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HOUSING  
and COMMUNITY  
RESEARCH UNIT

# Tasmanian Housing Update

Housing and Community Research Unit, University of Tasmania

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# Introduction

There continues to be an acute shortage of affordable housing across Tasmania, particularly in Greater Hobart.

This Housing Update is the latest in a series of reports prepared by the University of Tasmania since 2017 to inform public debate and offer evidence-based policy insights. While several important policies and initiatives have been implemented since the onset of the housing crisis, evidence suggests these measures have not been enough to ease housing market pressures. Collectively, more needs to be done to ensure most Tasmanians have access to secure, suitable and affordable housing.

## Key points in this update include:

- The median rent for a home in Hobart has risen 27% over the past three years, with tenants in the private rental market on average spending more than a third of household income on housing (the highest percentage of any capital city).
- While population growth is centred around Hobart, new home building is dispersed across Tasmania – including in areas experiencing population decline.
- The time lag between new housing approvals and building continues to grow, indicating a possible lack of skilled labour, access to finance and project management expertise.

- New legislation governing short-stay accommodation is yet to dampen growth in the sector and take pressure off the residential rental market.
- Recent research suggests Tasmania needs 14,200 social housing dwellings over the next 20 years to effectively meet housing need at the lower end of the market. Of these dwellings, 11,100 are required to respond to current need. This need is distributed across the State.
- Delivering the quantum of social housing required means changing the focus of residential construction in Tasmania. Increasing investment in social housing in Tasmania would deliver both economic and social dividends.



## KEY FINDINGS

1. Tasmania's housing market remains challenging and the acute shortage of affordable rental properties in greater Hobart continues.
2. There has been a significant increase in residential construction and the supply of new homes, but new supply has not been enough to overcome the pressures produced by population growth and the short-stay accommodation sector.
3. The short-stay accommodation sector continues to grow, though at a slower rate. There is no evidence to date that the new permit and compliance regime introduced by the Tasmanian Government is reducing the impact of the sector on the residential housing market. Further regulations, such as those recommended by the Legislative Council inquiry into short-stay accommodation, should therefore be considered.
4. There is a growing gap between housing costs and incomes across Australia and the consequences are felt most acutely by households with low incomes. The most recent research shows increased investment in social housing is the most cost-effective solution to improving long-term housing outcomes for these households.



Part one of this update provides an overview of Tasmania's current housing market, confirming home prices remain near historic highs. Of particular concern is the ongoing decline in rental affordability in Hobart, where the rental vacancy rate and rental affordability remain the lowest in the country.

Part two outlines strong growth in residential building activity in Tasmania over the past two years, while also highlighting ongoing supply challenges in the construction sector and the need to prioritise the construction of new, affordable housing in areas of need. An analysis of population changes and construction industry data by demographer Lisa Denny reveals a mismatch between the supply of new homes and areas of strongest demand, as well as growing construction delays.

Part three focuses on the short-stay market, which continues to thrive in Tasmania's cities and tourist hotspots, bringing many economic benefits to the State but contributing to a lack of long-term rental properties. Analysis of listings indicates that the implementation of the Short-Stay Accommodation Act in June 2019 has not, to date, improved housing outcomes, although reporting requirements for dedicated Airbnb-style properties do not come into effect until 4 December 2019.

Part four considers the shortfall in social housing in Tasmania. A notable change since the last Housing Update (August 2018) is the Commonwealth Government's recent decision to waive Tasmania's \$157.6 million historic housing debt, something the University and colleagues in the community sector have been advocating for more than a decade. In light of this very welcome development, this housing update highlights the need for greater collaboration between the State and Commonwealth governments to fund a substantial increase in social housing stock.

Recent AHURI research<sup>1</sup> finds the most cost-effective way to increase social housing supply is direct investment by governments rather than private investment models.

This Housing Update also recommends broadening the housing policy debate beyond its current focus on outputs, such as social housing construction figures or the number of first home buyer grants. The update also suggests adopting some measures for evaluating housing outcomes including levels of housing stress, social and community waiting list figures, the private rental vacancy rate and rental prices, private rental housing supply, and liveability.

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<sup>1</sup> Social housing as infrastructure: rationale, prioritisation and investment pathway, June 2019, Australian Housing and Urban Research Institute (AHURI).

# Part 1. Tasmania's housing market, November 2019

Tasmania continues to suffer from a lack of affordable housing while national property prices remain, despite a recent recovery, below their 2017-18 highs. Whereas national home values fell 3.9% over the last 12 months, Hobart house prices rose 8.7% in the year to November to a median value of \$533,105 and unit prices increased by

8.3% to \$339,478 over the period (SQM Research, Figure 1). Hobart dwelling values have increased 38.2% over the past five years, compared with 13.7% nationally. In Launceston the median house price in November 2019 was \$396,948, up 13.4% compared with a year earlier.

## RISING RENTS

Rising rents are primarily a consequence of the shortage of private rental accommodation. According to CoreLogic's November 2019 *National Housing Affordability Report* "Hobart stands out as the most unaffordable capital city rental market, based on the proportion of gross annual household income dedicated to paying the weekly rent". On average, Hobart households are spending 33.9% of their gross annual income on rent.<sup>2</sup>

While there is some evidence that rental prices in Greater Hobart have stabilised in recent months (Figure 2), this follows a 27% increase over the past three years. A similar, although less severe, trend has been experienced in Launceston where the average rent for a detached house has increased by 24% over the past three years to \$370 per week.

While the most acute housing stress is being experienced in the private rental market, rising property values have also resulted in decreased home loan affordability in Tasmania, despite recent interest rate cuts. Average mortgage repayments as a percentage of income over the June 2019 quarter were 25.8%, up 0.4 percentage points compared with June 2018.

Rising home prices in Tasmania make it more difficult for new entrants to get a foot on the property ladder. There were 430 first home buyers in Tasmania in the June quarter 2019, a decrease of 6.1% compared with the same quarter of the previous year. It now takes a Hobart household saving 15% of the median income nine years to generate a 20% deposit for a home.<sup>3</sup> Taken together, the daunting reality for many first home buyers is that they face almost a decade of devoting half of their income to housing (34% rent + 15% savings) before they will be in a position to buy a home.

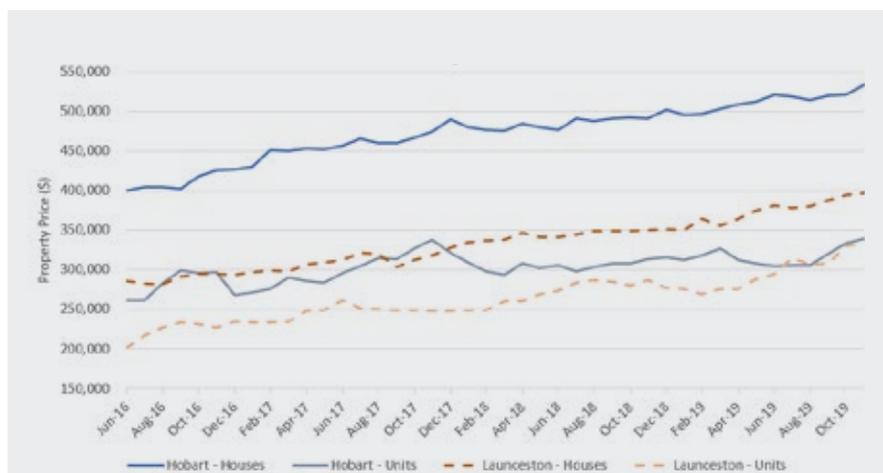


Figure 1. Hobart and Launceston property values June 2016 to November 2019.

Source: SQM Research.

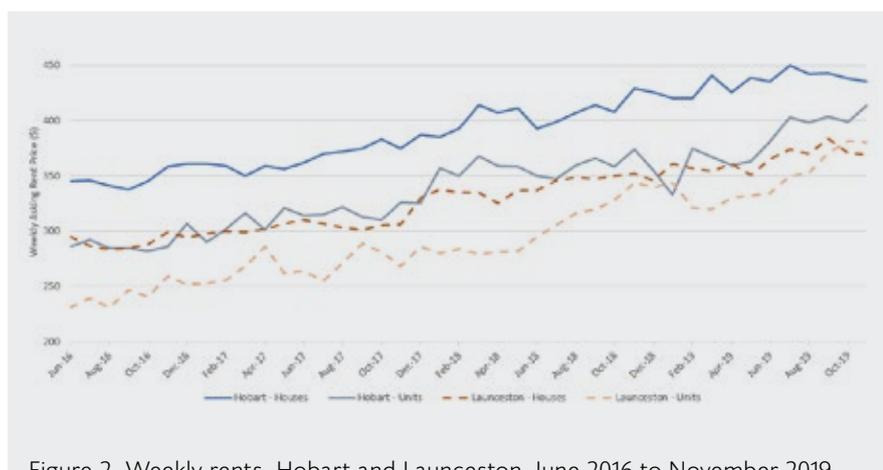


Figure 2. Weekly rents, Hobart and Launceston, June 2016 to November 2019.

Source: SQM Research.

<sup>2</sup> National Housing Affordability Report, November 2019, CoreLogic.

<sup>3</sup> National Housing Affordability Report, November 2019, CoreLogic.

## HISTORICALLY LOW VACANCY RATE CONTINUES

As of September 2019, the rental vacancy rate in Hobart was 0.6% (SQM Research), reflecting the ongoing shortage of private rental accommodation in Greater Hobart. This is an improvement on the lows of both October 2017 and October 2018 when the vacancy rate was 0.3%, but a sign that too many households are struggling to find and/or pay for secure and appropriate housing. Hobart's vacancy rate remains the lowest of any Australian city. Evidence from other

markets suggests any rate under 1% is likely to result in significant rent increases, leading to a range of adverse social and economic consequences (as discussed below).

## IMPACTS ON HOUSEHOLDS AND ECONOMIC GROWTH

Rapidly rising rents have adverse social and economic consequences. Low income households may be forced out of the private rental market, increasing demand for social and community housing. Meanwhile, those who can secure a home are forced to spend a

higher percentage of their income on housing. The Rental Affordability Index (RAI), which assesses the percentage of income that households in the bottom 40% of the income distribution spend on rent, suggests that Hobart is easily the least affordable capital city in Australia and even households on average incomes are at risk of housing stress.<sup>4</sup> Approximately 30,000 households in the private rental market in Greater Hobart will, on average, be paying an extra \$5,000 per year in housing costs, relative to 2016.<sup>5</sup> This is a significant burden on household budgets and the wider economy. Finally, rising housing costs and cost-of-living pressures may deter migration and hinder population growth over the longer term.



Figure 3. Rental Vacancy Rate, Greater Hobart January 2014 to August 2019.

Source: SQM Research.

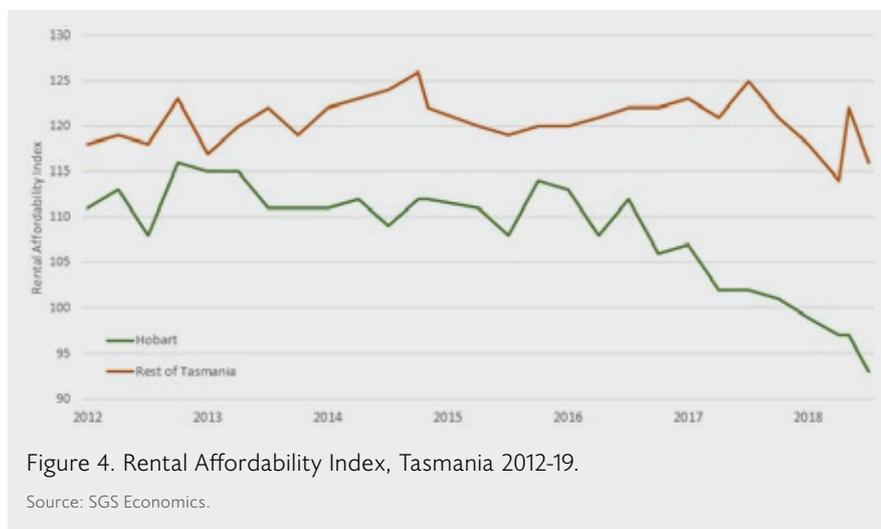


Figure 4. Rental Affordability Index, Tasmania 2012-19.

Source: SGS Economics.

<sup>4</sup> Rental Affordability Index, November 2019, p.42. SGS Economics and Planning

<sup>5</sup> ABS 2016 Census QuickStats.

## Part 2. Key drivers of housing outcomes in Tasmania: population growth and housing supply

Tasmania is experiencing its strongest rate of population growth this century, currently around 1.2% for 2019. As a consequence, the demand for housing has risen sharply. Associated with this is a rise in approvals for new housing development. However, the length of time between approvals and the commencement of construction has increased, indicating possible skill shortages or other factors hindering the residential building process.

### TASMANIA'S GROWING POPULATION

Population growth is primarily driven by overseas and interstate migration, which contributes to 80.6% of growth compared with only 55.0% in 2008. Migration-led growth creates more housing demand than growth driven by natural increase (more births than deaths). The migration contribution has dropped from its peak in 2017 of 85.3% due to growth in natural increase. This most likely reflects increased births due to people of family formation age moving to the State.<sup>6</sup>

While Tasmania is experiencing its strongest rate of population increase this century, the growth across its 29 Local Government Areas (LGAs) is not evenly distributed. As noted in the University's recent report *Insight Nine: Regional population trends in Tasmania*, 12 LGAs have endured prolonged periods of population decline, while 11 are areas where population has increased above the State five-year average of 0.7% per year, largely driven by migration. The remaining LGAs are teetering on the cusp of depopulation.

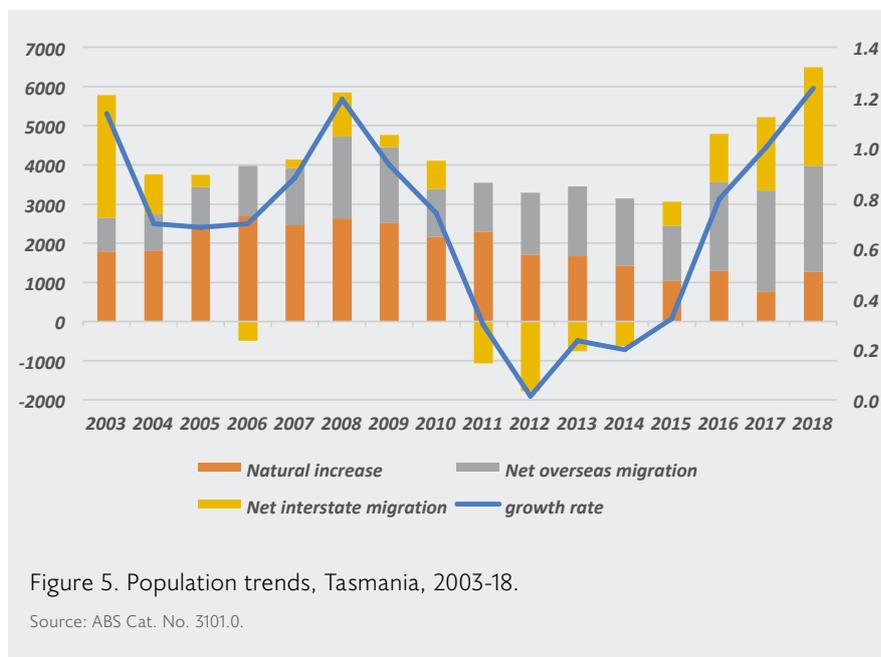


Figure 5. Population trends, Tasmania, 2003-18.

Source: ABS Cat. No. 3101.0.

### REGIONAL POPULATION TRENDS.

The Tasmanian Government estimates the State's average population will probably grow at a rate of 0.2% per year, reaching about 569,000 by 2042, with most of the growth in the Greater Hobart area.<sup>7</sup> The government also projects that 14 of the State's LGAs will grow and 15 will decline. The Hobart LGA is expected to experience the largest increase, driven by a high level of migration from overseas and the younger age-profile of those who are expected to move to Hobart. Brighton, in the South, is expected to be the fastest growing LGA in percentage terms, with an average growth rate of 1.18% per annum.

Of the 15 LGAs projected to decline, 11 have relatively small populations. The remaining four – Burnie, Waratah/Wynyard, Central Coast and Meander Valley – have moderately sized populations. Burnie is expected to experience the greatest population decline, with a projected fall of approximately 2400 people (an average decline of 0.5% per year). This result is largely driven by people migrating away from the area.<sup>8</sup>

<sup>6</sup> This will be confirmed, or not, with the release of the ABS Migration catalogue 3412.0 in the 2020 March quarter.

<sup>7</sup> Tasmanian Department of Treasury and Finance (Treasury) population projections, April 2019.

<sup>8</sup> For in-depth analysis of regional population trends see *Insight 9: Regional Population Trends in Tasmania*

	2017	2042	Population Gain	% change
Hobart	52,785	63,280	10,495	19.9
Glenorchy	47,214	55,636	8,422	17.8
Kingborough	37,133	44,175	7,042	19.0
Brighton	16,960	22,714	5,757	33.9
Sorell	14,771	19,666	4,895	33.1

Table 1. LGAs with the greatest projected population growth to 2042.

Source: Tasmanian Department of Treasury and Finance, Population Projections, 2019

	2017	2042	Population Loss	% change
Burnie	19,210	16,880	-2330	-12.1
Waratah-Wynyard	13,755	11,799	-1956	-14.2
West Coast	4,162	2,963	-1199	-28.8
Dorset	6,704	5,516	-1188	-17.7
Circular Head	8,088	6,952	-1136	-14.0

Table 2: LGAs projected to decline to 2042, largest to smallest loss.

Source: Tasmanian Department of Treasury and Finance, Population Projections, 2019



Figure 6. Residential housing approvals, commencements and completions, Tasmania.

Source: 8731.0 - Building Approvals, Australia, Oct 2019, 8752.0 - Building Activity, Australia, Jun 2019

## HOUSING SUPPLY

The demand for housing, especially since 2016, has triggered a supply response, with annual residential approvals increasing from a low of 2220 in June 2017 to 3092 in June 2019, although this is below the 2010 peak. About 870 more homes have been approved for construction in 2019 relative to 2017, a positive sign for housing outcomes and the construction sector. However, there is a lag between approvals, commencements and completions. As Figure 6 shows, over the past 12 months a gap has emerged between planning approvals and building commencements, suggesting potential constraints such as availability of finance, a skills and labour shortage or some developers choosing to delay projects.

The ABS data reveal a slight increase in the time taken for new housing construction to commence from approval stage in Tasmania over the past decade (Figure 7). However, while the average time for approval to commencement considerably exceeded the Australian average in 2017, this gap has been declining (Figure 7), as has the average time from commencement to completion (Figure 8).

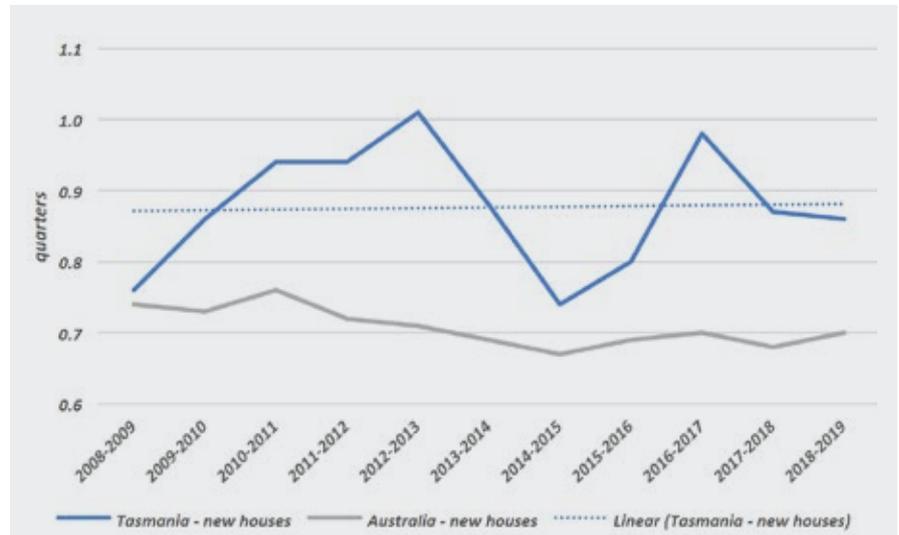


Figure 7. Average time (in quarters) from approval to commencement, Tasmania and Australia.

Source: ABS Cat No. 8752.0

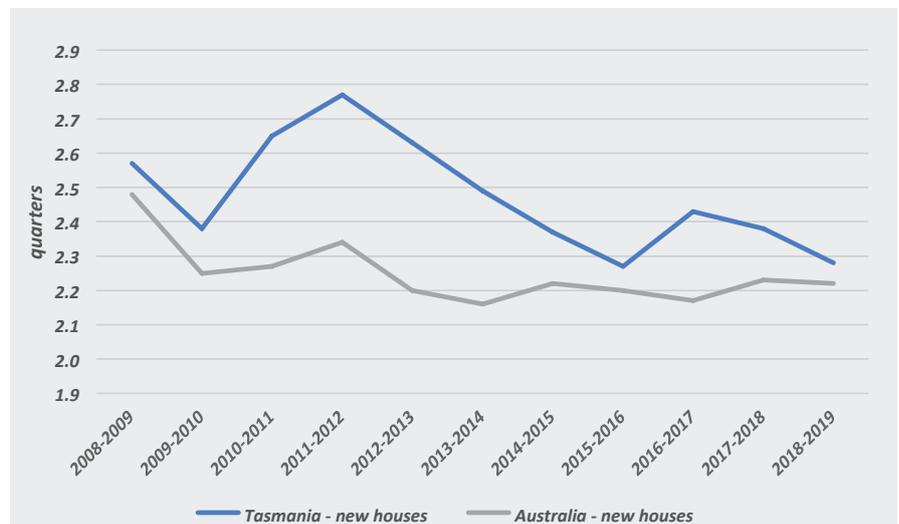


Figure 8. Average time (in quarters) from commencement to completion, Tasmania and Australia.

Source: ABS Cat No. 8752.0

## ARE AFFORDABLE HOMES BEING BUILT IN THE RIGHT LOCATIONS?

In the three years to June 2019,<sup>9</sup> Tasmania's population increased by more than 16,000, creating demand for an additional 7370 residential dwellings. Over the same period, 8217 new residential dwellings were approved for development, resulting in a surplus of 847 dwellings to meet the new demand in Tasmania.<sup>10</sup> However, to reduce housing stress and make real progress towards improving long term housing outcomes in Tasmania, we need to ensure new supply is: affordable relative to household incomes; meets the needs of residents; and is appropriately located. The data does not tell us if the approvals that have been granted will result in 'affordable' housing. However, a growing body of research (see Part 4 below) highlights the widening gap between household incomes and housing costs and the need for greater investment in social housing.

In terms of the geographic distribution of new homes in Tasmania there appears to be a mismatch between supply and demand across the state.<sup>11</sup> Demand for new residential dwellings and supply through the approval of new residences differs by LGA. Those LGAs experiencing the greatest population growth (Hobart, Glenorchy, Kingborough and Clarence) also experience the greatest deficit in the approval of new residential dwelling construction. On the other hand, several LGAs experiencing population decline also increased their supply of new residential construction (Circular Head, Dorset, King Island, Southern Midlands, Waratah Wynyard and the West Coast). Other LGAs show a large surplus to need:<sup>12</sup> Central

Coast, Devonport, Launceston and the Meander Valley. Typical second home (shack) destinations also experienced a surplus to demand: Break O-Day, Central Highlands and Glamorgan Spring Bay. Although residents and investors should not be discouraged from building new homes in communities which are not experiencing housing shortages, there is a need to ensure adequate and affordable new supply in areas experiencing increasing demand due to population growth.

	Population growth to June 2015-18	Additional dwelling demand	Dwelling approvals	Surplus/deficit
Hobart	1,934	841	360	-481
Glenorchy	1,239	539	335	-204
Kingborough	1,471	588	480	-108
Clarence	1,860	775	735	-40
Brighton	684	263	235	-28
Sorell	825	344	317	-27
Flinders	61	31	13	-18
George Twon	114	50	40	-10
Huon Valley	544	227	220	-7
Derwent Valley	199	83	78	-5

Table 3. Alignment of housing supply with population growth by select Tasmanian LGAs, June 2015 to June 2018.

Source: Tasmanian Department of Treasury and Finance, Population Projections, 2019; ABS cat No. 8752.0.

9 As ABS population data for the June 2019 quarter was not available at the time of drafting, this assumes a population growth rate of 1.2% for the June 2018/19 financial year based on the growth rate at March 2019.

10 This does not take into consideration prior shortages, just the new demand based on population growth and average household size.

11 Data constraints limit regional analysis to June 2018.

12 Based on the assumption of market equilibrium.

# Part 3. Short-stay accommodation update

The short-stay accommodation (SSA) boom continues in Tasmania, contributing to a shortage of long-term rental accommodation across the state, particularly in Hobart. In the year to June, more than 258,000 visitors stayed in SSA in Tasmania. The sector's share of the accommodation market grew by 106% over the past three years to represent 20% of all visitor accommodation. Hotel/motel industry growth was only around 5% over the same period.<sup>13</sup>

## THE SHORT-STAY ACCOMMODATION ACT 2009

In June 2019, the government legislated provisions to improve data capture and compliance under the current regulation. While it is too soon to determine longer-term outcomes, early data suggest the new legislation and the prospect of requiring a permit is having little impact to date on listing numbers in key areas of SSA concentration. The experience in Southern Tasmania between June and August 2019 mirrors the 2018 experience. This was a slight drop in listings between June and July and a return to growth by August.

The *Short-stay Accommodation Act 2009* takes pro-active steps towards a foundation for a comprehensive permit system, and through this, better compliance and data capture. However, we believe the legislation is unlikely to result in significant numbers of landlords taking investment properties out of the short-stay sector and back into the long-term residential rental market. State-wide, total SSA listings have continued to grow without pause over the past three years. In August 2019, monitoring website Inside Airbnb registered a total of 5441 listings across the State, a 198% increase since July 2016.<sup>14</sup> Table 4 summarises key trends since 2016.

## SHORT-STAY ACCOMMODATION GROWTH

The fastest rate of growth State-wide, and in the Hobart LGA and Greater Hobart (see Figure 9), occurred in June 2017. This increased almost immediately after the Tasmanian Government announced deregulation of the industry for homeowners (as per current legislation).<sup>15</sup> This announcement in effect offered an assurance that the government would not introduce tighter regulation, such as a proposed 42-night cap per listing per year. The subsequent growth that occurred between June 2017 and January 2018 in the sector remains unprecedented in Tasmania.

In the context of Tasmania's current housing market, the ongoing growth in SSA raises two key concerns – the impact of the sector on urban communities and the loss of long-term private rental properties available for Tasmanian renters.

Mirroring wider trends,<sup>16</sup> SSA activity in Tasmania is concentrated in densely populated urban and high-demand tourist areas. In the Greater Hobart area, 57% of entire property listings are found in the Hobart LGA, even though it accounts for only 28% of the private rental properties across Greater Hobart.<sup>17</sup>

<sup>15</sup> See *Regulating, then deregulating Airbnb - The unique case of Tasmania (Australia)*, March 2019, Annals of Tourism Research.

<sup>16</sup> See the 2018 AHURI report *Technological disruption in private housing markets: the case of Airbnb*.

<sup>17</sup> For a detailed analysis of the SSA sector in Tasmania see *Insight Eight: Regulating Short-Stay*

Total listings	5,441 total listings statewide (January 2019)
	198% increase (since July 2016)
	Continued growth in each region of the state; fastest growth in Launceston
	Growth slowing in Hobart LGA and greater Hobart
Entire Property Listings	Continues to reach peak listings in all areas
	296% increase in Hobart LGA (since July 2016)
	328% increase in Launceston (since July 2016)
Multi-listings*	Steadily growing in all regions (e.g. by nearly 350% in Launceston since July 2016)
	Comprise 48% of all listings in Hobart LGA
	Multi-listings have increased relative to all listings in Hobart LGA (since 2016)
	Approx. 400 multi-listings in Hobart LGA are highly likely to be investment properties
Yield (price per night)	All regions were at, or approximating (within a few dollars), peak yield; although yield has remained relatively steady over the last 18 months (excepting launceston, where yield has increased significantly in the last year)
	Yield is a good indicator of demand for SSA
	Continued peak yield suggest demand for Airbnb remains strong and that listings numbers may continue to rise
Urban Concentration	Population centres (e.g. Hobart and Launceston) are experiencing the strongest SSA growth
	Mirrors wider trends
	64% of multi-listings were in Hobart LGA despite Hobart LGA being home to only 23% of the Greater Hobart residential population
	57% of entire home Airbnb property listings in the greater Hobart area are in Hobart LGA, despite Hobart LGA accounting for approx. 28% of private rental properties in the Greater Hobart area

Table 4. Key short-stay accommodation trends, Tasmania (July 2016 – August 2019).

Source: Inside Airbnb; monthly data (July 2016 to August 2019).

\* Multi-listings are listings with two or more listings for one host; and are properties are likely to often be commercially operated or professionally managed for investment purposes.

<sup>13</sup> Property Council of Tasmania (2019).

<sup>14</sup> Airbnb figures released in October 2019 state that in January 2019 the company had 5500 active listings, with 1300 in Hobart and 570 in Launceston. This limited data released by Airbnb is consistent with this analysis based on Inside Airbnb data.

## DEDICATED SHORT-STAY ACCOMMODATION

SSA properties that are multi-listings (hosted by someone who manages two or more properties) are more likely to be commercially operated, dedicated short-stay accommodation. Analysis of these listings help us conservatively measure the number of potential long-term rentals converted to short-stay over the past few years. Multi-listings continue to steadily grow across all areas in Tasmania. In the Hobart LGA, multi-listings comprise nearly half (48%) of all listings and continue to increase as a proportion of all listings, as they do in Launceston. Over the past three years, Launceston has experienced the highest rate of growth in all listings types, including a 350% increase in multi-listings since 2016.

The figures for August 2019 align closely with our previous estimates that, since 2016, close to 400 properties have been lost from the private rental market to SSA. In August 2019, 369 multi-listings in the Hobart LGA were available for rent for 15 days or more of the previous 30 days, while 398 were available for more than 12 days of the previous 30. In Launceston, multi-listed properties available for more than 12 days of the previous 30 days numbered 225 (75% of all multi-listed properties in August).

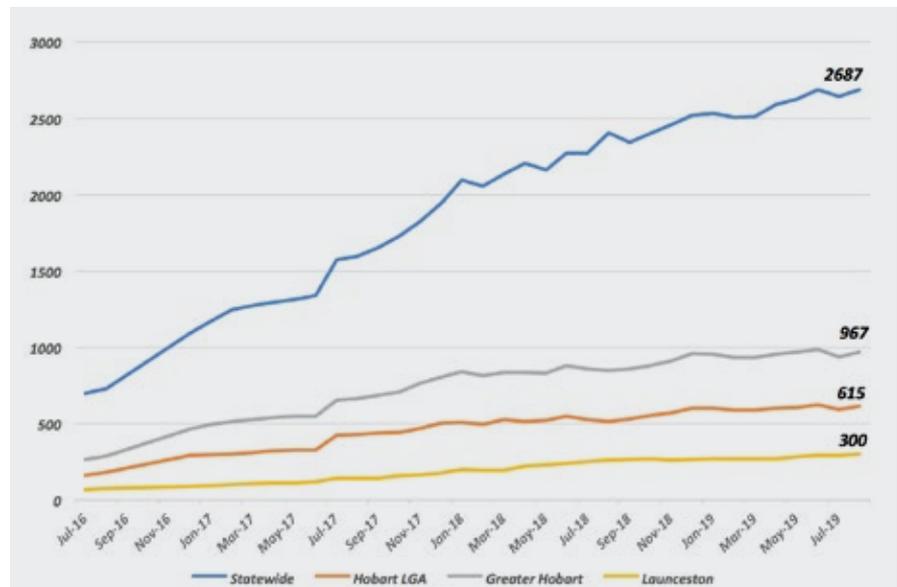
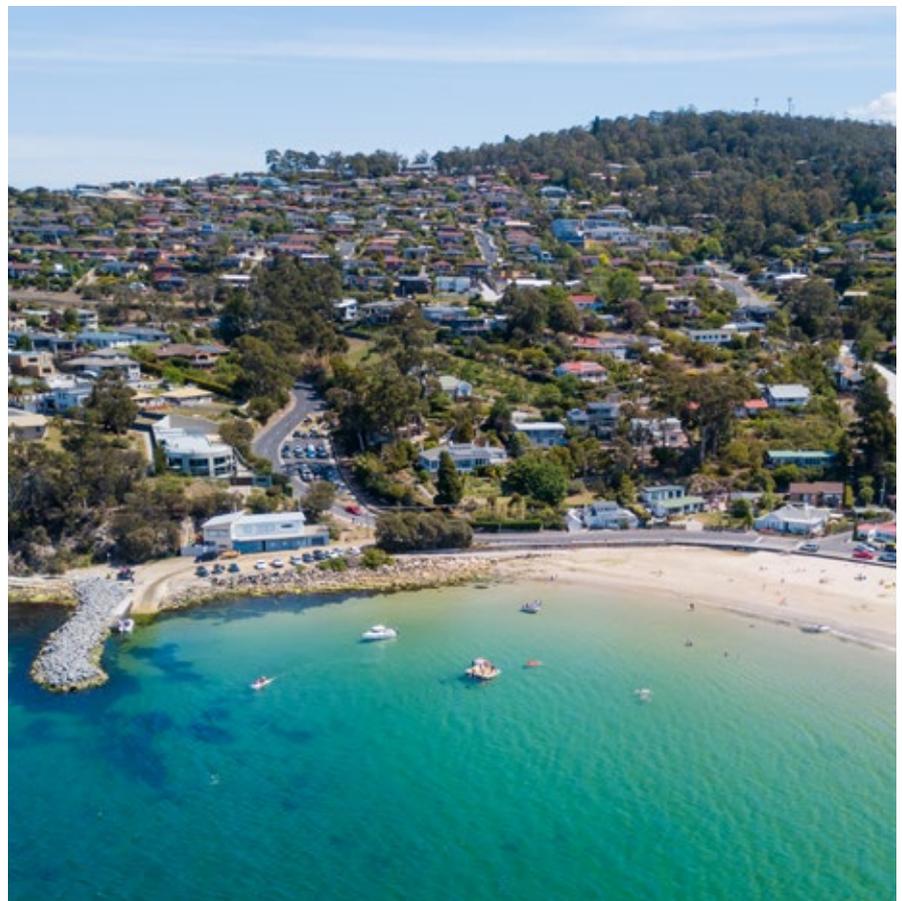


Figure 9. Properties listed as Multi-listings, by area, July 2016 – August 2019.

Source: Inside Airbnb monthly data (July 2016 – August 2019)



# Part 4. Increasing social and affordable housing supply

Increasing the supply of new, affordable homes is the most effective way to improve long-term housing outcomes. Housing policy in Tasmania, like most jurisdictions, combines demand and supply-side interventions that address the lack of housing options for low income households. While demand-side interventions, such as home buyer grants and rent subsidies, have a role and attend to some of the short-term symptoms of housing stress, it is only supply-side interventions that can properly address the acute shortage of affordable housing in Tasmania.

Demand-side interventions include:

- cash or other subsidies or concessions to first time homeowners who choose to build a new home,
- private rental market subsidies for low-income tenants, and
- assistance to homeless households, such the provision of temporary accommodation.

Supply-side interventions are not directed at individual households but are intended to increase the overall stock of social, owner-occupied and private rental housing. Supply side interventions include:

- building new social housing,
- subsidies to developers, community housing organisations and housebuilders to encourage additional building, and
- planning instruments that encourage new developments.

Supply-side interventions to increase the social housing stock will take some time to deliver and there are practical constraints. A large building program for example, may be impeded when there are labour shortages in the construction industry. Interim measures such as temporary housing initiatives are therefore necessary to meet the immediate needs of households experiencing homelessness.

## WHY SOCIAL HOUSING?

The private housing market has never and will never meet the needs of all households. This is especially true under the circumstances being experienced in Tasmania where housing costs have risen much more quickly than either wages or income support payments, forcing growing numbers of households out of the private housing market. As house prices and rents in Tasmania increase (see part one), the gap widens between what many tenants can realistically afford, and the amount landlords are able to charge. In a competitive market, tenants experiencing certain challenges, or with insecure or casual work, are less likely to secure a lease. Risk assessments of prospective tenants can be influenced by assumptions about who is a more reliable or less risky tenant. These assumptions can be based on stereotypes, misjudgements and prejudice.<sup>18</sup> In addition, a lack of targeted support means some people find it difficult to sustain regular rental payments or maintain the appearance of a property.

In the past, people excluded from the private market were accommodated in social housing. The original vision of the social housing system was that it would offer a permanent solution to the private market's failure to accommodate lower-income households.<sup>19</sup> However, decades of systemic underfunding have meant social housing is now a rationed resource and not available to many households with acute social needs.<sup>20</sup>

<sup>18</sup> See report *Unsettled: life in Australia's private rental market*, 2017, CHOICE, National Shelter & National Association of Tenant Organisations. See report *Housing outcomes after domestic and family violence*, April 2019, Australian Housing and Urban Research Institute (AHURI).

<sup>19</sup> See *Housing, neoliberalism and the archive: reinterpreting the rise and fall of public housing*, 2019, Routledge, New York.

<sup>20</sup> The Productivity Commission has estimated that the number of low-income households has increased by 42% since 1995, yet the number of households with access to social housing has declined by 6% over the same period. See research paper *Vulnerable Private Renters: Evidence and Options*, September 2019, Productivity Commission Research.

The best available assessment of the deficit in social housing across Australia is the peer reviewed model, based on 2016 Census data, developed by Lawson and colleagues.<sup>21</sup> Based on the current number of homeless households and the current number of households in the lowest income quintile who are living in rental housing stress (i.e. paying more than 30% of their income in rent), Tasmania's social housing deficit in 2016 was 11,100 dwellings. A further 3100 dwellings would be required by 2036 to meet projected new need for social housing (see Table 5 for a regional breakdown). Notwithstanding the fact that population growth is largely concentrated in greater Hobart (see part two) existing unmet demand for social housing is distributed across Tasmania, including regions considered less affected by the recent housing 'crisis'.

Under current policy settings, not all the households identified as 'in need' according to the above modelling could hope to be accommodated in social housing, even though technically they are eligible and would benefit from its stability and relative affordability. The rationing of social housing is so acute that chronic inability to afford private rental housing without compromising on other essentials like food, heating and transport is in practice no longer enough by itself to routinely warrant entry into social housing.

Responding to the true level of community need, rather than rationing social housing to those most in need, requires funding and financing (see Box 1). Although efficient financing is now available through the National Housing Finance and Investment Corporation (NHFIC), there is widespread agreement across the social housing sector and wider property industry that some form of additional government funding, beyond CRA, is necessary if Australia's social housing supply is to grow substantially.

<sup>21</sup> See report *Social housing as infrastructure: an investment pathway*, November 2018, Australian Housing and Urban Research Institute (AHURI).

	Hobart	Launceston and North East	South East	West and North West
Current unmet need (2016) (households)	4,700	3,300	600	2,500
Projected new need (to 2036) (households)	1,900	600	100	500
Total need (current and projected)	6,600	3,900	700	3,000
Percentage of all households	11.7%	11.2%	5.4%	12.4%

Table 5. Social housing needs in Tasmania by region.

Source: *Social housing as infrastructure: an investment pathway*, November 2018, Australian Housing and Urban Research Institute (AHURI).

Lawson and colleagues concluded “the capital grant model is substantially more cost-effective for governments than privately financed operating subsidy models”.<sup>22</sup> That is, providing an upfront capital grant that covers the cost of development and operation of the housing is both an efficient model for investment but also the model that costs government the least over time.

If Tasmania, working with the Commonwealth, secured the efficient finance and funding required, the scale of the social housing deficit would still create a challenge. At current

<sup>22</sup> Ibid., p. 94.

construction rates, to deliver the social housing dwellings needed, between 41% and 71% of all new construction of residential housing in this State would have to be social housing.<sup>23</sup> This should be perceived as an opportunity rather than a problem: a substantial increase in the construction of social housing offers a steady, predictable building program that can support secure career pathways and stable employment for workers, while delivering essential infrastructure with significant economic and social benefits for the community.

<sup>23</sup> Ibid., p. 150.

## BOX 1

### Financing and funding

In the context of social housing development:

- **Financing** refers to provision of money to be used to build social housing. Finance can come from public sources (e.g. the government budget or the National Housing and Finance Investment Corporation) or private sources (e.g. investors or banks). It can be provided as a grant or a loan that needs to be repaid.
- **Funding** refers to the money used to pay the costs of financing (e.g. loan repayments or dividends on equity). Funding can come from user charges (e.g. the rents paid by tenants) or from government as a subsidy, or a combination of the two.

Under existing policy, community housing tenants are entitled to Commonwealth Rent Assistance but public housing tenants are not. This additional income means community housing tenants have the capacity to pay slightly higher rents than public housing tenants and this gives community housing providers access to more **funding** than public housing providers.

## BOX 2

### Rethinking how we measure success

As this Housing Update outlines, Tasmania continues to experience an acute shortage of affordable housing, despite many well intentioned and, in some cases, successful policy interventions and investments by governments and community providers. This ongoing housing crisis has short- and long-term consequences, for those experiencing housing stress or homelessness and for the wider Tasmanian community. A concerted effort, with appropriate investment,

is needed to improve housing outcomes over the longer term.

However, given the magnitude of the housing problems many Tasmanian households face, we need to move beyond the current focus on outputs, such as construction figures or the number of first home buyer grants, and attend instead to the outcomes we are trying to achieve for the community. Establishing the aims of housing policy is of course a political process to be negotiated by governments, the housing sector and

the wider community. Moreover, in a resource-constrained environment, governments must decide between competing policy and political objectives. That noted, in the long-run, the social and economic return on affordable housing investment is very high.

Based on this analysis of the Tasmanian housing market and broad expertise in housing policy, suggested measures for evaluating housing outcomes include:

Outcome category	Measure	Rationale
1. Housing affordability and stress	1.1. Rental affordability index	<ul style="list-style-type: none"> <li>Assesses overall affordability of private rental market relative to household incomes</li> </ul>
	1.2 Years to save home deposit	<ul style="list-style-type: none"> <li>Indicates the accessibility of home ownership for first home buyers</li> </ul>
	1.3 Number of homeless households	<ul style="list-style-type: none"> <li>Measures acute housing need in the community</li> </ul>
	1.4 Housing stress: number of lower income households (bottom 40% of income distribution) paying more than 30% of their income on housing	<ul style="list-style-type: none"> <li>Measures number of households where housing costs are affecting wellbeing and housing security</li> <li>Offers a more realistic measure of need for social housing than the Social Housing Register, which significantly under-estimates need</li> </ul>
2. Housing supply	2.1 Growth in new residential supply relative to population growth	<ul style="list-style-type: none"> <li>Assesses effectiveness with which market is responding to demand at the regional level</li> <li>Could be adapted to include a specific focus on the supply of affordable housing relative to demand</li> </ul>
	2.2 Rental vacancy rate	<ul style="list-style-type: none"> <li>Measures real time balance of supply and demand in the private rental market</li> </ul>
	2.3 Applications on the Social Housing Register	<ul style="list-style-type: none"> <li>Measures real time expressed demand for social housing</li> </ul>
3. Housing conditions	3.1 Measure of housing quality in the private rental market: to be developed *	<ul style="list-style-type: none"> <li>Assesses overall quality of private rental stock</li> <li>Measures degree of compliance with legislated minimum standards</li> </ul>
	3.2 Measure of housing suitability: to be developed *	<ul style="list-style-type: none"> <li>Assesses degree of match between characteristics of housing supply (e.g. size, accessibility) and household needs</li> <li>Provides indication of number of households living in unsuitable housing conditions due to lack of alternatives</li> </ul>
	3.3 Measure of liveability: to be developed*	<ul style="list-style-type: none"> <li>Assesses amenity of current housing supply (e.g. access to transport, services and employment)</li> <li>Could be adapted to include a specific focus on low-cost stock where residents may not have financial resources to compensate for poor location</li> </ul>

\* For our suggested housing condition measures, data is not currently routinely or systematically collected. Yet ensuring good quality, appropriate and high amenity housing stock is provided across a range of price points is as important as ensuring raw supply. In designing measures and collecting data, we must not put an effective onus on tenants to report problems (i.e. by using complaints data as a proxy) as this will lead to systematic under-reporting.

# Conclusion

This update confirms that the housing challenges affecting many Tasmanians on low incomes show no signs of abating in areas of high demand such as Greater Hobart. Current policy initiatives to build more social housing are welcomed, but evidence suggests they will be insufficient to address the shortage of affordable housing, highlighting the need for greater investment to meet the current and projected demand.

We recommend that governments prioritise supply-side interventions when determining how money should be spent. The most efficient supply response is for government to fund new social housing, as this will meet

the needs of low-income households who currently rely on an increasingly expensive private rental sector.

We acknowledge that implementing policies designed to improve long term housing affordability is politically challenging. It is extremely difficult to build a consensus in relation to the objectives of housing policy because home owners and property investors, be they 'mum and dad' investors or commercial developers, have an interest in limiting supply and rising prices. Yet, in order to improve housing outcomes in Tasmania, we must strive to increase supply and introduce measures which will, over the longer term, result in lower rents and house prices.

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