City deals and affordable housing

Cities Division
Powerful forces at work in housing

• International housing market = $13 trillion

• Rising populations

• Rising global savings
Global savings

**China Savings as % of World GDP**

- **Timeline:** 1982 to 2015
- **Graph:** Shows the percentage of China's savings relative to world GDP over the specified period.
Population growth
Sydney house price premium

Source: Ableson, Corelogic, PM&C
Dwelling price vs income

Dwelling Price-to-income Ratios*

* Average dwelling prices to average household disposable income

Sources: BIS; Bloomberg; Canadian Real Estate Association; CoreLogic; Halifax; national sources; OECD; Quotable Value; Realkreditraadet; Thomson Reuters; United Nations
Australian City Deals

• Smart Cities Plan

• City Deals
  o Governance, city planning and regulation
  o Infrastructure and investment
  o Jobs and skills
  o Innovation and digital opportunities
  o Liveability and sustainability
  o Housing
Current Deals

• Townsville, Launceston and Western Sydney
Western Sydney City Deal

• Western Sydney 3rd largest economy
  • Set to grow by 1 million people over the next 20 years
  • Population growth and housing affordability pressures

• City Deal – collaboration between the Commonwealth, NSW Government and 8 local governments
  • Local job opportunities, connectivity and liveability
  • Infrastructure investment e.g. Western Sydney Airport
  • On track for delivery in 2017
Western Sydney Housing package

- Funding provided under the Western Sydney City Deal
- To incentivize ambitious local planning and zoning reform at the state and local government level – focused on delivering housing targets
- Aim to accelerate housing supply and help the people of Western Sydney access the right homes in the right locations
- Possible examples:
  - Rezoning land for higher density housing
  - Reducing development approval timeframes
- Details negotiated as part of the City Deal
Commonwealth Housing Package

• Western Sydney Package nested in broader housing package

• The Australian Government is providing housing solutions across the entire housing spectrum
  • But there are no silver bullets

• Measures include:
  • National Housing Infrastructure Facility
  • Unlocking Commonwealth land
  • Reducing barriers to downsizing
  • Tougher rules for foreign investors
  • Social and community housing
National Housing Infrastructure Facility

• Finance critical infrastructure needed to speed up the supply of new housing (transport, power/water, site remediation)

• $1 billion over 5 years to support local governments:
  • $600 million in concessional loans;
  • $225 million in equity investments; and
  • $175 million in grants.

• Administered by National Housing Finance and Investment Corporation – from 1 July 2018
Unlocking Commonwealth land

• Opening up surplus Government land for housing supply
  • 127 ha of Defence land in Maribyrnong (less than 10 km from Melbourne CBD)

• Establishing an online Commonwealth land registry
  • Encouraging proposals for better land use from businesses and community groups
Back pocket
Sydney share of national population

- Sydney
- Melbourne
- Brisbane
- Adelaide
- Perth


Percentage range: 0% to 25%
Reducing barriers to downsizing

• Allowing older Australians (65+) to contribute downsizing proceeds into superannuation
  • From 1 July 2018, can make a non-concessional contribution of up to $300,000 from the sale of a principal residence, held for at least 10 years, into their superannuation

• Encouraging some people to downsize into housing that is more suitable to their needs, freeing up larger family homes
Tougher rules for foreign investors

• Ensuring that Australian homes are available for Australians

• Limit on foreign ownership in new developments
  • 50 per cent cap on pre-approved foreign ownership

• An annual charge (at least $5000) on foreign owners who buy residential property and leave it vacant for more than 6 months

• Strengthening CGT rules for foreign investors
Social and community housing

- National Housing and Homelessness Agreement to increase the supply of new homes, particularly helping those most in need

- National Housing Finance and Investment Corporation
  - cheaper and longer-term finance for community housing sector

- Social Impact Investments to support innovative approaches to reduce homelessness

- Boosting affordable housing through investment tax incentives (increased CGT discount)
UK City Deals

• Struck between the national government and groups of local governments

• Local authorities invited to approach national government with proposals – not centrally led

• Bespoke approach – common policy domains include transport, skills investment and low-carbon initiatives

• First 8 deals signed in July 2012. Now 31 deals, several more under negotiation
Housing in UK City Deals

- Greater Birmingham Deal – redevelopment of public land for housing and business outcomes

- Greater Manchester Deal – housing investment fund to loan to developers for housing projects

- Greater Cambridge Deal – new model for housing investment and streamlined planning