

# Rundle: how to fix the housing affordability crisis

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To measure the new elements that are created in the near-speed-of-light particle accelerators, scientists started to use whole new microdivisions of time: yottaseconds, etc, etc. Which is of benefit for Australian politics, as we can now accurately measure the duration of policy proposals.

Boy, that idea of using superannuation to fund housing deposits didn't last long, did it? Sent it round the accelerator, bang, it hit reality, and another piece of political antimatter was created? The idea of taking money sequestered from salaries to create life-security over the long-term, and then pumping it into an over-inflated housing market was, well, the sheer elegance of the stupidity and political desperation, the balance of parts, was a thing wondrous to behold.

But whoever devised it can take comfort in the fact that it isn't as stupid as the next stop-gap solution to the housing affordability crisis that will come along. By now, we could run an awards night each year, of dumb non-solutions to the housing affordability crisis, with a red carpet walk, and the amazing prospect of host Richard Wilkins being one of the smarter people in the room. I don't think pumping superannuation into inflated value-stores is quite up there with Barnaby Joyce's suggestion that people who can't afford houses in Melbourne and Sydney should move to Dubbo, etc (and presumably work in the uneconomic rural services sector subsidised by the taxes of people who work in Melbourne, Sydney, etc), but it's up there.

The collapse of housing affordability — both buying and rental — in capital city Australia represents the single greatest failure of policy in the post-social-democratic era. Indeed, it is the failure of policy and planning in one concentrated form. The fog and flurry of different kludge non-fixes continues to obscure the big picture: that 30 years ago, housing was affordable on a multiplier of three to four times your wage, without a huge debt load, and with parental inheritance being merely an advantage, not something approaching a precondition. Conditions now are a double, triple, multiple whammy: housing seven, eight, 10, 11 multipliers of income, piled onto lives that are already run on debt financing, with money being drained into an asset that is largely a land/position price. The cheaper it becomes to actually build houses, the more expensive they become.

The failure of housing affordability has many proximate causes — and as many theories as to which is the most important — but is, at its root, a product of its exclusion from the notion of social democratic responsibility in the 1980s and 1990s. Put simply, state and federal governments all concluded that it was not their business to ensure that people had decent housing that did not make them slaves to a mortgage or landlord for years on end, or suffer the precariousness of short-term rentals, and quasi- and actual-homelessness. There was no pre-ordained necessity to this move. We never did it in medical care, for example, though we might well have, and our medical system would look like the US' does.

The managed decline of the public housing system, the failure to develop a robust strategy to match population increase through high immigration, and the failure to consider the inflationary effects of a resources boom in which the state retained little of the returns for re-investment — all of these have been forestalled as political crises by the individualisation of the problem. From rueful jokes about “generation rent” to bullshit about what people have for breakfast, the mixture of exclusion and debt peonage has been turned into a quasi-natural condition. Added to that has been the sudden money symbols in the eyes of those who do manage to get into the market, the sense that they are on an accelerator to \$\$\$\$\$/ by owning an arson-damaged former public toilet in Chippendale.

We must surely be at the breaking point of that by now. The joke is over. The avocado, it is smashed. The sheer number of people locked out of the market, despite having reasonable-paying jobs, is becoming a political mass in its own right. The sheer desperation of the rental dragon-chase has become a cause of vast misery for lower-income people. The awareness is growing that this is all a huge bet on continued growth, prosperity dependent on the global market, and no sudden crunch on debt servicing rates.

With the provision of housing individualised, and that process “naturalised” as the way of the world, the options for solving it narrow. Release more edge-city land without direction on building and we will simply have more concentric rings of unserviceable suburbs, until Melbourne and Sydney meet at Albury. Stamp duty? Charges? Tax rates? Negative gearing? They’re obviously not going to change the big ratios, the sheer amount of money mortgages and rent take out of salaries and wages. The Greens have the best solutions — all of which, as with many Greens policies, will simply become mainstream policy in five or 10 years’ time — of using superannuation capital and bond issues to prompt new investment in affordable options. But even, or especially, this measure, if it is applied without real structural change in what housing is, would be inflationary, providing yet more money to a supply whose growth does not match it.

Whether lack of supply of the sort of housing we need is the problem, or oversupply of money seeking a value-store, the only way to restore housing affordability — and, as importantly, a renewed commitment to equality of access to ownership and/or long-term security — would be to attack supply on a vast scale. The easiest way to do this would be by substantial public-private developments on brownfield sites in the inner city, and compact and highly accessible urban hubs on the outskirts, mini-cities linked to the core city by high-speed rail.

The inner-city brownfields sites would have a mixed-height, etc, aspect, but a significant amount of it would be very big, very high-rise — architect designed towers, with internal mixed-use — each serving as a new opportunity for synergising the best in green building and energy generation/consumption design. The flats would be priced as affordable, really affordable — \$125k for a one-bedroom, \$200k for a two-bedroom, with a 5% deposit — with the public/private authority having a first-option buyback if the owners want to put it on the market. The buyback would be some multiplier of a specific inflation measure, but far less than the private market rise. Multiple ownership and Airbnb-ing would be banned (something body corporates do anyway). Rental would be allowed, but managed by and at a rate set by the managing public-private corporation, of a measure of affordability similar to the price itself. Large public/private bond issues would kick off the development, after which they would become self-funding, serve as an investment target for super funds, create many new skilled jobs, and serve as a focus for a new apprenticeship program, incorporating green design and hi-tech skills.

So, yes, if you bought into such a scheme you could live there for two years, or 80. There would be some opportunity cost to entering the market thus, rather than in the private sector, but that

would be an available free choice. It would also make possible home-ownership combined with voluntary reduced hours work, and more variable and flexible lifestyles, retain a mix of income levels and lifestyles in the inner-city, and reduce “positional inequality” — the idea that the benefits of centrality will be reserved to the rich. No, the opportunities for rorting it can't be excluded, but they can be minimised.

Yes, the private sector would squawk, and politicians would be terrified of some disastrous house-price fall (the paradox of the affordability problem, in essence) — but it wouldn't have a huge undermining effect on high-price property. Yes, such a scheme would “crowd-out” over decades of increased population — but it would have to be done in conjunction with new hub cities, which use super-fast transport, digital connection, and good urban design to make the outer areas more sustainable, livable, autonomous and attractive.

The investment over decades would be trillions, not billions. Does anyone in the three-ring circus of major party Australian politics have the audacity to suggest such a thing (apart from this lunatic Melb-Syd high-speed rail/service cities proposal, to which Steve Bracks has attached his name — which would simply repeat a century of failure in attempts to regionalise Australian populations)? No, because the three-ring circus is also a large hadron collider, in which ideas are whirred, measured and smashed, winking out of existence as soon as they come into it. Lot of energy. No mass, certainly not in bricks and mortar (or concrete and 3D-printed graphene-silica cement, which is what we'll use soon).