From: Morgan-Thomas, Eleri S
To: Tasmanian Housing Strategy
Cc: Executive Services
Subject: FW: Mail received today at Homes Tasmania
Date: Friday, 30 June 2023 11:40:35 AM
Attachments: image001.png
Letter - Nekon Pty Ltd - Feedback in Response to the Tasmania Housing Exposure Draft.pdf
Submission in response to the Tasmanian Housing Strategy Discussion Paper.pdf

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Eleri Morgan-Thomas
Chief Executive Officer

[redacted]

Homes Tasmania
Level 4 , 134 Macquarie Street, Hobart
homestasmania.com.au

From: Executive Services <Exec.Services@homes.tas.gov.au>
Sent: Friday, 30 June 2023 11:37 AM
To: [redacted]
Cc: [redacted]
Subject: Mail received today at Homes Tasmania

Please see attached letter and submission from Nekon Pty Ltd in response to the Tasmania Housing Strategy Discussion Paper.

Kind regards

Anita.

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Anita Orchard

Executive Services Officer
Office of the CEO

[redacted]

Homes Tasmania
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In recognition of the deep history and culture of this island, I acknowledge and pay my respects to all Tasmanian Aboriginal people; the past and present custodians of the Land.

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27 June 2023

Michele Adair – Board Chair & Eleri Morgan-Thomas – CEO
Homes Tasmania
Level 4, 134 Macquarie St
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Feedback in response to the
Tasmanian Housing Exposure Draft

We were fortunate recently to meet with Tim Gourlay and Robert Pradolin to discuss the Tasmanian Housing Strategy Exposure Draft. We had an interesting discussion where we raised some of the points that we feel are particularly lacking in the Exposure Draft and which make that document little more than a tokenistic consultation, leaving it unlikely to lead to any substantive improvement in the housing market over the long term.

We did provide some feedback on the Housing Strategy Discussion Paper late last year, granted, outside the nominated consultation period, which we enclose here, with some key points highlighted. We would strongly urge you to have a look at those points which unfortunately do not appear to have been picked up from the feedback provided by others. Our letter makes the serious impact of Short-Stay Accommodation (SSA) and other housing supply and demand factors clear.

There are fundamental issues in the housing sector that do not seem to be being addressed in the Exposure Draft, such as the paltry passing mention on page 36 of SSA, that is having a significant impact on the housing situation. Hobart City Council's recent move to double the rates on SSA properties is indicative of the impact this industry is having, and the need for these properties to return to long-term accommodation use. The immediate impact to supply if this occurred would be dramatic, reducing the cost to government and to the community in the short term, and in the long term by over $1 Billion. Where Homes Tasmania could potentially have an outsized impact would be in bringing about better government policy or pushing for legislation to return more of these properties, and properties that sit unoccupied, to the rental market.

The tourism and tertiary education industries have outsized effects in Tasmania and do little to contribute to the externalities that they create for the local community. There should be ways to make these industries contribute financially towards the pressures it places on infrastructure and housing. In an era where we can impose financial penalties on polluting industries, surely we can charge those industries for their externalities?

Government policy could also address the additional demand that is being placed on the housing sector by inbound migration in excess of increase in housing supply but also the desired population growth for the state. Where demand is created by particular entities, Homes Tasmania could push for policy that requires the entities to contribute to the housing supply.

Homes Tasmania should strive to reduce the regulation and embedded costs of building that will reduce the 'bang for the buck' that spending on social or affordable housing could have. Getting roofs over people's heads can't be held back by trying to cater for every exception and overly high building standards. Simplicity and cost-effectiveness should be the aim for making a bigger impact, sooner. Homes Tasmania is in a position to advocate for relaxation of rules and regulation or for legislative change to expedite building and reduce the construction costs to relieve the housing crisis. We run the risk of being bogged down on issues of quality (e.g. energy rating) at the expense of getting a greater quantity of housing created at lower cost.

We applaud Homes Tasmania's ModHomes initiative which has the potential to not only create supply, but do so at speed whilst increasing local skills. Could this program be expanded? We hope it will go beyond its initial four-year program as it has potential not only to up-skill people, but to broaden the local building industry notoriously short on providers to provide lower-cost construction options.

Supply of housing is difficult to increase quickly, but the sooner it can be done, perhaps with return of SSA properties to long term rental, or the provision of simple but basic accommodation at speed and at scale, the greater the impact can be. That impact would benefit not only on those to whom stable accommodation is made available, but also reduce supply/demand imbalance pressure in the housing market as a whole, relieving financial stress on those who are only just managing to keep a roof over their heads.

More than anything, this Exposure Draft says to us that we are likely to get another report/strategy/paper full of buzzwords and platitudes, trying to make everything perfect, and catering to every exception, instead of actually getting on with providing adequate shelter for people who are currently without, or relieving the pressure on those who are becoming more marginalised by being made less and less able to afford the roofs over their heads. We urge you to take more significant action such as we suggested here and in our previously letter to actually see results in expedited, streamlined and cost-effective projects that get people into homes.

Yours faithfully
NEKON PTY LTD

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21 December 2022

ATTN Tasmanian Housing Strategy
Department of Communities Tasmania
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Submission in response to the
Tasmanian Housing Strategy Discussion Paper - September 2022

We refer to the Tasmanian Housing Strategy Discussion Paper, which was released in September this year, and we note that a consultation draft will be released for comment and feedback early in 2023.

We wish to express our concern that the 40 page Discussion Paper only skims the surface of the present problem, and has in fact not been designed to solve a housing problem, so much as it is a document that seeks to simply acknowledge it, as if in passing.

The Paper suggests there should be a focus on three areas (being affordable housing, housing supply and sustainable housing) in order that a 20-year framework be established. However, we are presently facing a housing crisis, and as such the situation is far more urgent than that and requires consideration being given to resolving the calamity and change to the fundamental drivers.

We believe The Tasmanian Housing Strategy Discussion Paper clearly demonstrates that the State Government is failing to understand basic supply and demand economics. It does not address, in a holistic manner, the factors that are impacting on the Tasmanian housing sector which are causing housing shortages, increasing rents and marginalising the most vulnerable Tasmanians, impacting on people's long-term vulnerability, security, mental health and homelessness.

The data presented in the Discussion Paper understates the scale of the housing problem and therefore the strategies proposed fall well short of properly addressing the shortfall in housing. It is doomed to fail, if in fact it is meant to resolve the housing catastrophe, but it does enable government to point to a document that looks as though it is doing something. The focus on constructing a few houses to meet political imperatives without a clear mandate of achieving real short term and long-term outcomes is evident.

We wish to make the following detailed criticisms of the document.

1 Renters and owners

We must be aware that at all times around 35% of Tasmanians are renters. This has to be the focus of the Tasmanian Housing Strategy, particularly in areas of supply and demand, and pricing. It is clear that the growth in housing supply has not kept pace with demand growth over the last 5 years. Tasmania's population grew by more than 10,000 persons a year from 2016 to 2020, while over the same period the number of dwellings increased to accommodate fewer than 6,800, 7,900, and 8,150 persons in each of those years respectively (based on new residential building approvals, less residential demolitions, and an average household size of 2.64 persons[1]).

Tasmania population increase per ABS[2]	
2015-16	2,397
2016-17	10,810
2017-18	11,788
2018-19	12,198
2019-20	11,197
2020-21	4,402

	2017	2018	2019	2020	2021
total **dwelling units approvals (ABS 87310017)**	2690	3074	3177	3525	3986
less **residential demolitions (ABS 87310087)**	130	89	97	88	85
therefore **net dwellings increase**	2560	2985	3080	3437	3901
by **average household = 2.64 persons**					
therefore **dwelling increase accommodates this many additional people**	6,758	7,880	8,131	9,074	10,299

On this basis alone, there is a shortage of accommodation for over 8,253 people or 3,126 homes. This is before one analyses whether the homes being built or purchased were second homes (i.e. vacation homes for people living interstate, overseas or Tasmanians) and whether any supply has been taken out of the market to become short stay accommodation.

Adding to supply with new builds is a costly and time-consuming process. It is likely to take 3 years and cost in excess of $500,000 a residential dwelling. Just on the modest number above it

[1] Australian Bureau of Statistics (2016-2041), Household and Family Projections, Australia, ABS Website, accessed 27 September 2022.

[2] Australian Bureau of Statistics (March 2022), National, state and territory population, ABS Website, accessed 11 November 2022.

would cost government $1.562 billion to meet just this shortfall. This level of financial commitment is not evident in the strategy paper. However, we all know the problem is far larger.

2 The cause of the problem

To fix this crisis in a timely manner, the Housing Strategy needs to get serious and look at the root causes of the problems and argue and advocate for legislative change. We must look at basic supply and demand factors that have happened in recent years, causing the shortage, rents to skyrocket and the marginalisation of Tasmanians. Judging by the discussion paper, public policy is about settling for acceptance and containment of the housing shortage rather than actually aiming to make significant and tangible headway towards solving the issues.

Therefore, we must ensure that existing residential properties are returned as long-term housing supply. This was the original intention when the houses were built and not redeployment for other purposes. This is their highest and best value for society. There is a failure to analyse economic externalities caused by the short stay accommodation market or the growth in second homes.

The Supply Side

Short-stay accommodation (SSA) has had a serious negative impact on supply, and more significantly so in smaller overall housing markets such as many Tasmanian towns and cities like Hobart. The Discussion Paper notes 2,777 residential dwellings being used for SSA in Tasmania and reported as not being a primary residence.

The Rental vacancy rate (Hobart 0.9%, Launceston 0.8%)[3] is currently well below industry benchmark for equilibrium of 3%, which pushes up rents faster than CPI, which is exacerbating housing stress. The Discussion Paper notes just over 70% of Tasmanians own or are buying their own home, which makes rental properties the housing for nearly a third of all Tasmanians, say 63,000 households. Losing 2,777 properties from the long-term housing supply for renters to the SSA 'industry' in Tasmania's relatively small population has a significant impact – those properties represent around 4.4% of the regular rental market.

The Baseline Report of the Shelter TAS research project[4] released in June of this year highlighted the increased impact of SSA in smaller centres; Greater Hobart has 6.8 times more short-term rentals than Greater Sydney (as a proportion of its total private long-term rental market), and 4.5 times more than in Greater Melbourne.

[3] Hobart's rental market is 'tightest' out of Australia's capitals and it may be getting worse https://www.abc.net.au/news/2022-02-16/tas-hobart-rental-market-affordability-for-tenants/100833150 accessed 7 October 2022

[4] Monitoring the impact of Short-Term Rentals on Tasmanian Housing Markets, p6 https://sheltertas.org.au/wp-content/uploads/2022/01/STR-Baseline-Report-June-2022_FINAL-combined-files.pdf accessed October 2022

Our smaller communities suffer more, and more quickly from the externalities of the SSA industry than larger communities. The recently-released update of Shelter TAS' research project[5] found that 67% of current SSA properties in Launceston were previously long-term rentals. This industry is hurting our renters more than anyone else in the housing market, and they are likely to be the least able to find an affordable housing alternative!

As if this was not bad enough, the number of properties effectively removed from the long-term rental market is very likely higher than the Housing Strategy Discussion Paper suggests. More than 3,400 'entire properties' were listed on Airbnb in Tasmania in 2018[6]. What impact does the withdrawal of 3,400 properties from the rental market have? Using the 2016 ABS average household size of 2.64 persons, the shift of those dwellings to SSA has removed housing from the market for approximately nearly 9,000 people, or housing stock to the value of $1.7billion if we assume an average house value of $500k (which, in the current market, is a low-end figure). That figure is effectively the cost of the housing problem created by SSA alone. It is time proper economics is used to examine the externalities of industries. Why should the community at large be picking up the costs and burdens of one particular industry - whose owners are making a "killing" - while at the same time marginalising many people in the community. It is without question that this industry should contribute towards the cost of the long-term housing supply shortfall it is causing.

The Tasmanian Government is being held hostage by "grift". The Housing Strategy should address this issue front and centre and not run away from it. It is very easy to get serious housing stock back into the market quickly with proper policies, taxes and regulation.

Furthermore, SSA tends to be in more central locations – forcing long-term residents out of the central suburbs and away from the working centres. This is evident in Hobart and therefore workers in the inner city then have to travel from more distant residences, causing other externalities such as traffic. Affordable housing is needed to ensure that those in essential roles aren't being forced further and further from the workplace due to rising housing prices arising from diminishing supply.

We suggest that the number of entire properties given over to SSA be capped, with the goal of returning all of these properties to the private long-term rental market over a short period of time. This could be achieved through a significant licence fee which ensures no excess profit and therefore financial incentive to an owner to have property in the SSA market. The proceeds of such licence fees could go towards the creation of affordable housing in the same area. However their licence fees need to be substantial to counterbalance their externalities to society.

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[5] https://sheltertas.org.au/wp-content/uploads/2022/12/STR-Progress-Report-1_Dec-2022.pdf

[6] *A blueprint for improving housing outcomes in Tasmania*, UTAS Institute for the Study of Social Change https://www.utas.edu.au/social-change/publications/insights/insight-three-a-blueprint-for-improving-housing-outcomes-in-tasmania accessed 6 October 2022

Building our way out of it

Adding to supply by building is a long-term solution, but at present the construction industry is unable to service the demand for their services. Government programs that seek to boost the economy by building infrastructure make it more difficult or more expensive (or both) to get privately funded residential projects completed either for owner-occupiers or for investors seeking to add to the housing supply. In other words, the government is crowding out private investment. Further big projects, such as the proposed AFL stadium which demonstrates mal investment, demand large subsidies paid by the people of Tasmania., who will suffer from the limitations in the industry's capabilities and a workforce stretched even further, making residential completions even harder and more expensive to achieve.

The economic crowding out by government only exacerbates the problems and defeats the objectives of the Housing Strategy as a developer of residential property, be they government, the private owner or investor-developer, obtains less value for money for their building dollar.

Another supply source

There is a source of supply in the number of dwellings that sit unoccupied; 29,185 dwellings in Tasmania per the last census[7]. Owners could be incentivised to allow these to go into the long-term rental market. Some of these properties may well be in popular holiday areas that need their workforce to be able to live within a reasonable distance of their workplace. There should be higher taxes including higher land tax on second homes.

The Demand Side

Whilst many of the potential measures to improve the housing situation in Tasmania focus on increasing supply, it is important to consider the government activities that can affect the level or nature of the demand side of the equation.

The state government is aiming to grow Tasmania's population to counteract the state's ageing demographics and grow the economy, requiring an average of 2,800 per year to achieve its goal. As we have seen, this figure has been more than exceeded in recent years. The government therefore should actually be setting limits to inbound migration to the state, particularly where these numbers are in excess of the accommodation increase over the same period. Population growth exceeding the increase in accommodation capacity further increases demand, impacting on housing availability and affordability and increasing housing stress for locals and marginalising Tasmanians, particularly the most vulnerable.

[7] Australian Bureau of Statistics (2021), Housing: Census, ABS Website, accessed 12 October 2022.

The focus on growing the population should strive towards the jobs being created being better paid jobs, so not further crowding the affordable housing market available to locals, and also aim to fill work roles where there are shortfalls e.g. general practitioners and other health professionals. Workers in higher-paid jobs can afford to be owner occupiers. Low paid jobs only put added pressure on the lower end of the market, and in particular the rental market. There is 35% of workers at all times renters and these are mainly the low paid workers.

Meeting both supply and demand

Could some strategies address both the supply and demand sides of the equation? The PESRAC Final Report[8] (p50) notes anecdotal evidence of limited supply of builders and tradespeople. There should be a focus on training and skills in this area, or attracting interstate/overseas migration to create a better supplied industry, and as well as create more opportunities for well-paid trade jobs, and make it possible to increase the rate of housing completions.

Entities such as the University of Tasmania, and other education providers that actively *create* housing demand, should have greater onus placed upon them to provide accommodation supply so that their activity bringing students from interstate and overseas isn't a detriment to other parts of the housing market.

As well as addressing the impact of these entities' activities on affordable housing for local workers, these education providers should be supporting accommodation for Tasmanian students if they are required to live away from home in order to pursue their course of study.

Having now developed a number of properties for medium term student accommodation, UTAS is missing an opportunity to utilise their student accommodation for tourist accommodation during periods of low student demand e.g. over the summer/Christmas break, as it done in some of the much-idolised European city campus universities. This would provide an alternative short stay accommodation avenue that works *together with* longer term accommodation, rather than supplanting it as providers like AirBnB do, whilst supporting the tourism industry indirectly.

Conclusion

The lack of understanding, commitment and effort on the part of the government towards really and fully addressing the housing crisis evident in this paper is not just frustrating, it is actually distressing. How can you actually successfully deal with the crisis with a strategy that doesn't come close to the financial investment or the policy needs to address the factors acting on the housing situation in Tasmania? If this is indicative of the government response to the crisis, that response is never going to adequately address the catastrophe.

[8] Premier's Economic & Social Recovery Advisory Council Final Report March 2021
https://www.pesrac.tas.gov.au/__data/assets/pdf_file/0011/283196/Final_Report_WCAG2.pdf

This Housing Strategy Discussion Paper smacks of tokenism, using a few of the buzzwords and acceptable figures so that when Tasmanians are let down with the outcomes you can say 'Well, we had a Strategy…" Either government hasn't really thought about how other areas of policy indirectly impact on housing, or policy isn't adequately coordinated between branches, or the government cares so little that it is satisfied with accepting that there will be 'casualties' of those that their housing strategy fails.

The State Government has an opportunity to not just think smarter and look at the housing crisis' causes and potential remedies, but to put together and roll out a strategy that really has a chance of bringing about rapid and positive change for Tasmanians. Don't miss this opportunity.

Yours faithfully
NEKON PTY LTD

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