

▼ St George Community Housing, Sydney – affordable rental housing



# Chapter Two

## The 'housing story': An Australian Perspective

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“Underlying the traditional ‘housing story’ has been a faith in social mobility”

## The Historically Hallowed Role of Home Ownership

The notion of ‘an Australian dream’ and the central role of home ownership within it has exercised a powerful hold on Australia’s popular imagination for much of the post-war period (Kemeny, 1983; Paris, 1993). Seeking to explain the cultural attachment to owning one’s own dwelling, Burke & Hulse (2010, p826) note that ‘A dominant social value in Australia is individualism... and its housing manifestation is homeownership...’ Others have highlighted its central standing within the Australian notion of the ‘wage earners’ welfare state’ (Castles, 1993).

The position of home ownership as a national norm and the second-class status of renting is pithily summarised in the comment that ‘...you’re only supposed to be in [the private rental sector] temporarily while you’re saving up to be a real Australian’ (Kelly et al, 2013). Underlying the traditional ‘housing story’ has been a faith in social mobility and the associated ideal of a ‘housing career’ in which private renter status would be, for the vast majority, a temporary episode en route to eventual outright home ownership and retirement years cushioned by resulting minimal housing costs.

As some argue, the narrative of home ownership superiority has also been bolstered by active media denigration of other housing tenures – in particular, public housing. According to Arthurson & Darcy (2015), for example, negative portrayals of public housing in the Australian media have helped to support the idea that poverty is culturally reproduced and that public housing estates are therefore inimical to tenants’ interests.

The role of social housing in Australia’s ‘housing story’ has gradually morphed into one shaped by ministerial aspirations for the sector to function as a temporary resting place ‘only for the duration of need’ (Fitzpatrick & Pawson, 2014). Thus, it should be expected that those housed on grounds of need will soon improve their socio-economic position enabling them to cease ‘dependency’ through a return to the private market (New South Wales Government, 2016). This ‘ambulance service model’ of social housing is little challenged in the media or in popular debate.

## Normalising the role of the ‘rental investor’

Another important strand in Australia’s more recent housing story is the way that, especially since the early 2000s, the mainstream media has normalised the aspiration to become a ‘rental property investor’ – a term invariably preferred to ‘private landlord’. This often involves active promulgation of the real estate industry mantra ‘that using debt to purchase loss-making investment properties is a subsidised road to wealth’ (Blunden, 2016, p345). Here, Blunden is referring to the generous tax breaks open to individual investors and which have become especially controversial in the past few years (see below). As seen by Blunden ‘[the] popularisation of investing (via mass media) must be one factor driving the increase in investor-landlordism... in Australia’ (ibid p346).

## The celebration of rising property values

Although in recent times more strongly voicing sentiments of concern about ‘housing affordability’, the default setting of the mainstream media over the past half century has been the celebration of rising property values. This also reflects the orthodoxy that governments presiding over increasing house prices will be rewarded by the electorate.

Arguably, underlying an inherent pro-real estate industry tendency within the mainstream media is the commercial logic inherent in the fact that Australia’s two largest newspaper groups – Fairfax (in 2018 incorporated into the Nine media group) and News Ltd – own digital real estate businesses that have become increasingly important to their overall viability. While remaining relatively small by comparison with these companies’ publishing operations, these real estate ventures – unlike newspapers – have been both highly profitable and on a growth trajectory.

Scholars have also highlighted the highly influential role of well-funded conservative think tanks in perpetuating Australia’s traditional housing story and in aggressively defending it against critics (Jacobs, 2015). According to Gurran & Phibbs (2015), entities such as the Institute for Public Affairs, the Menzies Research Centre and Demographia have been especially important players here.

## Recent challenges to the traditional narrative

Australia's traditional 'housing story' narrative has been increasingly challenged, not just in the very recent past but to some degree for 20-25 years. The ideal of ever-expanding detached-house-suburban-home-ownership is incompatible with the 'compact city' notion that has increasingly infused official urban planning thinking since the 1990s – especially in Australia's large capital cities where the vast bulk of the national population lives.

More recently, since the early 2000s, home ownership of any kind has become an increasingly remote prospect for large swathes of the population as property prices have continued to increase at rates exceeding wage growth (Yates, 2011a). Sharply falling home ownership rates among young people (Yates, 2011b) have provoked much popular and media angst. And despite an apparent 2017 peak in the Sydney-Melbourne housing market cycle, subsequent property value reductions still left late 2018 prices at levels far above their 2011 (pre-boom) levels.

More generally, the traditional 'housing story' narrative has become increasingly out of step with an Australia where it has become more and more difficult to pretend that the housing status quo is delivering for all. For example, as argued by leading housing economist Saul Eslake 'Although most Australians are...well housed, it can no longer be said that we are, in general, affordably housed; nor can it be said that the 'housing system' is meeting the needs and aspirations of as large a proportion of Australians as it did a quarter of a century ago' (Eslake, 2013, p9).

A different argument for changing the traditional housing story narrative is that the tax-subsidised cultural preference for home ownership and property investment has created a situation posing growing risk to Australia's economic stability. Recent years have seen the Reserve Bank of Australia increasingly concerned about the contribution of housing loans to the continuing upward trajectory of the nation's household debt – on some measures, by 2017, the second highest in the OECD (Brissenden, *et al.*, 2017). Thus, the bank has recently challenged the traditional housing policy priority placed on maximising the home ownership rate – especially in terms of young people having any kind of right to buy in a desirable location (RBA, 2015).

## Changing public sentiments and popular discourse on housing

Australian public opinion and popular discourse on housing began to change markedly in the early 2000s – largely thanks to declining home ownership affordability that resulted from the property price boom which erupted at that time. Rising popular concern created the conditions where housing – normally a low-profile policy area – acquired rare political salience in the 2007 Federal election. For much of the subsequent decade housing (un)affordability has rarely been far from Australia's media headlines, as the nation's traditional 'housing story' has been vigorously contested and challenged.

### Concerns downplayed

One common establishment response to recently rising concerns about housing affordability has been to downplay the alleged problem, as in the 2015 comments of the then Federal Treasurer Joe Hockey who famously declared that 'if housing were unaffordable in Sydney, no one would be buying it' and that 'The starting point for a first home buyer is to get a good job that pays good money. If you've got a good job and it pays good money and you have security in relation to that job, then you can go to the bank and you can borrow money and that's readily affordable' (Sydney Morning Herald, 2015).

In a similar vein, some have dismissed concerns voiced by or on behalf of frustrated young would-be homebuyers with the claim that today's twenty and thirty-somethings are a spoilt and self-indulgent generation who have no one to blame but themselves. Disparaging claims of inter-generational housing inequity, the Australian's columnist Bernard Salt wrote 'I have seen young people order smashed avocado with crumbled feta on five-grain toasted bread at \$22 a pop and more. I can afford to eat this for lunch because I am middle aged and have raised my family. But how can young people afford to eat like this? Shouldn't they be economising by eating at home?' (Delaney, 2016). A spirited debate followed.

## Recent contestation on housing system stress, its causes and solutions

Among those concerned about Australia's declining housing affordability an often powerfully expressed sentiment has been the claim that recent property price hikes result largely from foreign investor demand and, most especially, from acquisition by Chinese nationals. 'From 2012, many of the mainstream media headlines for pieces covering foreign investment in Australian real estate linked Chinese investors to housing affordability concerns. For example, a broadsheet newspaper [the Sydney Morning Herald] published the following headline [in 2014]; 'Locals priced out by \$24 billion Chinese property splurge' (Rogers, *et al.*, 2015, p742).

Some of this discourse attaches specifically to those foreign citizens who invest in Australian real estate from 'offshore'. However, under national legislation overseas buyer acquisition is limited to newly built housing. Hence, such activity should inherently expand housing supply rather than bidding up the price of existing homes. But claims of widespread abuse in the broader market are thought to be largely the result of disappointed bidders incorrectly identifying buyers as foreign nationals when they are in reality Chinese-origin Australian citizens (Rogers, *et al.*, 2015; Zhou, 2016).

For national governments – especially those of the political right – a consistent discursive theme in Australia's evolving housing story is that housing unaffordability results entirely from state and territory restriction on the effective operation of housing markets. If only state and territory ministers would expand land release, the issue would be fixed. Hence, John Howard's 2006 contention that:

**'The fundamental cause of the high cost of the first home is the cost of land, and until state governments understand and accept that and they stop bowing to green pressure and they release more land... we're going to have a problem.'**

Cited in Gurrán & Phibbs, 2015, p721)

This stance is strongly supported by development industry lobbyists through their highly influential representative organisations such as the Property Council of Australia. Just abolish planning and, hey presto, problem solved!

On the other hand, especially stimulated by the post-2011 Sydney and Melbourne house price booms, there has been a growing focus on the demand side of the equation. And, in particular, the extent to which markets have been inflated by demand from landlord investors as opposed to owner occupiers. With housing finance approvals to investor purchasers rising to more than 50% of total loans in the period to 2017 (Martin & Massola, 2017) the media carried endless and often emotive stories of first home buyers cruelly outbid by investors. Critically, it has been widely observed that the vast majority of rental investor acquisitions involve existing, rather than newly-built dwellings (although it has also been true to say that a large proportion of newly constructed apartments have indeed been purchased as 'investment properties').

The increasing awareness that investor demand is strongly underpinned by generous tax concessions has fuelled a powerful new element within the overall discourse – the case that the housing affordability challenge is not (just) a housing supply problem but is substantially the result of tax-subsidised demand (Blunden, 2016). The iniquity of tax-advantaged property acquisition by private landlords, a concern voiced by some housing economists and academics for many years, has become an increasingly mainstream sentiment. Pro-reform think tanks such as the Australia Institute and the Grattan Institute have featured prominently, with the latter estimating that the annual cost to the national exchequer, in terms of forgone tax receipts, has reached \$11.7 billion (Daley & Wood, 2016).

The recent salience of such arguments has been such that, in an opening gambit in the 2016 Federal election, the opposition Labour Party was emboldened to pledge that the relevant concessions would in future be restricted to purchasers of newly built housing. Despite the Government's fierce defence of the status quo, polling evidence suggested that – contrary to orthodox wisdom – Labour's move drew substantial support and did the party no electoral damage. It also evoked backing from influential voices across the political spectrum and the mainstream media and – despite recent change in market conditions (see above) – looks set to form a plank in Labour's 2019 election pitch.

Enabling a re-focused housing story to gain traction will probably require that the economic critique of the current housing policy model is better quantified and promoted.

## Re-setting Australia's housing story narrative

A growing range of voices are represented among those challenging aspects of Australia's traditional housing story. As well as academics, advocacy organisations and philanthropic players, these include many mainstream media commentators, civic campaigners and (some) business lobby groups. Enabling a re-focused housing story to gain traction will probably require that the economic critique of the current housing policy model is better quantified and promoted. This is partly about bringing to the fore the risks arising from an overvalued property market floating on a sea of private debt; a situation fostered through investment choices distorted by dysfunctional tax settings.

The above arguments also suggest that a new housing narrative for Australia needs to de-stigmatise renting, needs to rebalance the presentation of home ownership in terms of its risks as well as its rewards, and needs to argue that current housing system trends are accentuating social polarisation.



▲ Mirvac, Pavilions, Olympic Park, Sydney  
– design for 'build to rent' project

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