A blueprint for improving housing outcomes in Tasmania


Growing numbers of voters across the country are demanding that governments, both state and federal, act decisively to ensure that more Australians have access to affordable, secure and suitable housing. While rising house prices benefit many, there is growing recognition that declining home ownership and a lack of suitable and affordable rental accommodation is bad for our community and, in the long run, bad for the economy.

We are the first to acknowledge that housing markets are complex and that a long-term, coordinated approach involving all levels of government is required to address the housing crisis. However, this does not mean the Tasmanian government can sit on its hands and wait for the Commonwealth or other states to act. We urge the next Tasmanian government to lead by example and introduce evidence-based reforms that are likely to deliver longer-term results, while encouraging other Australian governments to follow by introducing complementary measures.

This report outlines the three areas of reform we believe are needed to improve housing outcomes in Tasmania: a phased-in overhaul of property taxation; planning and other regulatory reform; and strategic government spending (incentives and infrastructure).

Included in this report is a summary of the Tasmania-relevant findings from a year-long national research project on pathways to state and local housing tax reform, which we recently undertook for the Australian Housing and Urban Research Institute (AHURI). Our analysis is based on new and sophisticated modelling of the market values and sales of the 8,593,202 residential properties in CoreLogic’s national residential property database in 2016 (see the full report for detailed administrative and policy design recommendations).

Also references previously unpublished independent data on the rapid growth of Airbnb in Tasmania. Shows that in January 2018, more than three-quarters of the 4,552 properties available on Airbnb in Tasmania were ‘entire properties’, as distinct from spare rooms, and the number of entire properties in the Hobart area has increased from 250 to 876 in the past 18 months. We acknowledge the many benefits of Tasmania’s $90 million accommodation sharing industry, but believe the sector needs to be better regulated to ensure that its growth is not at the expense of providing Tasmanians with access to affordable, appropriate rental properties.

This report outlines a pathway to a better property tax system and housing outcomes in Tasmania, which is both politically and economically viable.
With house price growth outstripping wage growth, falling vacancy rates and an associated rise in rents, Hobart has become the least affordable city in Australia, other than Sydney, for low-income rental households.

Although housing markets are complex, with many factors influencing prices and supply beyond the control of state or local government, subnational taxes are contributing to poor housing outcomes in Tasmania.

The systematic reform of the state and local government taxation of residential property will make a significant contribution to improving housing outcomes for Tasmanians over the longer term.

Many recently announced proposals to address Tasmania’s housing challenges are short term in focus and likely to be ineffective.

The rise of Airbnb and other holiday letting platforms is having a significant impact on rental supply, especially in major cities and demands more careful regulation.

Tasmania’s Affordable Housing Strategy needs to be revised and expanded to reflect growing housing supply challenges.

Tasmania has a unique opportunity to lead by example, building the case for complementary housing reforms in other jurisdictions and nationally.

### Key Points

- Property Tax Reform
- Complementary Housing Reform Recommendations
- Policies that are unlikely to be effective

### Recommendations

**Property Tax Reform**

The broad aim of property tax reform is to make the tax system simpler, more efficient and fairer without increasing the overall tax burden.

- In the immediate term simplify property taxation by integrating the collection of Local Government rates and State property taxes.
- In the short term replace Tasmania’s existing, complicated stamp duty regime with a 6% stamp duty on the value of all properties above a threshold of $143,000 (2016 indexed).
- Remove the stamp duty threshold for investors purchasing established properties and use the additional revenue to fund further stamp duty relief and/or promote the supply of affordable rental accommodation.
- Over the longer term, gradually introduce an annual low-rate, broad based tax on all residential property and use the revenue to phase out stamp duties (cut the stamp duty rate by .6% per annum for 10 years).

Integrate existing land taxes into this new property tax and abolish existing land-tax aggregation provisions to encourage institutional and larger-scale investment in rental supply.

**Complementary Housing Reform Recommendations**

- Regulate the number of entire properties that are converted from long term rental to short term holiday letting in key inner city markets.
- Introduce policies that promote private rental market access and supply, particularly for low-income households.
- Extend the government’s existing commitment to The Affordable Housing Strategy.
- Increase the supply of social housing in Tasmania by urging the Commonwealth to forgive (or alter the repayment of) Tasmania’s historical housing debt and investing the funds into new, affordable, and appropriate housing. (in partnership with the community sector and private investors)
- Develop and implement a state-wide integrated planning regime that identifies and stimulates residential development in priority zones.

### Policies that are unlikely to be effective

- Short-term homebuyer or investor incentives, which simply add to demand without increasing supply.
- Taxes and surcharges on foreign investors or vacant properties. In the current Tasmanian market there are very few foreign investors (see Figure 1) and vacant property taxes are extremely difficult to administer and largely ineffective.
- Policies encouraging new housing supply in locations that do not have good access to transport and employment, education or services.
- While measures designed to encourage long-term leases and increase tenant security should be considered, the most effective of these is the winding back of the Commonwealth’s Capital Gains Tax discount, which encourages speculation and artificially inflates demand for existing investment properties.
Housing in Tasmania

In December 2016 there were 186,317 residential properties in Tasmania (26,572 units and 159,745 houses). Tasmania (and in particular Hobart) is experiencing a housing boom. In the 12 months to October 2017, residential property prices state-wide rose by 9.2%, well above the national average of 6.6%. Property prices during the 12-month period to January 2018 in Hobart rose by 16.5%, more than any other capital city in Australia.

Although dwelling prices in Tasmania still remain well below other capital cities (Tasmanian median mortgage repayments and rent are 26% and 31% respectively below the national average), the benefits of cheaper housing are negated by the fact that Tasmanian median household income is 23% below the national average.

Table 1. Home ownership and affordability 2016: Tasmania and Australia compared

<table>
<thead>
<tr>
<th></th>
<th>Tasmania</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned house outright</td>
<td>35.7%</td>
<td>31.0%</td>
</tr>
<tr>
<td>Have mortgage</td>
<td>33.5%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Proportion of households paying over 30% of income in rent</td>
<td>10.2%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Proportion of households paying over 30% of income in mortgage payments</td>
<td>5.1%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Median weekly household income</td>
<td>$1,100</td>
<td>$1,438</td>
</tr>
<tr>
<td>Median weekly personal income</td>
<td>$573</td>
<td>$662</td>
</tr>
<tr>
<td>Median weekly rent</td>
<td>$230</td>
<td>$335</td>
</tr>
<tr>
<td>Median monthly mortgage repayments</td>
<td>$1,300</td>
<td>$1,755</td>
</tr>
<tr>
<td>Proportion of households with gross household income under $650 per week</td>
<td>26.3%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Proportion of households whose main source of income is government allowances and/or pensions</td>
<td>34.9%</td>
<td>23.8%</td>
</tr>
</tbody>
</table>

Source: ABS Census of Population and Housing, 2016

Figure 1. Foreign ownership of residential property in Australia, 2015-16, plus proportion of 2015-16 sales to foreign buyers, all states and territories

Source: ATO, Foreign Investment Review Board

Tasmania has a relatively high rate (69.2%) of home ownership (a by-product of the state's older-than-average population) and a lower proportion of property investors, both of which have consequences for the availability of rental accommodation in the state. In Tasmania 26.4% of all properties are rentals, compared with 31% nationally.

In 2017 just 23% of Tasmanian properties purchased were rentals, compared with 36% nationally. Foreign ownership is also very low compared with other states. In 2015-16 foreigners accounted for .6% of home sales and .3% of overall private housing (see Figure 1).
Recent property price growth in Tasmania has contributed to average rent rises of 6.6% in Hobart and 5.1% in Launceston in the past year, easily exceeding income growth (the minimum wage increased just 2.4% in 2017). Compounding this problem, rental vacancy rates have continued to decline in all Tasmanian regions as a result of population growth and the transfer of rental stock into short-term holiday accommodation.

Rental vacancy rates have fallen to below 1% in greater Hobart and to 2.1% in Launceston, while a recent Real Estate Institute of Tasmania (REIT) report suggests Tasmania needs approximately 5,000 additional dwellings to meet the current shortage of affordable housing and general demand for housing. Hobart has become the least affordable city in Australia, other than Sydney, for low-income rental households.

The Rise of Airbnb in Tasmania

Tasmania is experiencing a tourism boom, which has delivered significant economic benefits. However, in Hobart in particular there are growing concerns that previously long-term rental housing is being converted to short-term holiday accommodation, significantly reducing the supply of residential properties. The depth of feeling about this was apparent in the number of people who attended a public forum on the topic hosted by the Institute for the Study of Social Change in mid-2017. Now, courtesy of New York-based Inside Airbnb, we can for the first time start to analyse detailed data on Airbnb properties in Tasmania in the context of housing availability. The significant growth of Airbnb in Tasmania is illustrated in Figure 2.

Figure 2. The rise of Airbnb in Tasmania: properties listed, July 2016 to January 2018

Source: Inside Airbnb

The number of ‘entire properties’ listed on Airbnb in the Hobart LGA increased from 250 to 876 (167% pa) in the past 18 months. We accept that some of these properties are granny flats and other self-contained units, which would not otherwise be available for long term rent.

However, if just 70% of the ‘entire properties’ listed in Tasmania in January 2018 were previously in the long term rental market, it would mean that approximately 2500 homes statewide, and more than 600 homes in inner Hobart alone had been removed from the private rental housing pool.

Tasmania-wide the number of ‘entire properties’ on Airbnb is up more than 290% since 2016, coinciding with a decline in advertised long-term rental housing. In April 2017 Anglicare’s rental affordability snapshot found there were only six affordable properties (where rent is no more than 30% of income) advertised for income support households, and only twenty-six affordable properties for minimum wage households Tasmania-wide.
The aims of reform

We all have a right to access secure, affordable and suitable housing. The shortage of such housing entrenches and deepens existing challenges for lower-income Tasmanians including working families. It also constrains economic and population growth. Already, increasing numbers of people are experiencing housing stress, including living in inappropriate, overcrowded or improvised housing with increased risk of homelessness.\(^2\)

The outcomes we would like to see arising from housing reform include:

- Maintaining or improving levels of home ownership, especially among lower income and younger households.
- Increased supply of secure, affordable and suitable rental accommodation. Rental vacancy rates need to be restored to the 3-5% range.
- Providing fit for purpose housing for Tasmanians with special needs, reflecting Tasmania’s ageing population and above-average rates of disability.
- Improved economic efficiency and liveability and stronger communities.

Tax Reform

How the phasing-out of transfer duties will improve economic efficiency and housing affordability

Phasing out transfer duties on residential property will improve the efficiency of the Tasmanian economy and help Tasmanians access more suitable housing.

Replacing transfer duties with an annual property tax will improve vertical equity by shifting the tax burden from younger home buyers to older, wealthier households.

Reducing transfer duty on lower value housing will improve residential mobility for those purchasing lower-value homes.

A revenue-neutral switch in the distribution of transfer duty liability from owner-occupiers to investors should improve affordability for owner-occupiers in most markets.

This reform will enhance economic efficiency and could increase economic output in Tasmania by up to $200 million per year.

Background

How do Tasmania’s property taxes compare?

Currently in Tasmania, the revenue from property taxes constitutes nearly half (47%) of total taxation (see Figure 2), and stamp duty constitutes nearly a third (30%) of all property taxation. Tasmania’s reliance on stamp duty and property tax more generally is lower than all other states and territories, reflecting the fact that until recently Tasmania’s housing market has been relatively subdued.

Figure 3. Taxation revenue ($ per capita) from selected sources, all states and territories (state and local government), 2014-15

Source: ABS
Our Tax reform Strategy Pathway

The national AHURI report into housing tax reform on which this policy brief is based proposes an incremental reform strategy with clear short, medium and long term goals (Figure 5). This is a staged approach that will deliver long-term benefits while minimising market disruptions. The following section outlines the phases of the strategy, beginning with immediate property tax administration reforms.
Short and medium term property tax reform recommendations

The administration of property taxes in Tasmania and across Australia is complex, poorly coordinated and inefficient. States use a range of different property valuation methods and Australia is one of the few countries where both local and state governments impose land taxes. There is considerable scope for greater cooperation between state and federal tax agencies in relation to data on the ownership and use of properties, while still allowing local control over actual charges.¹

Recommendation 1 (immediate):
Base property valuations on automated methods and capital improved value.

A wide range of antiquated property valuation methods are used across Australia, adding to the complexity and cost of the system. Following extensive research of international trends, we recommend that residential property valuations in Tasmania be based on capital improved value established by automated valuation techniques. For most residential properties valuations this will approximate market value, which is more intuitive for owners. The analysis conducted for this report is based on automated valuations of almost 8.6 million residential properties in Australia provided by CoreLogic.

Recommendation 2 (immediate):
Integrate the collection of Local Government rates and State property taxes.

Australia is one of the few countries where property is taxed by two levels of government (local government rates and state land taxes), using different tax bases and administrative systems. The administration and collection of these taxes should be integrated and based on common valuations. This amounts to an extension of the system for collecting emergency service levies currently applied in most states. Local Government would retain the right to vary their rates as required.

Recommendation 3 (immediate):
Increase administrative cooperation between states and the Commonwealth.

Enhanced data sharing with the Commonwealth would improve the integrity of state property tax regimes and allow states to determine how a property is being used (owner-occupier versus investment). Commonwealth administrative support would be required to establish deferral provisions for the introduction of a broad-based property tax over the longer term.

Recommendation 4 (short term):
Replace Tasmania’s existing, complicated stamp duty regime with a 6% stamp duty on the value of all properties above a threshold of $143,000 (2016, indexed).

In Tasmania stamp duties on residential properties are forecast to generate $246 million in 2017-18 (21.9% of total taxation and 4.2% of total revenue), a figure likely to be revised upward given the current housing boom. Yet, it is widely accepted that stamp duties are inefficient and that they hinder residential mobility and fall disproportionately on younger home buyers. For these reasons stamp duty in Tasmania should be phased out over a 10-15 year period. This incremental approach would minimise the impact on the state’s budget, prevent the double taxation of recent home buyers and minimise housing market impacts.

Recommendation 5 (short term):
Make the existing stamp duty regime simpler and fairer.

As a foundation for phasing out stamp duties on residential property we recommend making the existing stamp duty regime simpler and fairer. Our detailed modelling of all property transactions and values in Australia in 2015-16 demonstrates that by simplifying stamp duty the Tasmanian government could raise the same amount of tax as under the current system, but more than 60% of purchasers of less expensive properties would pay less duty (see Table 2 for the current and proposed Tasmanian stamp duty schedule). Making stamp duties slightly more progressive by property value would provide tax relief to the vast majority of first home buyers, while marginally increasing the burden on purchasers of more valuable properties. More importantly, a simplified duty regime with a single rate and a large duty-free threshold would provide a foundation for subsequent reforms (see Figure 6).

Recommendation 6 (medium term):
Remove the stamp duty threshold for investors purchasing established properties and use the additional revenue to fund further stamp duty relief.

We suggest removing the $143,000 stamp-duty free threshold for investors purchasing existing properties and using the additional revenue to provide stamp duty relief for owner-occupiers and investors buying new homes. Based on our modelling, such a change would fund an increase in the duty-free threshold for owner-occupiers to $188,000, which would result in purchasers of properties under $473,000 (81% of home buyers in 2016) paying less stamp duty (see Table 3 and Figure 7).¹

¹ This modelling includes both established and new investment properties, but, given that an estimated 90% of investment loans are for the purchase of existing properties, the results will be reasonably reliable.
Having established a simpler and fairer stamp duty regime, future Tasmanian governments may consider following the lead of other states imposing additional surcharges on particular types of property to meet housing policy objectives.

Some options include:

- **Stamp duty surcharge on premium properties.** In NSW a premium duty of 7% applies to properties valued at more than $3,000,000. The proceeds of a premium property surcharge could be invested in social housing.

- **A stamp duty surcharge on property purchases by non-resident foreign buyers.** It should be noted that there are very few foreign buyers in Tasmania (Figure 1).

### Table 2. Existing and proposed stamp duty schedules, Tasmania, 2015-2016

<table>
<thead>
<tr>
<th>Value</th>
<th>Duty</th>
<th>Value</th>
<th>Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0–3000</td>
<td>$50</td>
<td>$0–$143,000</td>
<td>No duty</td>
</tr>
<tr>
<td>$3001–25,000</td>
<td>$50 + 1.75%</td>
<td>$143,001–75,000</td>
<td>$435 + 2.25%</td>
</tr>
<tr>
<td>$25,001–75,000</td>
<td>$435 + 2.25%</td>
<td>$75,001–200,000</td>
<td>$1560 + 3.50%</td>
</tr>
<tr>
<td>$200,001–375,000</td>
<td>$5935 + 4.00%</td>
<td>$375,001–725,000</td>
<td>$12,935 + 4.25%</td>
</tr>
<tr>
<td>$725,001 +</td>
<td>$27,810 + 4.50%</td>
<td>Note: Properties valued at less than $327,000 (2016 figure) incur less duty than under existing system — this is 60.6% of all purchasers.</td>
<td></td>
</tr>
</tbody>
</table>

### Table 3. Thresholds and ‘break-even’ points under Reform Option no. 1, compared to baseline reform

<table>
<thead>
<tr>
<th>Statewide median property price, 2016 ($)</th>
<th>Baseline reform (6% rate)</th>
<th>Reform option 1 (6% rate, investor threshold of zero, revenue diverted to increase owner-occupier threshold)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold ($)</td>
<td>Break-even value ($)a</td>
<td>Revenue ($m)</td>
</tr>
<tr>
<td>283,886</td>
<td>143,078</td>
<td>327,000</td>
</tr>
</tbody>
</table>

a: As outlined in Table 2.
b: Property value below which property owners would be paying less than under existing system.
Figure 7. Stamp duty paid by owner-occupiers: baseline reform (with 6% rate) and baseline reform plus additional savings from the removal (orange line) of removal of tax-free threshold for investors, each compared to current system, Tasmania

Source: Authors’ modelling using CoreLogic data

It may seem counter-intuitive to argue that increasing stamp duties on the purchase of existing investment properties will lead to improved housing outcomes. However, the critical point is that this policy will not impact on housing supply or rental affordability. While the supply of rental stock may decline, this will be offset by falling demand for rental housing as home ownership rates increase. As Eslake8 argues in relation to negative gearing, if a rental property is sold into owner-occupation, there is no net impact on housing supply, just a change in use.

**Longer-term property tax reform recommendations**

**Recommendation 7 (longer-term):**

Gradually phase out stamp duties.

Having implemented the above reforms (recommendations 1-6) the Tasmanian government should gradually phase out stamp duties by cutting the rate by 0.6% per annum for 10 years. This would be funded by increasing the annual property tax by 10% pa. Deferral provisions would be available to cash-poor property owners (see Table 3). The base for a new annual property tax should be individual properties, ending land tax aggregation provisions and encouraging institutional investment in residential property.

A significant body of research shows that replacing property-related stamp duties with a broad-based recurrent property tax would contribute to housing policy goals and deliver a range of economic and social dividends for the Tasmanian community.

We accept there are significant political barriers to a stamp duty to property tax transition and recommend an incremental approach in which broad-based, state-level residential property tax is gradually increased to fund the abolition of stamp duties over a 10 to 20 year period. This ‘phase out, phase up’ model is similar to the approach being implemented in the ACT.

As noted above, the recurrent residential property tax should be levied on the same base as local government rates using a capital improved value, highest and best use (CIV + HBU) method.9 The administrative reforms outlined above will enable the effective implementation of this new residential property tax. Existing state land taxes, as they are applied to residential investment properties, should be integrated into the broad-based property tax.

There is a policy choice as to whether investment properties/second homes will continue to be subjected to a higher rate of property tax (as is case under the current land tax regime) or whether all homes of a given value should be subjected to the same property tax. Taxing owner-occupied and rental properties equally may improve rental affordability and would streamline administration. But such a model would mean the new annual property tax would need to raise an estimated additional $100 million annually, resulting in a property tax approximately 20% higher than would otherwise be the case.
One uniform annual tax applied to all residential properties in
Tasmania would end the current regime of land tax aggregation
under which large-scale or institutional investors pay land tax at
almost three times the rate of most ‘mum and dad’ investors.
Ending these aggregation provisions should encourage much
needed long term investment in new housing supply.

Detailed modelling (See summary in Table 4 below) suggests
that in Tasmania an annual property tax of $47 per annum for
a median value dwelling could fund the reduction of a reformed
stamp duty by 10% (e.g. from 6.0% to 5.4%).

With appropriate deferral provisions this tax could gradually be
increased to fund further reductions in stamp duties. A deferral
scheme would allow retirees and other cash poor, asset rich house-
holds to defer payment of property tax liabilities until sale of the home
- as is the case in ACT. The annual property tax payments required to
fund the complete abolition of property stamp duties in Tasmania in
10-15 years are provided in Table 5.

Despite the benefits of reform, we acknowledge the implementation of a
new, broad based tax on households will be challenging and will only be
achievable if the wider benefits for housing affordability, intergenerational
equity and economic efficiency are widely promoted.

The introduction of a broad-based property tax to replace state stamp
duties is a significant reform which, if implemented across Australia,
would deliver significant dividends. While the Commonwealth has a
key role to play in coordinating and supporting such reform, there are
benefits for a state such as Tasmania initiating and leading this process.
Proactively promoting efficiency-enhancing reforms such as the introduc-
tion of a state property tax will re-establish Tasmania’s reformist credentials
and strengthen its position in national policy debates such as the distribu-
tion of GST revenue.

Table 4. Recurrent property
tax rate required to fund 0.6%
reduction in stamp duty
and annual property tax
paid on median value
properties, Tasmania

<table>
<thead>
<tr>
<th>Property value as a proportion of median</th>
<th>Dollar value (2016 $)</th>
<th>Annual property tax paid ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% of median</td>
<td>141,943</td>
<td>0</td>
</tr>
<tr>
<td>75% of median</td>
<td>212,914</td>
<td>233.95</td>
</tr>
<tr>
<td>100% of median</td>
<td>283,886</td>
<td>472.80</td>
</tr>
<tr>
<td>200% of median</td>
<td>567,772</td>
<td>1,422.00</td>
</tr>
</tbody>
</table>

Table 5. Annual property tax
required to abolish stamp duty
for selected property values

<table>
<thead>
<tr>
<th>Property value as a proportion of median</th>
<th>Annual property tax paid ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% of median</td>
<td>0</td>
</tr>
<tr>
<td>75% of median</td>
<td>233.95</td>
</tr>
<tr>
<td>100% of median</td>
<td>472.80</td>
</tr>
<tr>
<td>200% of median</td>
<td>1,422.00</td>
</tr>
</tbody>
</table>

Source:Authors’ modelling using CoreLogic data

a: As outlined in Table 2.
Complementary housing reform recommendations

It is now clear the next Tasmanian government needs to actively monitor and regulate the ‘sharing economy’ in a more effective way. A suite of measures is needed to manage the growth in home-sharing properties being converted to short-term holiday rental where there are clear rental shortages such as inner Hobart and Launceston. At the same time, the use of sharing platforms to promote holiday accommodation in regional areas with lower residential rental demand should be actively supported.

Recommendation 8:
Manage the rise of the ‘sharing economy’ in Tasmania.

The regulation of home-sharing sites should be included in zoning and residential development controls and the impact of Airbnb on the private rental housing market should be monitored on an ongoing basis in relation to affordable housing, local communities and social outcomes.

Recommendation 9:
Expand the Affordable Housing Strategy (2015-2025).

We support the intent of the Affordable Housing Strategy (2015-2025) adopted by the Tasmanian government, which includes a range of key goals to improve affordability and access to affordable homes for all Tasmanians. However, unless there are adequate private rental vacancies available to low-income Tasmanians, the initiatives of the Strategy will not have any effect. Changing housing market dynamics mean that a number of further (non-tax specific) policies should be implemented to improve both affordability and accessibility to (in particular, rental) housing in Tasmania. Incentives already included in the Strategy, such as tax subsidies for landlords who prioritise low-income tenants, should be expanded – as should the initiation of new head lease arrangements.

Recommendation 10:
Promote private rental supply and affordable housing through planning provisions.

Tasmania needs a state-wide integrated planning regime that identifies and stimulates residential development in priority zones, including by releasing well-located State and Local Government-owned land for residential development. Priority zones must meet requirements such as access to existing or planned primary transport corridors, services and amenities, education and employment. Policies that encourage affordable housing development at scale should be implemented, including inclusionary zoning and incentives for developers to provide more dwellings for low income households. Importantly, any subsidies and/or concessions to encourage increased long-term rental supply must be ongoing, and should only be available for developments in the identified priority zones. Recent independent research suggests that government facilitated/subsidised access to land is the key means of improving long term housing outcomes. Short term tax incentives and grants are less likely to be effective as they risk pushing up house prices and demand.

Recommendation 11:
Increase social housing supply.

Tasmania’s social housing model has recently undergone major reform through the transfer of public housing tenancy management to a range of community housing providers. We support the intent of the Affordable Housing Strategy (2015-2025) to build on these reforms by, for example, increasing the supply of social housing properties via private development and supporting community housing providers to leverage their existing stock to provide existing property upgrades and deliver new social housing properties. However, we urge the government to do more to invest in social housing supply to keep in step with the demand for rental properties – particularly for Tasmanian households who are vulnerable to housing risk. The current strategy is predicated on the private rental market having some capacity to accommodate at risk Tasmanians, but our research highlights a rental market with little to no capacity to do so.

Recommendation 12:
Urge the Commonwealth to relieve, or alter the repayment terms of, Tasmania’s historical housing debt.

In light of changing rental market dynamics, we join other stakeholders in advocating for either the relief, or revision, of the repayment terms of Tasmania’s historical housing debt to the Commonwealth. In 2016-17 $15.7 of the $28.8m received by Tasmania under the National Affordable Housing Agreement was returned in debt repayment. Funds freed by a waiving or revision of debt repayments would be invested in new, affordable, and appropriate housing for the most vulnerable Tasmanians.
About the Authors

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Saul Eslake
is an independent economist and the Vice Chancellor’s at the University of Tasmania, and has had a long-standing interest in Australian housing policy.


3 Ibid., p.39-40.

4 Eslake (2017) p.44.


9 A shift to CIV valuation should be complemented by measures to encourage the development of vacant land identified for residential development.


