subsequent to this we attributed this change in the market to a significant number of properties being removed from the long-term rental market to be utilised in the short-stay accommodation market in the lead up to summer 2017-18.

The opportunity for these rental properties to be utilised in the short-stay accommodation market would appear to have been enhanced by a lack of other tourist accommodation options (largely hotels and motels) existing to meet the increasing tourist demand at that time. We understand that in the vicinity of 2,000+ properties were transferred to the short-stay market as a result.

Growth in Commercial Property Development

There has been a dramatic increase in the number and size of commercial building works in Hobart in the last four to five years. This is, in part, due to:

- Royal Hobart Hospital re-development;
- an improved economic outlook in Tasmania;
- an improved State financial situation;
- growth in the University of Tasmania and student enrolments;
- growth in the tourism industry.

These factors have combined to increase the demand for tradespeople in the commercial building sector in the last five years or so, and thus contributed to the reduction in the number of residential properties being built over that period.

Growth of the Building Industry

Until approximately five years ago, Tasmania had a largely depressed building industry. Stagnant population growth and a poor economic outlook contributed to a low level of both residential and commercial building activity in Tasmania. This had been the case for a number of years, and appears to be largely cyclical in Tasmania. Tradespeople have historically moved to the Mainland to find work in these quiet times.

We have been told by those who have worked in the building industry that they have lost confidence in TasTAFE to train young tradespeople to a level that it makes it financially viable to employ them as apprentices. We are told this has resulted in the building industry only looking to employ qualified tradespeople rather than take on apprentices.

If this is in fact the case, this would clearly impact the ability of the building and construction industry

to grow quickly to meet the increased demand for building services, both residential and commercial.

There is also an irony in that young tradespeople who moved to the Mainland when there was not a lot of work available in Tasmania may now be discouraged from returning to Tasmania due to a lack of available accommodation for them to live in, if they were to move back here.

Land Availability for Development

Hobart is a city locked between a mountain range and a river with under-developed transport options from outlying areas both across the river, and up and down the sides of it. This creates natural challenges to the growth of greater Hobart.

Greater Hobart municipalities are having challenges with land availability, “NIMBYism”, and thus the approval of property developments. Included in this is a larger conversation as to what is reasonable to expect or allow, as far as future developments are concerned. Councils are trying to address these issues, somewhat in isolation.

There may be a need for a greater conversation as to what we, as a community, can and should expect as the acceptable framework for accommodation developments in the future. This includes general residential developments, in-fill developments, multi-story residential developments and broadly commercial developments.

Planning, Development and Building Approval Processes

We pose the challenging question as to whether there is a culture in Tasmanian councils that developers are only out to make money, and, at best, councils should not be expected to move quickly (or even at a reasonable pace) in assisting those developers to progress developments within what would be considered normal business timeframes. At worst, there may be a view that they should be frustrated and the process deliberately slowed down due to a sense that developers are there to make money out of councils and developments. If this is the case, is this culture normal across the country? Does it need to be addressed in Tasmania.

We note that when Nation Building Economic Stimulus Plan funding was being made available in 2009, the State Government enabled fast-track legislation to assist circumvent normal (slow) council approval processes to ensure developments could be undertaken in a reasonable timeframe. It is of concern that it seems the only way property developments are able to happen in a reasonable period of time is when the State Government overrides council processes, and it seems we accept this situation as normal or reasonable.

We have been aware of a number of large developers who have been discouraged from investing in Tasmania because of “challenges” progressing developments through normal planning and approval processes that apply in Tasmania. These processes significantly increase the cost and time required to progress a development, compared to other parts of the country.

Solutions

In simple terms we have a Housing Affordability crisis as a result of a shortage of supply of accommodation options (residential and tourism) not having kept up with demand. This shortfall is ongoing and most likely increasing, as outlined above.

Again, in simple terms, there are not enough beds for the number of people needing a bed, be it residential, university student, or tourist. This directly impacts housing affordability.

We would suggest, in a normal market economy, market forces will (over time) act to address the lack of supply across most levels of need, except probably in the affordable housing space. This may be significantly impeded by planning and approval challenges or delays.

An overall, broad-ranged and substantial increase in supply would presumably address the current imbalance between demand and supply. Clearly this should then reduce housing prices over time.

The concern we have is the timeframe over which this process will occur. We are particularly concerned that demand will continue to grow at a rate that supply struggles to match, and thus the shortage of supply of housing stock does not reduce, but in fact continues to grow. This will only exacerbate housing affordability issues, and also inevitably, increase homelessness.

We believe steps need to be taken to significantly increase the supply of tourist accommodation, university student accommodation, general residential housing and affordable housing.

As outlined above, there are a number of areas that need to be addressed to enable this to occur in as short a timeframe as possible:

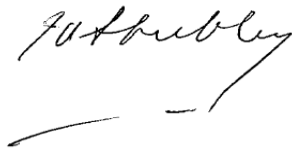
1. First and foremost, there is a pressing need for a detailed, multi-factored, long-term demand analysis to be undertaken, in both the residential and commercial spaces, to accurately determine future needs, as a starting point to understanding exactly how much residential and “commercial” accommodation is required over a reasonable time horizon;
2. There needs to be a broad community and government conversation as to rules and regulations that should apply to future residential and commercial developments (plot size, multi-story, in-fill, building heights, locations, etc.);
3. Once determined, those planning rules need to be clearly developed, and be enforceable (both by government/councils and developers) to create certainty for, and confidence in, the market ;
4. There is a need to review government owned land with a view to making more land available for development;
5. Zoning needs to be reviewed to determine whether pre-existing zoning needs to be changed in light of the current environment, and desired future development, and also as a consequence of changes to definitions as to what can be undertaken within particular zones, as a result of changes in the Planning Schemes;
6. Without fully understanding the TasTAFE system, there seems to be a need for a review of educational standards and training to ensure young tradespeople are “employment ready”;

7. Government incentive schemes, and income eligibility requirements should be reviewed to encourage more young people to invest in building their own home;
8. We would suggest that existing government incentives, such as Homeshare, need to be more actively marketed as there appears to be a lack of awareness of their existence;
9. Significant investment in affordable housing needs to be made by government, and/or incentives offered to the private market, to stimulate housing investment, such as the National Rental Affordability Scheme (NRAS);
10. All future land areas targeted for development have a mandated requirement for inclusionary zoning;
11. Commonwealth Rental Assistance needs to be significantly increased to assist make housing affordable to those on lower incomes.

These are broad ranging thoughts and experiences of Hobart City Mission with regard to a range of economic and environmental factors as we see them.

We would be more than happy to discuss any aspect of this Submission with you further if you would so desire.

Yours Sincerely,
HOBART CITY MISSION



John A. Stublely
CEO