



Regional
Development
Australia

O R A N A N S W

HOUSING PROVISION IN THE ORANA AND CENTRAL DARLING

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On behalf of



CENTRAL DARLING SHIRE COUNCIL



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The findings in this report have been formed on the above basis.

Thank you

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ACRONYMS

ABS	Australian Bureau of Statistics
CGT	Capital Gains Tax
CLT	Community Land Trusts
CRA	Commonwealth Rent Assistance
DHA	Defence Housing Australia
DIDO	Drive In Drive Out
EAH	Employer Assisted Housing
FHOG	First Home Owners Grant
FHBY	First Home Buyers Grant
FHSSS	First Home Super Saver Scheme
FIFO	Fly In Fly Out
GRP	Gross Regional Product
GST	Goods and services tax
HAF	Housing Affordability Fund
ICH	Indigenous Community Housing
LGA	Local Government Area
NAHA	National Affordable Housing Agreement
NDIS	National Disability Insurance Scheme
NFP	Not-for-profit
NHIFC	National Housing Finance and Investment Corporation

NHSC	National Housing Supply Council
NRAS	National Rental Affordability Scheme
NRSCH	National Regulatory System for Community Housing
NSW	New South Wales
ROI	Return on Investment
SAAP	Supported Accommodation Assistance Program
SDS	Senior Downsizing Scheme
SOMIH	State Owned and Managed Indigenous Housing

EXECUTIVE SUMMARY

Rural and regional NSW contains around one-third of the State's population, and occupies about 80 percent of the State's land. Over a third of the population, (37%), live and work in the regions, contributing around a quarter of the State's economic output.

Even so, planning policy in NSW is heavily influenced by the metropolitan areas of Sydney, Newcastle, and Wollongong, and then disseminated throughout the State. As a result, issues pertaining to rural and regional areas are frequently overlooked.

There is a very real need for research into rural and regional housing markets because of the direction and pace of change in these markets, change in financial markets and the changing migration patterns. It is important to acknowledge that regional housing markets have been affected by the same house price boom and subsequent affordability pressures that have influenced urban housing markets.

An influx of former city dwellers combined with a lack of housing stock is propelling regional property prices to record highs, pushing locals out of the market. Housing prices are up 20-35 percent over the last year across the region, whereas rental vacancy rates have significantly reduced to less than 1 percent with some areas having no vacancies. Major regional towns like Dubbo and Mudgee have experienced a significant rise in housing prices recording over 30 percent increase in five years. This surge has been as a result of the increase in demand for housing as people move from metropolitan areas, and more people choosing to stay within their regional communities.

The severe housing shortage is impacting the region's attractiveness particularly for workers, contributing to the ongoing labour shortage across the region. The shortage of affordable housing in regional towns and centres is the single biggest reason for workers not moving to rapidly growing regional areas. As projects across the region go through the development and construction phases to operations, both economic and social infrastructure often struggles to keep pace. Manufacturing and healthcare have also reported struggling to find suitable workers as a result of inadequate housing.

This report presents the findings of research conducted by Regional Development Australia (RDA) Orana into housing provision in the Orana region and Central Darling. The broad purpose of the research is to support the accelerated provision of housing to meet the growing demand and address the urgent housing needs of regional communities.

The report provides knowledgeable insight into housing demand and supply, as well as current and future housing needs for the region. This research will further contribute to the formation and analysis of housing policies and suggest strategies and models that can assist with regional growth in both the near future and longer-term.

The main drivers of the growing research and policy attention being given to housing have been:

- *Unpredictable population growth in regional areas*
- *Shrinking public funds for social housing*
- *Decreasing housing stock in regional areas*
- *Limited private investment in housing*
- *Ageing housing stock in rural centres*
- *Increased pressure on workforce attraction in regional and rural areas*
- *Growing affordability problems for low and moderate income households*
- *Greater diversity of client needs that cannot be addressed adequately within the existing service delivery and policy framework.*

Some key concerns identified in the study include:-

- Housing demand is closely linked to population growth, but for much of the recent era **growth in demand has outpaced population growth, resulting in housing stress.**
- The severe housing shortage is **impacting the region's attractiveness** particularly for workers, contributing to the ongoing labour shortage.
- **The lack of housing diversity** along with a shortage of appropriate and affordable rental properties causes major concerns in regional housing markets.
- The **capacity of the local labour force to respond to increased demand for housing**, as well as uncertainty surrounding potential demand are key challenges for the region.
- In more remote locations, there could be substantial **challenges in attracting builders and trades.**
- A lot of the **existing housing stock is ageing** and not fit for use, and this is made worse by the ongoing shortage of trades and builders
- In some cases, the **type of land released to the market does not match demand**; eg only releasing large size blocks limits options for smaller and cheaper land
- Rural and regional markets **do not attract large developers due to a range of market barriers** including the upfront and ongoing costs of such developments, lack of demand for such a large number of properties in smaller local markets, skilled labour shortages and the scarcity of suitable land.

- **Lack of economies of scale** in rural and remote regions generally provides a local barrier to housing supply.
- **Planning and the provision of land for new development** can be seen to impede the housing supply process in some regions

KEY FINDINGS

The research brought a diverse body of civic opinion together to identify the key issues that the key stakeholders face in terms of housing provision, as well as some of the possible solutions to the region's housing crisis.

This study identified nine key findings as below:

Key finding 1: Regional areas play an important role in easing the population burden on major cities and providing affordable housing options

Regional and rural areas exist as distinct locations and centres that are becoming more essential to ease the population pressure on large cities and provide affordable housing options. Population change is highly variable across rural and regional NSW and is impacted by a variety of factors including migration patterns.

Housing pressures in the region are not new or solely fuelled by COVID-19. Nonetheless, the pandemic's influence on traditional migration patterns has exacerbated existing housing pressures in our regional areas. Migration and the dynamics of movement within Australia shifted as a result of the COVID-19 pandemic. While overseas migration virtually disappeared, internal migration trends in Australia show different results in different States subject to restrictions. Pandemic conditions influenced migration patterns increasing migration and settlement into regional areas. It should also be noted that, since 2015, there has been an increase in regional migration with more and more people choosing to move to regional areas.

Recent data show an increasing net gain of residents in regional areas, mainly from major cities. ABS data showed that in the March 2021 quarter, there was a net loss of 11,800 people from Australia's greater capital cities through internal migration. This was the largest net loss on record since the series started in 2001, surpassing the previous record net loss set in the September 2020 quarter (-11,200). The net loss was the result of 54,400 arrivals (down from 55,400 in the December 2020 quarter) from and 66,300 departures (up slightly from 66,000) to regional areas. That was the highest number since reporting began two decades ago. The net figure represents the total number of people moving to the country minus the number of people leaving it for the big cities.

Key finding 2: Regional housing markets have to-date experienced significant consequences especially as a result of the pandemic

The housing market conditions, as well as rent and purchase affordability, differs greatly across the region, especially between the larger towns and the smaller villages. Over the last decade, the region has seen strong price growth in both rents and sales, as well as persistently low vacancy rates, indicating a shortage of private rental housing, a significant loss of affordable rental housing supply, and high demand from a significant number of low-income residents, with many residents experiencing housing stress. Since the pandemic, house prices in the region have surged twice as fast as metro areas, jumping up to 30 per cent in some areas. The faster pace of growth reflects stronger demand flowing into regional areas. Purchase affordability for lower-income households continues to worsen despite recent historically low interest rates. Regional rental prices have also risen faster than those in Sydney, surging by 7%.

Vacancy rates across the region have fluctuated over the last decade, with some towns experiencing periods of significant undersupply of private rental accommodation. The last two years have seen a severe undersupply of housing across the region with vacancy rates significantly dropping to below 1%.

Key finding 3: Regional planning and investment is predicated on low and predictable population growth

Looking at the population projections across the region it is anticipated that across the 12 LGAs involved in this study there will be a decrease in population over the next two decades, except in Bogan Shire, Bourke Shire and Mid-Western Regional, which are expected to experience a slight population increase. Population projections however do not offer an accurate account and may not fully capture what is happening especially in major regional towns. Recent migration patterns show that more people are moving into regional areas, while more people are choosing to stay, especially after the onset of the Covid-19 pandemic.

Population predictions in regional areas are discouraging for investors. The forecasts present regional and remote areas as a risky investment due to the anticipated low demand and unsteady population growth. The accuracy of these predictions comes into question especially since they **often do not take into account changing dynamics**. Containment policies may incorrectly forecast the capacity for regional and rural centres to accommodate further population growth if the nature of their housing markets is not known. Similarly, plans that forecast higher rates of growth in more remote centres may well overlook the particular circumstances that drive or limit their expansion.

The study concluded that population predictions across the region impact planning, and should the regions experience high levels of population growth, there will be increased pressure on housing markets, inflating prices and impacting housing affordability.

Key finding 4: There are strong and stable geographic links between housing markets and labour markets

Infrastructure investment, population and employment are all linked to housing. Housing and employment are interdependent as workers need suitable houses to stay in the region. Without suitable housing options, businesses and employers struggle to attract and retain workers particularly in regional and rural areas. Key workers like doctors, nurses and school teachers continue to struggle to find affordable accommodation in our regions.

The study found two aspects of labour markets in relation to housing:

1. **Labour market mobility**, which is constrained when there is a shortage of affordable homes accessible near employment opportunities. The study showed that there is a mismatch between the location of jobs and housing that is affordable for moderate and lower income earners in the region. Most people live and work in one region – or travel to an adjoining region to work. People move to different parts of the region to follow job opportunities, creating housing pressures in those areas.
2. **Labour market participation and employment rates** are also constrained by a shortage of affordable housing opportunities in accessible locations near employment. Labour Force participation rates are often affected by long distances between home and work as many people tend to prefer to live where they work. Many businesses are reporting getting employees to stay when they are unable to find adequate housing near their workplace, resulting in high staff turnover rates.

Inefficient housing markets can have widespread and lasting impacts on productivity and the wider economy. Poor spatial distribution, for example, means increased travel time and congestion, while lack of affordable housing near employment exacerbates social inequalities and constrains the effective operation of labour markets. Labour markets determine the price of housing by influencing the level of demand and the capacity of individuals to afford housing.

The region has been experiencing great economic growth over the years and is expected to continue on the same trend with multibillion-dollar infrastructure spend and projects expected across the region. This expected growth will create additional employment and essentially continue to put pressure on housing in regional areas.

Key finding 5: The project pipeline in the region predicts over 2000 additional jobs in the next two years, indicating increased housing demand

The region has over \$5 billion in planned investments over the next two years generating over 6,000 construction and ongoing jobs. The increased employment opportunities and labour demand is likely to exacerbate housing stress, indicating a dire need for housing solutions to accommodate the growing demand.

The Government announced over \$100M in support and funding for local businesses and Councils since the beginning of the year. Shovels are expected to hit the ground with major projects like the Inland Rail Southern Civil Works expected to commence in 2022, employing at least 2,000 people in the region. The Central-West Orana REZ is another major investment that will attract \$4.5 billion in private sector investment once fully developed and support about 3,900 construction jobs in the local region, and 500 ongoing jobs.

At least twenty major development projects were identified within the area of influence, with the main development type consisting of renewable energy and mineral mining ventures. Nine of these projects were within Mid-Western Regional, accounting for over \$3.5 billion of the proposed investments and contributing over 2,300 jobs. Cobar Shire also has some significant projects in the pipeline. Only projects that are yet to commence or are in their very initial stages of construction were considered.

Depending on how the workforce will be managed, housing shortages will potentially exacerbate already existing tensions associated with workforce management and accommodation within the region.

Key finding 6: Housing market drivers can broadly be divided into 4 categories: Economic factors, demographic factors, financial factors and supply side factors

Economic factors include employment, house prices, interest rates etc. Both investor and owner-occupier demand is influenced by economic considerations. Employment growth allows more households to enter home ownership, or 'trade up' and purchase larger, more expensive housing. A low inflation environment generates a level of economic certainty that provides consumers with greater confidence to make their purchasing decision. House prices are driven by competition between an expanding number of property investors and owner occupiers.

Demographic factors include population growth, in-and-out migration, household composition etc. Major demographic trends in the region show an aging population, changing household composition and changing size and age composition of the Indigenous population. Internal and international immigration has also been a major driver of housing markets, with changing migration patterns and an increasing number of international immigrants in response to specific technical skills shortages.

Financial factors include taxes, subsidies, capital gains, and availability or access to finance etc. Increased competition among lenders has led to innovative mortgage products allowing more households access to the housing market. The availability of credit coupled with the historically low interest rate environment and high loan to value ratios granted by lending institutions have fuelled the demand for housing. Subsidies to owner-occupiers from the Australian Government have contributed to increasing demand and have been justified by the widely recognised and valued social and economic benefits associated with home ownership. The Home Owners and Home Buyers Grants introduced by the federal and state governments have increased participation in private sector housing participation.

Supply side factors include land supply, access to trades and materials, cost of construction, development process etc. These factors influence the ability of suppliers to meet the demand and can have an impact on investor confidence and interest in regional areas. Failure to meet demand with new supply has inevitable consequences. Where new supply does exist, its nature and form shapes housing demand. Higher density residential development attracts more investors and delivers diverse house types.

Key finding 7: Current policies may be directly and indirectly hindering the supply and demand for housing.

There are a range of initiatives employed by governments seeking to support the development of housing. These include strategies focusing on housing supply, including housing supply targets, inclusionary zoning, specialised programs, and policies to influence dwelling mix and lot sizes. Governments also employ strategies targeted at housing demand, including shared equity arrangements, grants and tax exemptions.

From the supply and demand perspective, the current mix of commonwealth and state policies are likely to be insufficient (with some even being counterproductive) to close the housing gap. Current funding levels are poorly targeted. **They are measures that boost housing demand rather than supply, which detracts from greater equity participation by the private sector.**

National policy has effectively promoted (residential) property ownership over residential investment as the top policy priority. Financial deregulation has inadvertently prioritised ‘mum and dad’ property investors relative to the goal of stable family formation and economic participation in vibrant communities.

Clearly, there is a shortfall of necessary equity investment by governments and the private sector to deliver new housing in sizable volumes to alleviate the housing shortages. There is a need for the Federal government to allocate more funding to meet the national shortfall in housing. The resources are there, and the government must acknowledge the urgency of the housing problem and take steps to prioritise those in need of secure housing, including families, the elderly, the Indigenous community and key workers in regional areas.

Government policies have had a critical, if not determinant, influence on the operation of housing markets in regional areas:-

- The First Home Owners Grant has driven large sections of the housing market and increased participation in many regional areas. However, the increase in participation does not necessarily translate into outcomes as people still face hurdles like saving for deposits while paying rent.
- In many rural and regional areas, publicly-owned stock is very small, and the stock of publicly-owned dwellings is often inadequate in areas where there are affordability pressures. In some remote areas, government provided housing represents virtually the entirety of the social housing stock and there is no functional market to be identified.

- Only those in greatest need are served by social housing, and it is becoming increasingly clear that it cannot accommodate individuals with only low wages. The gap in the housing stock to accommodate people on low incomes is the most serious issue, causing wider social issues such as overcrowding and increased vulnerability in terms of hygiene and education
- Other recent affordable housing policy initiatives have had a muted impact on regional areas. There is also very low awareness of these measures.

Some policy development options are likely to boost developers' supply responsiveness. First, although monetary policy does not have a specific housing goal, policy-makers should be cognisant of the effects of interest rate changes on housing supply because financing can be a significant barrier to construction, particularly for smaller developers.

Second, all other things being equal, the more assurance the government can provide in the development process, the better the supply responsiveness is likely to be. It's also worth noting that developers are profit-maximising agents. As a result, continuous government intervention will almost certainly be required to cross-subsidise.

Key finding 8: Solving the housing issue is a collective and collaborative process that requires both the public and private sectors to work together

There is a need for a collective response and collaborative approach to the current housing situation as no one group can sufficiently resolve the issue. All entities, private and public have a vested interest to work together to ensure that the issue of housing is addressed appropriately now and for the future.

There is a need for greater participation from the private sector. There is enough land throughout the region, but relatively few developers, builders, investors, real estate agents, or property management services, particularly in more remote locations. Addressing the unmet demand for housing will require the government, not for profit and private sectors to work collaboratively at both the housing system, and individual project levels.

The study found that there has been increased participation in private sector housing investment due to government incentives like Homebuilders, homebuyers grants etc, but the interest is predominantly on small scale investment or owner-occupiers.

The private sector is uniquely positioned to provide significant investment opportunities. Private industry is expert at constructing new residential projects and providing asset management. This expertise and scale can reduce risks and provide efficiencies in delivery for both government and community housing clients, provided there is clear definition of requirements and quality assurance by all parties

The study acknowledges that the “funding gap” between affordable and private market housing must be met in order to attract private investment in additional housing . To address this, a combination of initiatives is required to incentivise private sector involvement in new housing

supply within the current economic conditions, while applying lessons learned to mitigate potential unintended consequences.

CRITICAL ISSUES

The study found that housing markets in the region are affected by a range of factors. These include: population trends; demographic trends, migration trends, the structural ageing of the population; local labour force; the balance between supply and demand for housing; economic capacity; and the impact of housing finance.

Critical issues affecting the housing market in the region include:

- **Limited supply of publicly-owned** - Most of the LGAs recorded very limited public housing stock which in most cases is older and in poor condition. The absence of sufficient and appropriate public housing places additional pressure on the private market.
- **Changing demographics and mismatched housing stock** is causing a lot of pressure on the housing market. From the growing household size to the changing housing composition, we have found that the housing needs are changing, causing a need for diverse housing provision which is inadequate in our regional and rural areas.
- There are **significant numbers of households with low and insecure incomes across the region**- Central Darling for instance ranks top in the NSW State as the lowest income socioeconomic areas. Other LGAs reported having a significant population reliant upon statutory incomes, with many households recording low income according to ABS data.
- The **small size of the rental market** in many regional areas- Majority of the LGA's reported a very small rental market with very few active real estate agents, with some reporting having no real estate agents at all. Of the 12 LGAs taking part in this study, six were found to have no rental houses listed, but had 144 total houses for sale. This disparity can be attributed to the owner's preferences to selling over renting, and the fact that most of the houses are old and require significant renovations that owners may not be willing or able to undertake.
- **The uncertain supply processes for the rental market** in regional areas can also be a contributing factor. Owners and potential landlords are unaware of the rental process with some reluctant to get back into the market because of previous bad experiences. With very few real estate agents and property managers, owners are left unsure of what to do with their properties. Many property owners opt to put their property up for sale rather than have them up for rent as evidenced from the significant difference in rental and sale stock. As a result, rental stock across the region has been declining, with very few vacant houses being available to rent.

- Peaks in demand for workers particularly in industries like construction create **short term demand** which drops as soon as the projects end. Legislative reforms allowing for temporary accommodation rentals has influenced long-term rental supply in that property owners prefer to transfer normal rentals to AirBNB, further reducing the rental stock. There has been an increasing number of short term housing rentals, creating increased competition for rental markets especially in larger towns like Mudgee.
- Across many Shires, it was reported that workers were unable to move in or stay tenants in the community of their choice because housing simply was not available. **Many workers are forced to live outside of the region** with employers opting for FIFO or DIDO to satisfy their labour needs.
- Many regional areas have experienced **sudden ‘demand shocks’** (particularly due to the COVID-19 pandemic pushing people away from metropolitan areas) that have adversely affected the rental market. Property prices have increased by up to 35% in major towns like Mudgee and Dubbo, with rental prices increasing by up to 17% on average, threatening housing affordability.
- **Changing migration patterns** are causing increased pressures on regional housing markets as more people are moving from bigger cities to smaller regional towns, and more people are choosing to stay in their regional communities, increasing demand and creating housing pressures.
- **Lack of housing diversity** across the region is a major challenge. Higher density housing forms such as townhouses which are frequently used for rental housing in the metropolitan areas, are relatively uncommon across the region. Most of the housing supply is in the form of detached dwellings and there are not many options for smaller households.
- Another constraint identified was a **high degree of reliance on small scale investors who live locally**. Our study found that ‘mum and dad’ investors comprised almost the entirety of the rental supply system in most LGAs and this resulted in limited investment overall. Many LGAs reported having no active developers or real estate agents.

BARRIERS TO INVESTMENT AND NEW HOUSING SUPPLY

Regardless of what type of housing is being produced, developers, builders and investors see themselves as producers of products that are sold to purchasers or rented out at a price which will result in an acceptable return. If this is not the case, investors tend to shy away from such markets.

From our research and consultations, we identified the following barriers to investment and new housing supply in the region:

- I. **Small pool of developers and investors-** One of the main issues identified in this study is that the region lacks access to developers and investors. Existing developers are concentrated in the larger towns like Dubbo and Mudgee, with smaller towns only having access to local trades. Most of the LGAs reported having no active developers in their areas, which is a big barrier for large investors. Majority of the development in the region is on an individual lot basis, with most of the investors being mom-and-dad investors, or community providers with limited capacity. Since there are no developers in the region, it is harder to attract larger investors who would substantially contribute to housing development and supply.
- II. **Return on investment-** The risk-adjusted rate of return on housing in regional areas is viewed as too low by investors. If the returns are not going to compensate for the risk of the investment, development does not occur. Many regional and rural areas are perceived to have low ROIs due to economic, and demographic factors including unpredictable population trends resulting in demand changes. Whenever there is low demand, development is more risky as rates of sales and final revenues are less certain. Population predictions across the region indicate a predicted decrease in population, which means that investors have less confidence in the markets as they anticipate a decrease in demand. **Most regional areas show signs of market failure and are considered high risk by investors, leading to underinvestment and lower valuation.**
- III. **Cost of development and construction-** Another important overarching feature is the concept of a minimum price of housing, based on the cost of the land, construction costs, professional fees and minimum acceptable developer return. Building a house in a remote regional area tends to be more expensive and take longer than metropolitan areas.

Regional areas have minimal access to materials and labour, making it expensive to construct a new dwelling. **Even though the cost of land tends to be lower, the cost of construction in many cases is high.** This means developers are unable to deliver a product to a large part of the population who cannot afford this minimum price because

their income is too low, or they lack the necessary savings to meet the deposit requirements of lenders. **In other words, there is a gap between prices and affordability for many households.**

Additionally, most rural and regional areas experience a longer lead time in construction materials, making the construction process longer than it is in metro areas. This along with the high prices of materials and the unavailability of labour acts as a disincentive for major developers or investors who may want to invest in the region.

- IV. **The complexity of the planning system-** The planning system faces challenges in terms of balancing the needs of future housing from existing communities. Most regional areas do not plan for growth and are therefore very unprepared for sudden changes. Population predictions in many of these local areas show an anticipated population decline, which limits infrastructure investment and causes concern for potential investors as they would not want to plan or invest in an area with no expected returns. There also may be some resistance from locals who may not want big developers in their neighbourhoods.
- V. **Long lead time for residential development-** There are inevitably lags between adjustments in consumer preferences due to price signals or changing social and cultural norms, and the housing products which are available to the market. This is as a result of the long lead times in seeking planning and development approvals, and the time taken to construct new dwellings. The development approval process in some cases tends to be too long, therefore discouraging potential investors. It was reported that the average length of approval is between 8-12 months in some areas. By the time a developer has secured the land and the necessary development approvals, the market may have changed, and the development may no longer be profitable.
- VI. **Access to finance-** This is especially true for social and community housing providers who rely on funding from the government or capital grants provided by State and Commonwealth governments on an ad hoc basis. Lack of capital grants restricts private investment once existing assets and cash flows are committed. Private investment in community housing is fundamentally about whether the combination of capital grants, subsidies and rental income is sufficient to fund construction of new stock and maintain existing stock, pay the cost of capital, while enabling rents to be held at a level that is affordable to the lowest income households.
- VII. **Structural barriers-** There are some structural impediments preventing greater institutional investments in the housing sector including; complexity in planning, construction and tenancy management; policy inconsistency and uncertainty; lack of incentives in tax policy; lack of scale and illiquidity of assets and regulatory fragmentation.

Investors tend to look for scale in markets. Undue fragmentation can, therefore, deter investment. This can stem from various sources, including fragmentation in the market

itself: e.g. small investments; multiple actors with different incentives to invest; or barriers to growth. However, it can also be exacerbated by fragmented regulations - different regulations in comparison to the potential size of the market.

- VIII. **Construction and tenancy management services-** There is an evident gap between trades expertise and that needed for large scale projects, which at this time may not be being effectively met by other construction professionals. This gap is even more significant with the introduction of innovative building methodologies. Many LGAs reported having no access to the required labour to construct or renovate existing houses, creating a disincentive for potential investors.

Many of the LGAs reported having no active developers in the region. Many of these rural towns don't have real estate agents or property managers and rely on word-of-mouth advertisement for available vacancies, which is a great disincentive for big investors who predominantly use these services.

- IX. **Land availability and attractiveness-** Our study found that there is adequate land zoned for housing development across the region. We also found that even though there might be significant land available, it may not be attractive to investors. The zoning and sizing of land can limit the type of housing being provided, and in turn discourages big investors. Local governments are frequently chastised for poor land use planning and for failing to zone enough land for residential development.

- X. **Release issues-** Some landowners are hesitant to develop their properties. This could be due to the fact that people who own undeveloped residential land are either unwilling or unable to do anything with it. Many planning-related expenses such as development application fees, development contributions, and other expenditures associated with development may be a deterrent to landowners developing and subdividing their property. Additionally, many rural areas lack the required infrastructure, services, and utilities to support development.

POSSIBLE HOUSING MODELS

The study examines a range of affordable housing delivery models that meet the different needs of different groups including: Affordable by design model; Restricted purchase model; Shared equity model; Rent to buy model; Built to rent model; Community land trust model; Participatory development model and Social housing. The study also proposes 5 possible housing models that can be implemented across the region:

1. **Employer Assisted Housing (EAH)**-This model offers an innovative mechanism for leveraging public and private funds to make housing affordable for working families. EAH programs have been shown to help attract and retain workers, and, ultimately, enhance the economic stability of communities. EAH can be provided through consortiums, partnerships, public funding and housing trust funds. Local government entities can use this model to provide housing solutions for key workers and public servants, potentially freeing up houses being occupied by them for other workers. Other employers can also employ this model through either demand side or supply side mechanisms.
2. **Live-Work Model**- This model is closely aligned with the way in which ‘villages’ operated in the past. In this arrangement the building operates as modern “dorms for grown-ups’’. Traditionally, people like to live where they work, and this model provides flexible, community-driven housing and is attractive to a young, urban, professional and mobile population. The implementation of this model should consider four main principles: Walkability – the ability for residents to walk to most services/facilities; Self-reliance – the extent to which residents can meet their daily needs locally; Active democracy – participation in the local community and Distinctive image – the things that differentiate one village/settlement from another.
3. **Co-operative Housing Model**- Co-operative housing is an intentional community of private homes clustered around shared space. It seeks to plan for a very specific need to promote sustainability and ensures there isn’t redundant/ poorly used land or interior spaces within the home. There are three models to Co-operative housing:
 - **Non-equity model**- No capital gain accrues to the resident members. Housing co-operatives operating under this model supply “at-cost” shelter to their members. This is the most prominent model in the Australia
 - **Limited-equity cooperatives**- This model allows for a limited amount of asset acquisition. The formulas by which this gain is calculated vary.
 - **Full-equity housing co-operatives** - The free market determines the value of the dwelling and the owner both benefits from any capital gain and runs the risk of a capital loss. This model is not considered to be “affordable housing.”

Co-operative housing has a good track record in delivering long-term, affordable housing solutions for people on low to moderate incomes. There are international precedents that further highlight the growth potential of co-operative housing Sweden. Projects would typically be developed on public land, and financed through a combination of member equity, low-interest loans, and commercial mortgages.

- 4. DHA Sales and Lease Back Model-** A good example of how the public and private sector can work collaboratively is the Defence Housing Model. DHA has developed a sustainable model in the sales leaseback space that has created a product that provides advantages for both the DHA and investors. While applying this concept to the affordable housing sector is likely to necessitate some form of government guarantee, the government may not incur significant costs in doing so.

A potential way to implement this model is to establish a regional housing authority through a public private partnership, where Local and State Government contribute land and a private investor e.g. local project developer builds homes to meet the local needs of the working community. This model can be successful if some type of government guarantee was available.

- 5. Temporary/ Alternative Housing Models-** In some cases, temporary housing might be the quickest way to alleviate the housing pressures especially for seasonal or temporary workers. Temporary housing plays a critical role in housing by providing temporary or transitional homes before they return or move to their permanent residence. It is usually in the form of low-cost hotels, motels, caravan parks, boarding houses, AirBNB, mining camps, and similar accommodation for people who are experiencing a housing crisis or workers who are in the region for a short period of time.

A possible way to deliver temporary housing to regional areas is through the implementation of the tiny houses- relocatable dwellings that may be entirely off-grid or connected to only some reticulated services. This model has been applied successfully by Mitchell Shire Council in Victoria, being the site of "Transition Village Wallan ", an off grid tiny house community for homeless people that is to be built on land leased from the state government.

Another way to provide appropriate short term housing for workers especially in mining would be by renovating old housing facilities and infrastructure, and turning them into appropriate accommodation facilities for workers. For alternative housing, prefab houses will be a great fit for regional communities, especially in mining towns like Cobar and Nyngan, and bushfire impacted regions. It is a cheaper option for employers, is faster to deliver, usually portable if need be and offers proper living for extended periods of time.

RECOMMENDATIONS

Recommendation 1: Setting housing supply targets

Based on current household projections over the next 20–30 years, an immediate target should be set to ensure the annual supply of affordable rental dwellings increases enough to sustain the current share of rental dwellings and to prevent the current shortage in the private rental market from increasing any further.

We estimate an initial target of 250 affordable rental dwellings in the first five years across the region will limit the extent to which the current supply shortage will increase and the extent to which increasing supply shortages put pressure on rents in the private rental market. It will however not reduce the current shortage, and will not sufficiently accommodate the projected workforce numbers.

To ensure this is achieved, we recommend:

- Regular auditing of housing demand and supply to identify gaps and opportunities in development
- Developing a register of both public and private housing to track what is available and where the gaps are in terms of housing supply and demand
- Investigating housing trends to identify appropriate strategies in order to accommodate housing needs for the emerging industries.
- Ensuring enforceable arrangements are in place to meet the set targets

Recommendation 2: Initiating a holistic approach which includes a Regional Worker Housing Strategy

Government needs to take a more strategic approach to housing in regional areas by recognising its interrelationship with other sectors. Government should adopt a coordinated approach to housing with both public and private sectors. It can do so by; taking a comprehensive approach to the planning and delivery of housing; considering the roles and contributions of all sectors (government, private, financial and community) and including a range of strategies for improving housing stability.

Future employment across the region is reasonably positive with many projects in the pipeline. These projects will provide employment for construction workers and employment continuity once projects cease construction.

From our research, the known construction workforce associated with the concurrent projects across the region is an expected minimum of 4,500 employees. This demand will be filled by both local and non-local residents.

Many State Significant Projects under construction at once may adversely impact local accommodation through an increase in demand. Considering that a large number of the anticipated opportunities will be short-term construction jobs, we expect that the demand will be highest during the peak period and drop once the projects go into their operation phases. As State Significant Projects, many projects are required to include an “accommodation strategy”, which reflects short term arrangements. We recommend to the Government that the requirement should be a housing strategy, rather than an accommodation strategy, with a view to developing and contributing housing to our communities that can cater to longer term needs. The strategy should take into account:

- The project life, and their workforce and accommodation requirements
- The cumulative impacts of the other project's operating concurrently
- Available accommodation options and projections
- Long term accommodation needs, i.e. worker accommodation that might easily convert into aged care units
- Prioritisation of local workforce

Recommendation 3: Building stronger partnerships

The delivery of adequate housing relies heavily on partnerships between government and the private sector. It is important to capitalise on the strengths of the different sectors to ensure that the objectives are met. Rather than expecting any one sector to carry the bulk of responsibility, we need to engage more effectively to draw on the skills and expertise of community organisations, government agencies and private enterprise for solutions to housing challenges.

We recommend a range of ideas for strengthening partnerships, including:

- Innovative partnership models that allow for shared risk, openness and transparency and information sharing like the DHA model, shared equity models etc.
- Taking an economic infrastructure approach to policy development and funding social and affordable housing.
- Leveraging private finance and investment to create more stock and provide social benefits for instance through the sales and lease back model.

The recent MOU signed between the National Housing Finance and Investment Corporation (NHFC) and Landcom is a good example of a partnership that can accelerate the rollout of new housing supply in regional NSW. This collaboration will be significant in developing the terms of a pilot program for social and affordable housing in the state. The prospect of deeper collaboration to achieve joint aims is an exciting opportunity which will advance the supply and diversity of housing and the delivery of housing infrastructure throughout regional NSW.

Recommendation 4: Building capacity within the existing housing stock

A lack of knowledge about latent capacity within the existing housing stock, and of the potential for design innovations, tenure, and financial arrangements to better utilise this potential capacity, is a major limiting factor to housing supply in the region. Technological innovations and forms of collaborative consumption, such as those associated with the 'sharing economy', may present new opportunities to utilise latent housing capacity .

This study recommends to:

- Initiate and support the renovation of old existing houses that have been left or abandoned bringing them to appropriate standards
- Explore affordable short term housing solutions for seasonal workers and individual workers like tiny homes, motels, working villages etc.
- Support for worker housing by increasing investment in housing by Government for Government and essential workers to free up private rentals
- Support private sector employer funded housing to attract skilled workers into the region
- An agency to purchase housing and provide head-lease to facilitate short-term/bridging accommodation for professionals and workers moving into the region
- Encourage a mix of housing types to create more socially diverse communities.

Recommendation 5: Support for private investment

Taxation and legislative reforms should aim to reset the market to support the provision of more affordable housing in the private rental as well as home ownership markets. Specific strategies that can be recommended include:

- Introducing incentives to reward investors and employers for investing in rural and regional housing
- Providing land tax exemptions to private landlords
- Legislating to allow new hybrid tenure models (such as cooperative ownership, shared equity/ownership, sales and lease back etc).
- Implementing a tax credit to replace the existing benefits available to real estate investors through negative gearing and capital gains to build a new pool of capital or housing investment.

Recommendation 6: Adjusting planning systems and policy settings

Despite more than a decade of planning system reforms, development industry sectors continue to emphasise the role of planning system constraints in undermining supply responsiveness, implying a need to review and quantify the impacts of key reforms on blockages in new housing production. Policy attention and interventions need to focus on factors reducing the responsiveness of new supply to changing demand, acknowledging that these may play out differently in different market settings. We recommend:

- Revisit Local government plans to identify where affordable housing can be provided and implement any changes needed in planning and approval processes and/or changes in taxes and charges to ensure that targets can and will be met
- Government policy that supports investment in housing by significant/major projects
- Develop strategies that can support housing supply during periods of price stagnation and overcoming problems associated with speculative planning applications, which result in volatile flows of new housing supply
- Take advantage of COVID-19 trends pushing more people out of metro areas into regional areas to create a reliable workforce and grow regional population

Councils often lack expertise and the ability to source strategic planning skills. A suggested priority recommendation would be for the NSW Government to support local Councils to update their local land use strategies and LEPS, many of which were completed over 10 years ago. Additionally, assistance is required for Councils to use the NSW Government Local Housing Strategy guideline as a tool to identify their own housing baseline data, develop local responses to the issues and funding support to assist implementation of the priority actions. The strategies need to be flexible and responsive to shifts in local housing demand and supply, and deal with uneven rates of development or unexpected population growth. Infrastructure must be planned and provided to support the construction of new housing.

Recommendation 7: Increased public and private funding

Further, it is important to work on ensuring wider financial interventions with direct or indirect effects on demand can support, rather than distort housing choices and supply across the market. This can be done by:

- Providing cheaper and longer-term finance for the community housing sector
- Funding to small Councils to construct housing which can then be leased or sold to generate income for councils
- Government guarantees to permit debt financing and negate the need for substantial equity contribution for community providers
- Revolving funds to provide equity to development projects. The equity would be returned once mortgage loans are issued.

- The Commonwealth government should coordinate funding requirements to provide financial incentives for state and territory governments to meet the annual targets for affordable housing provision as well as to meet any remaining financing shortfall through direct subsidies in the form of tax incentives to housing producers.

Recommendation 8: The Government should develop incentives for smaller councils to support housing development as the effect of severe housing pressures are felt across the board

The recently announced NSW Regional Housing Fund provides an incentive for Councils to address the recommendations of the Regional Housing Taskforce by offering funding to deliver infrastructure and open space projects that directly support the delivery of new affordable and market housing supply. This \$30 million grant program will provide funding to eligible large regional Councils. The Mid-Western Regional Council has been identified as an eligible council, with the remaining 11 Councils not eligible for this funding. Other programs like the NSW Public Spaces Legacy Program also exclude smaller Local Governments. **The State Government should develop similar incentives for smaller councils to support housing development as the effect of severe housing pressures are felt across the board.**

POLICY OPTIONS FOR STIMULATING INVESTMENT

A lack of responsiveness of housing supply will affect the economy through two major channels:

- I. It will impede labour market flexibility (a supply-side impact).
- II. It will have negative impacts on macroeconomic stability (a demand-side impact)

Issues	Policy Options
1. Housing demand	
Reduce demand for housing	<ul style="list-style-type: none"> A. Facilitate downsizing (eg by reducing stamp duties for households moving to a cheaper dwelling and/or removing owner-occupied housing exemption from assets test) to allow older people to move to smaller housing B. Reduce incentives for speculative investment in housing (eg by reducing asymmetric treatment of capital gains and interest deductions) C. Demand side assistance for disadvantaged households, targeted in a way that will not create undue pressure on prices or rents.
2. Lack of investment housing	
Increase investment in housing	<ul style="list-style-type: none"> A. Reduce burden of land tax on residential investment B. Remove disincentive for large scale investment in rental housing C. Initiate and/or support establishment of a financial intermediary and products to encourage institutional investment and ensure housing providers have access to finance to initiate new stock D. Revising development process to remove barriers and allow for a quick turnaround
Increase supply	<ul style="list-style-type: none"> A. Provide subsidised access to well-located public land for Not for Profit (NFP) providers B. Encourage appropriate planning regulations

	<p>C. Private and public sector partnership to encourage the implementation of different models across the region</p> <p>D. Facilitate increased supply of affordable housing (eg planning regulations such as inclusionary zoning)</p>
3. Access to appropriate housing	
Increase access and supply of appropriate housing to meet demand needs	<p>A. Facilitating a variety of housing options and sizes for different needs</p> <p>B. Increase choice and mobility within housing system</p> <p>C. Regulatory and planning changes to facilitate the provision and delivery of mixed and diverse housing models</p>
Reduce upward pressure on rent and house prices	<p>A. Reduce cost pressures on new dwellings</p>
4. Access to finance	
Increase access for marginal First Home Buyers	<p>A. Assist access for marginal purchasers (eg targeting First Home Owners Grant by income and price point and limiting to new dwellings and providing transitional access to mortgage finance)</p> <p>B. Expand role of hybrid tenures (eg such as shared equity programs as in WA, land rent scheme in ACT, indigenous co-ownership models or community land trust models)</p>

1. INTRODUCTION

1.1 BACKGROUND

Housing markets in rural and regional centres are influenced by a number of factors, including population growth, population structural ageing, the supply-demand balance, and the impact of housing finance. Housing needs, preferences, and expectations have all changed dramatically in the last 20 years. As future generations enter the housing market, demand for innovative and alternative forms of housing will continue to rise.

Today housing availability and affordability has been recognized as one of the most important problems facing many towns in NSW, including regional areas. Local communities in the Orana region face shortage of supply of affordable housing as well as growth of population, mainly as a result of workforce growth in key industries that has stressed the housing market.

When it comes to housing demand, income growth and the unemployment rate have historically been important economic drivers. Long-term housing demand is largely a function of population growth and the rate of household formation.

Current trends show that:

- **The population of NSW is increasing unevenly.** Greater Sydney, which is undergoing rapid population expansion, will require an additional 1 million dwellings by 2041. Meanwhile, a migration from smaller towns to regional centres is fueling more modest regional population growth. The population of some localities is declining.
- **In the next 25 years, the number of persons aged 65 and up will rise by 85 percent¹.** This has implications for the type of home people require, particularly if they prefer to age in place.
- **COVID-19 has led to an increase in regional housing demand.** The demand comes from people moving to regional areas due to changing preferences or circumstances as a result of the pandemic. The increase in demand has led to housing shortages and price growth.
- **People's living arrangements will continue to be diverse.** There is an increase in the number of larger households (such as family, multi-generational and shared households), and more people are living on their own or as a couple.

¹ NSW Department of Planning, Industry and Environment (2019), [NSW Population Projections](#)

- **Affordability will remain an important issue.** Low-income growth compared to the rising cost of housing has, among other factors, increased mortgages, decreased home ownership and placed pressure on social housing and homelessness services.
- **Technology is always advancing.** New materials, innovations, and systems (such as 'smart' homes and cities) have the potential to transform how homes are built, how people receive and utilise information, and how people connect.
- **Urban and natural environments are changing.** Threats from natural hazards are increasing. There is an increase in the intensity of flooding in some areas, drought, storms, coastal and soil erosion, wind, and heat.
- **People use their homes in increasingly diverse and innovative ways.** This includes the sharing economy, alternative home ownership, and new rental or shared development models.

Not long ago, regional communities were offering farmhouses for peppercorn rents, in a desperate attempt to get people into some areas of regional New South Wales. Now, the focus is so strongly on people moving to the regions that there are significant pressures arising from it. There are both big pressures and big opportunities ahead for inland NSW. There is a huge infrastructure pipeline planned for regional NSW that will generate many job opportunities for our regional communities. Nevertheless, there is a growing concern about the ability of regional communities to house additional people.

There has been no shortage of contributions to the debate on housing and many institutions, peak bodies and service providers have highlighted the difficulties their specific client groups are experiencing in the housing system. Previous research has indicated that housing supply in regional centres is constrained in both the house ownership and private rental markets, with investment often coming from local sources. Furthermore, building construction and land supply are frequently carried out on a too small scale to fulfil the demands of an expanding population. Because of the growth of migration, the ageing of the population, the projects and infrastructure boom and FIFO or DIDO workforce, housing markets in rural and regional centres often appear disconnected from the local economy or historical growth patterns.

1.2 PROJECT SCOPE

For this research, we considered 11 LGAs in the Orana Region (excluding Dubbo Regional), and Central Darling. The LGAs included in this study are:

- Bogan Shire
- Bourke Shire
- Brewarrina Shire

- Central Darling Shire
- Cobar Shire
- Coonamble Shire
- Gilgandra Shire
- Mid-Western Regional
- Narromine Shire
- Walgett Shire
- Warren Shire
- Warrumbungle Shire

The study period was between July 2021 and November 2021.

1.3 RESEARCH QUESTIONS

This research project will answer six key research questions:

1. What are the significant housing market drivers in rural and regional areas?
2. How have these drivers affected the supply of affordable housing in both the rental and home purchase sectors?
3. What are some of the barriers to housing investment in the region?
4. What is the likely impact of the measures being used by local, state and Australian governments to boost the supply of housing?
5. What is the most effective model to deliver required housing outcomes in regional Australia?
6. What will happen if we do not deliver housing solutions for our regional communities?

The research will address the research questions outlined above by:

- A. Documenting current housing supply across the region
- B. Forecasting future housing demand based on population trends, project pipeline and worker projections
- C. Establishing an evidence base on key housing market drivers and barriers to investment

- D. Investigating and documenting Government policies that impact housing investment
- E. Highlighting possible policy interventions in meeting housing needs in rural and regional NSW
- F. Exploring housing models that would deliver private sector investment in the region
- G. Evaluating the impact on community if housing needs can't be met
- H. Establishing an evidence base that will assist governments and communities to implement effective policies and programs that address housing supply in rural and regional areas

1.4 RESEARCH FRAMEWORK AND METHODOLOGY

This study generates research findings through a mixed methods framework of enquiry.

1. **Desktop research** -Literature review, empirical trends, and predictions, case studies, ABS Data
2. **Primary data**- Consultation and qualitative interviews with local governments, housing providers, and financial institutions. In total 20 interviews were conducted, with each group providing their perspectives on the issue of housing supply within their community.
3. **Econometric modelling**- REMPLAN impact analysis based on ABS 20-year population projections. What will happen if we increase housing supply by 250 units?

1.5 REPORT STRUCTURE

Chapter One is the introduction and provides the background and a brief overview of the report and research project, including an outline of the research questions and project aims. This chapter also looks at the research framework and methodology.

Chapter Two takes an extensive look at the region and current housing stock and market conditions. The information on this chapter is based on ABS data.

Chapter Three looks at the results of the study. This chapter breaks down the information gathered from different sources to identify the trends, pressures, drivers, barriers to investment and challenges faced by the housing markets across the region. It also looks at the role of financial institutions in the housing markets.

Chapter Four takes a more detailed approach to the housing policies and strategies implemented at the federal, state, and local government levels. This chapter analyses the implications and effectiveness of government policies across different levels.

Chapter Five focuses on housing delivery. This chapter looks at the current housing spectrum, diversified housing options, key players within the housing markets, demand and supply drivers for regional housing markets and the role of housing in regional development.

Chapter Six covers different housing models analysing the target groups, where they have been effective and how they have been applied. This chapter also identifies five possible housing models that can be applied to the region as Employer Assisted Housing (EAH), Live-Work Model, Co-operative Housing Model, DHA Sales and Lease Back Model and Temporary/ Alternative Housing Models. This section also identifies where in the region these models could be implemented and how.

Chapter Seven focuses on private sector investment. This chapter discusses the imbalance between the demand and supply of rental housing and the barriers to institutional investment in residential rental property. It answers the question as to whether existing approaches are enough to encourage private sector investment and offers options for stimulating investment across the region.

Chapter Eight models an impact scenario. This impact scenario is based on a REMPLAN analysis on an initial net increase of 250 dwellings across the region. This section also responds to the question as to what happens if proper housing solutions are not delivered.

Chapter Nine summarises the overall findings in relation to the terms of reference and highlights implications and policy options arising for different scales of government intervention. This section also offers action plans and recommendations based on research findings.

2. ABOUT THE REGION

The Orana region is the largest and most diverse regional economy in New South Wales. It covers an area of over 199,000 square kilometres in the Central and North Western sectors of NSW, approximately 25% of NSW's land mass. The area consists of 12 local government areas (LGAs); Bogan, Bourke, Brewarrina, Cobar, Coonamble, Dubbo, Gilgandra, Mid-Western Regional, Narromine, Walgett, Warren and Warrumbungle Shire. The major regional towns in the Orana region are Dubbo, Mudgee and Cobar.

The Orana region has witnessed a slow but steady growth in population over the last decade. Between 2008 and 2018, the resident population of the region grew from 118,032 to 122,956². This translates to 4.17% increase, and an annual growth rate of 0.42%. There have been 3.137 more people in the region between 2010 and 2020.

The regional unemployment rate is just 3% and attracting a workforce is the number one issue facing employers in the region. The issue of housing for workers across the region, has always been around, particularly for our rural Councils. However, the issue has escalated due to significant economic activity being experienced in the region, from many sectors, especially resources and energy.

Central Darling Shire is a local government area in the Far West region of New South Wales. At 53,511 square kilometres, it is the largest incorporated local government area in the state. Population figures for the Shire are one of the lowest in NSW with less than 2,000 residents dispersed throughout the communities of Ivanhoe, Menindee, White Cliffs and Wilcannia, pastoral properties and the localities of Darnick, Mossgiel, Sunset Strip and Tilpa. The Shire is geographically isolated with Wilcannia, the main population centre located approximately 200 kilometres east of Broken Hill.

All 12 LGAs included in this study have very low population densities below the national (3.3 per sq km) and state 98.64 per sq km) averages. Mid-Western Regional has the highest density with 2.76 per sq km followed by Narromine at 1.22 per sq km.

² Australian Bureau of Statistics, Regional Population Growth, Australia, 2017-18, Cat. 3218.0 (2017-18 data was released on 27 March 2019. 2018-19 data is expected to be available in March 2020).

2.1 KEY STATISTICS

LGA	LAND AREA (Ha)	ESTIMATED POPULATION (2021)	ANNUAL GROWTH (2016-2021)	POPULATION DENSITY/Km ² (2016 Census)	ABORIGINAL POPULATION (2021)	ABORIGINAL POPULATION (%)
Bogan	1 459 990	2,467	-1.7%	0.18	440	17.8
Bourke	4 159 837.227	2,340	-2.3%	0.07	708	30.30
Brewarrina	1 916 202.968	1,356	-3.8%	0.09	697	51.4
Central Darling	5 349 219.3	1,725	-1.30%	0.03	630	36.50
Cobar	4 557 535.1	4,098	-2.7%	0.11	630	12.86
Coonamble	991 605.4	3,834	-1.07%	0.39	1,168	29.63
Gilgandra	483 150.6	4,295	0.3%	0.88	621	14.50
Mid-Western	875 225.9	25,713	1.3%	2.76	1,751	6.8
Narromine	526 151.7	6,360	0.03%	1.22	1,300	20.4
Walgett	2 230 838.5	5,253	-3.0%	0.27	1,113	21.2
Warren	1 075 376.7	2,550	-1.4%	0.25	392	15.4
Warrumbungle	1 237 212	9,225	-0.3%	0.76	985	10.7

2.2 CURRENT HOUSING MARKET CONDITIONS

Housing demand and supply are influenced by the region's and individual LGAs' age profiles, household composition, and household income, as well as the number of bedrooms, affordability, location, and suitable dwelling types.

Overall, the Central West and Orana have a slightly lower proportion of younger age groups (0-14, 15-24 and 25-44) than the rest of NSW's average, and a slightly higher proportion of older age groups than the rest of the state. The DPIE projects that the fastest growing age groups in the region by 2036 will be those aged 70+, suggesting an increased need for housing suitable for older residents³.

Low-income households predominate in the region. The number of very low, and low-income renters in housing stress increased significantly in almost every LGA in the region between 2016 and 2021, indicating strong and growing demand for affordable housing.

The housing market conditions, as well as rent and purchase affordability, differ greatly across the region, especially between the larger cities and the rest. Over the last decade, the region has seen strong price growth in both rents and sales, as well as persistently low vacancy rates, indicating a shortage of private rental housing, a significant loss of affordable rental housing supply, and high demand from a significant number of low-income residents, with many residents experiencing housing stress⁴.

Both the median rent and the median sales price have increased significantly. Purchase affordability for lower-income households has worsened, and is now lower than it was in 2016, despite historically low interest rates. Similarly, in the majority of LGAs, rental affordability for lower-income households is lower now than it was five years ago.

Between 2006 and 2019, the number of new bonds that were accessible to low-income households in the region fell by 64.5 percent. This decrease in affordable rental housing coincides with a significant increase in the number of low-income rental households. As housing costs have risen significantly faster than salaries, an increasing number of people are dependent on the private rental market as a long-term residence. As a result, encouraging tenure variety and a range of pricing points to satisfy local requirements is critical.

As of June 2019, the total number of social rental dwellings in NSW was 151,814, consisting of 66 per cent public housing, 31 per cent community housing, and the remainder are State Owned and Managed Indigenous Housing (SOMIH) and Indigenous Community Housing (ICH)⁵.

³ NSW Department of Planning, Industry and Environment (2019), [NSW Population Projections](#)

⁴ NSW Communities & Justice, [Housing Market Snapshot- Central West and the Orana Region](#)

⁵ NSW DCJ 2019, [NSW Social Housing Residential Dwellings Dashboard](#), Department of Communities and Justice.

2.3 REGION'S HOUSING STOCK

The vast majority of housing in the region is in the form of separate houses with three, four or more bedrooms, built for families. There is already a significant mismatch between household type and bedroom number across all the LGA's. With a forecast increase in smaller households, this disparity will only worsen unless proactive measures are taken to increase the supply of smaller dwellings. This will enable some measure of choice to smaller households and give older residents some options to downsize. It may also assist in affordability, with smaller households currently required to consume more housing than they may need due to lack of choice.

As residents over 70 years are projected to be the fastest growing cohorts in the region by 2036⁶, there is a need to provide more housing that is adaptable, accessible, well located, secure, low maintenance and affordable. Those most in need are households in the private rental market, who struggle to afford housing on an Aged Pension or inadequate superannuation, noting that Aboriginal households are significantly over-represented in the homeless population.

At the time of the 2021 Census, there were significantly fewer proportions of private dwellings occupied in the region compared to NSW. A good percentage of homes were owned outright with a majority of people being renters. The higher instance of renting compared to home ownership indicates lower levels of socio-economic advantage as rental housing may be associated with less financial and social stability. Both mortgage repayments and rent payments throughout the area of reference are substantially lower than NSW averages.

The residential vacancy rate in the study area has remained relatively stable. However, the outbreak of the Covid-19 pandemic drove the rate to be consistently much lower than 1 percent, indicating undersupply.

⁶ NSW Department of Planning, Industry and Environment (2019), [NSW Population Projections](#)

2.3.1 TENURE TYPES

Warrumbungle has the highest proportion of homes owned outright, at 42.09%, followed by Gilgandra with 39.44%, and Warren with 39.39%.

LGA	Private Dwellings	Owned Outright		Paying Mortgage		Rented		Other Tenure Type	
		No	%	No	%	No	%	No	%
Bogan	1,308	404	36.36	221	19.89	287	25.83%	9	0.81
Bourke	1,344	305	26.90	188	16.58	321	28.31%	19	1.68
Brewarrina	727	144	23.23	44	7.10	304	49.03	9	1.45
Central Darling	893	235	38.90	53	8.80	254	42.10%	24	4.00
Cobar	2,451	577	29.64	416	21.37	608	31.23%	20	1.03
Coonamble	2,029	578	34.65	304	18.23	373	22.35%	14	0.84
Gilgandra	1,952	672	39.44	395	23.18	385	22.59%	12	0.70
Mid-Western	11,484	3,384	34.44	2,698	27.45	2,291	23.31%	49	0.50
Narromine	2,860	905	35.55	665	26.12	577	22.66%	20	0.79
Walgett	3,694	1,045	36.15	304	10.52	807	27.91%	81	2.80
Warren	1,327	442	39.39	229	20.41	249	22.19%	9	0.80
Warrumbungle	4,749	1,680	42.09	820	20.55	801	20.07	43	1.08

Source: ABS 2021 census data

2.3.2 HOUSING AFFORDABILITY

LGA	Median Income	Average Monthly Household Rent	Rental Stress ⁷	Average monthly household mortgage	Mortgage Stress ⁸	Housing Suitability Indicator ⁹	Govt. Housing Measure ¹⁰
Bogan	\$40,248	\$ 1355.3	61.3%	\$1,083	22.9%	13	4.1%
Bourke	\$44,824	\$ 1255.7	43.2%	\$1,255	53.8%	20	5.7%
Brewarrina	\$28,756	\$150 (median)	60.7%	\$754	0.0%	25	9.6%
Central Darling	\$27,248	\$153 (median)	7.27% (2016)	\$650	5.56% (2016)	38	9.1% (2016)
Cobar	\$46,800	\$ 1216.7	49.7%	\$1,096	18.5%	31	3.2%
Coonamble	\$34,372	\$ 827	72.1%	\$867	19.3%	45	4.3%
Gilgandra	\$32,864	\$ 1251.4	76.5%	\$1,083	27.5%	38	3.4%
Mid-Western	\$77,272	\$ 2022.1	87.4%	\$1,733	55.7%	197	2.2%
Narromine	\$37,284	\$ 1498.1	73.5%	\$1,200	23.7%	48	3.3%
Walgett	\$28,912	\$ 1385.6	73.0%	\$ 858	36.1%	85	5.3%

⁷ The rental stress rate measures the proportion of very low-income households who are paying more than 30% of their household income on their rental payment and earn less than 50% of the rest of NSW median income.

⁸ The mortgage stress rate measures the proportion of very low-income households who are paying more than 30% of their household income on their mortgage repayment and earn less than 50% of the rest of NSW median income.

⁹ The housing suitability measure indicates the number of dwellings with households requiring extra bedrooms.

¹⁰ The government housing measure indicates the proportion of total dwellings which are State or Territory housing authority dwellings (Government housing).

Warren	\$38,688	\$ 1268.7	58.0%	\$1,045	20.0%	17	2.7%
Warrumbungle	\$38,688	\$ 1234	61.3%	\$922	18.2%	82	2.0%

Source: ABS Census 2021

2.3.3 LGA HOUSING DISTRIBUTION

Bogan Shire

In 2021, the Bogan Shire saw 71 house sales with a median price of around \$160,000, whilst median rent had a median price of \$315 a week.

Tritton copper mine is a major employer, located approximately 60 kilometres north west of Nyngan. The major mining employer in Bogan Shire has a 70% local resident workforce (164 people) and is aiming to increase this to 80%. The company's ongoing viability is dependent upon housing availability in the region, which it has identified as a business constraint.

There are 1,308 private dwellings in Bogan. The most common form of tenure is 'owned outright' comprising 38.4% of dwellings, 22.5% are owned with a mortgage, 26.4% are rented and 0.5% have other tenure types.

Table 2.1 Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	40.7	40.5	36.4
Owned with a mortgage (%)	22.8	22.5	22.5
Rented (%)	31.4	31.7	25.8
Other tenure type (%)	0.6	0.6	0.8
Tenure type not stated (%)	4.9	4.7	8.4

The average monthly rental payments in the region according to the 2021 ABS Census data was \$1355.3, while the median monthly household mortgage payment was \$1083.

Table 2.2 Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$)	612	669	1355.3

Median monthly household mortgage payment (\$)	1 202	1 186	1083
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The median residential property sale price in the region in 2021 was \$160,000 with 71 houses transferred.

Table 2.3 Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	38	37	38	45	36	71
Houses - median sale price (\$)	149 500	130 000	140 000	135 000	111 250	160 000

Bourke Shire

There are 1,344 private dwellings across the Bourke shire as of 2021. 28.7% of the occupied private dwellings are owned outright, 18.2% are owned with a mortgage, 30% are rented and 1.5% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned Outright (%)	30.9	30	28.7
Owned with a mortgage (%)	21.7	22.9	18.2
Rented (%)	39.3	40.6	30
Other tenure type (%)	1.1	1.3	1.5
Tenure type not stated (%)	6.3	5.2	17.2

The median price of a house in Bourke in 2021 across 64 sales is \$121,000, while rental properties average at about \$250 per week. There is housing available on farms and out of town along with residential blocks in North Bourke.

Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$)	419	626	1 255.7
Median monthly household mortgage payment (\$)	1 074	1 281	912

The median residential property sale price in the region in 2021 was \$121,000 with 64 houses transferred.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	29	24	28	28	41	64
Houses - median sale price (\$)	144 000	98 000	136 000	180 000	174 000	121 000

Brewarrina Shire

Housing in Brewarrina Shire is predominantly in the form of dwelling houses and duplexes, but may also include small scale multiple dwellings, retirement or residential care facilities and short-term accommodation to provide for 'whole of life' accommodation choices. The shire offers affordable accommodation options and investment opportunities, with housing in 2021 having a median price of \$113,500. There are 727 private dwellings across the shire. 25.2% of the occupied private dwellings are owned outright, 8.6% are owned with a mortgage, 58.7% are rented and 1.45% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	26.4	25.2	23.2
Owned with a mortgage (%)	12	8.6	7.1

Rented (%)	56.4	58.7	49
Other tenure type (%)	2.6	1.4	1.45
Tenure type not stated (%)	3.1	6.5	17.2

The median monthly rental payments in the region according to the 2021 ABS Census data is \$649.5, while the median monthly household mortgage payment is \$754.

Rent and mortgage payments - Census

Description	2011	2016	2021
Median monthly household rental payment (\$)	281	461	649.5
Average monthly household mortgage payment (\$)	968	772	754

Residential property prices in the region have been on a decline with the median sale price for houses in 2021 being \$113,500, an increase from \$67,500 in 2019.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	14	29	22	10	8	20
Houses - median sale price (\$)	57 000	137 000	78 500	90 000	67 500	113 500

Central Darling Shire

Population figures for the Shire are one of the lowest in NSW with less than 2,000 residents dispersed throughout the communities of Ivanhoe, Menindee, White Cliffs and Wilcannia, pastoral properties and the localities of Darnick, Mossgiel, Sunset Strip and Tilpa. The Shire is geographically isolated with Wilcannia, the main population centre, located approximately 200 kilometres east of Broken Hill.

The region's population has fluctuations due to the demographic, but generally the population is in overall decline over the last decade. This can be attributed to the change in agricultural practices and ancillary industries significantly reducing staff numbers due to efficiencies in technology. A large proportion of the ageing population with the means to move away, do so to access higher order services.

Housing is predominantly in the form of detached dwelling houses. A sufficient supply of suitable land exists within the zoned area to accommodate growth over the next 20 years. No additional rural residential development is intended over the next 20 years.

There are 1,055 private dwellings in the shire. 38.9% of the occupied private dwellings are owned outright, 8.8% are owned with a mortgage, 42.1% are rented and 4% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	38	39	38.9
Owned with a mortgage (%)	9.5	8.8	8.8
Rented (%)	43.2	42.1	42.1
Other tenure type (%)	3.4	4	4
Tenure type not stated (%)	5.6	6.3	2.4

The median monthly rental payments in the region according to the 2021 ABS Census data is \$662.5, while the average monthly household mortgage payment is \$650.

Rent and mortgage payments - Census

Description	2011	2016	2021
Median monthly household rental payment (\$)	337	413	662.5
Median monthly household mortgage payment (\$)	621	1 042	650

Residential property prices in the region are low with the median sale price for houses in 2019 being \$63,750.

Residential property prices

Description	2015	2016	2017	2018	2019
Houses - number of transfers (no.)	26	14	14	23	19
Houses - median sale price (\$)	47 500	42 500	80 000	51 500	63 750

Cobar Shire

Cobar has a range of housing opportunities, from rural to rural residential, large sized town blocks and unit developments. Most estates have access to town water and electricity infrastructure. Blocks of various sizes are available with excellent road access to Cobar. The average cost to rent a house is \$281 per week as of 2021.

Cobar's population stands at around 4,059. The median age at census in 2021 was 37 years, of which 14.3% were of Aboriginal descent.

Over a third of the workforce in the shire is employed in the mining and manufacturing industries. The employers in town are large holders of real estate, to ensure there is adequate housing available for their workforce. Future industry development applications that accommodate employees in town to the best of their ability to support longevity is favoured.

There are over 2,400 private dwellings in the Shire with 31.2% of residents renting, and only 29.6% of residents owning their homes at census time. 21.4% of residents own a mortgage.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%) *	32	31.8	29.6
Owned with a mortgage (%) *	25.2	25.2	21.4
Rented (%) *	39.7	38.1	31.2
Other tenure type (%) *	0.6	1	1

Tenure type not stated (%) *	2.7	4.1	16.2
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The average monthly rental payments in the region according to the 2021 ABS Census data is \$1216.7, while the average monthly household mortgage payment is \$1096

Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$) *	676	759	1 216.7
Median monthly household mortgage payment (\$) *	1 501	1 513	1 096

The median sale price for houses in 2021 was \$180,000.

Residential property prices - year ended 30 June

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.) *	42	51	74	58	63	135
Houses - median sale price (\$) *	210 000	180 000	185 000	185 000	197 500	180 000

Coonamble Shire

Coonamble Shire has a population of 3,732 and the township of Coonamble is home to just under 3,000 people with small villages nearby at Gulargambone and Quambone. Residents of rural properties make up approximately one third of the district population. The Shire encompasses a total land area of about 9,900 square kilometres. Rural land is used primarily for agriculture, particularly sheep and cattle grazing and wheat growing. Coonamble relies heavily on its agricultural income and rural industries.

In 2021, there were 2029 private dwellings in Coonamble, according to 2021 ABS Census data. 40.5% of the occupied private dwellings are owned outright, 22.2% are owned with a mortgage, 30.9% are rented and 1.6% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	42.3	40.5	34.7
Owned with a mortgage (%)	21.3	22.2	18.2
Rented (%)	31.2	30.9	22.4
Other tenure type (%)	1.8	1.6	3.4
Tenure type not stated (%)	3.3	4.7	16.2

The average monthly rental payments in the region according to the 2021 ABS Census data was \$827, while the median monthly household mortgage payment was \$867

Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$)	469	606	827
Median monthly household mortgage payment (\$)	1 142	1 207	867

Residential property prices in the region have increased from 2019, with the median sale price for houses in 2021 being \$127,000.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	54	54	62	52	26	86
Houses - median sale price (\$)	112 500	125 000	127 500	99 000	85 000	127 000

Gilgandra Shire

Gilgandra Shire has a higher proportion of older persons than the state average, demonstrating the continued need to provide housing choices for the aged to match these changing demographics. It also means a reduced available workforce.

39.4% of the occupied private dwellings are owned outright, 25.2% are owned with a mortgage, 27.8% are rented and 1.6% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	42.7	41.9	39.4
Owned with a mortgage (%)	25.8	25.2	23.2
Rented (%)	26.9	27.8	22.6
Other tenure type (%)	1.1	1.6	0.7
Tenure type not stated (%)	3.3	3.5	12.7

The average monthly rental payment in the region according to the 2021 ABS Census data was \$1251.4, while the median monthly household mortgage payment was \$1,083

Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$)	552	674	1251.4
Average monthly household mortgage payment (\$)	1 221	1 307	1083

Residential property in the region have a median sale price of \$178,500 in 2021, a slight increase from \$171,000 in 2019.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	57	55	45	62	65	106
Houses - median sale price (\$)	170 000	180 000	151 000	141 250	171 000	178 500

Mid-Western Regional

There are a variety of land and house alternatives to meet individual tastes and financial needs, with an adequate supply of vacant land in all towns. A number of infrastructure projects are in the works that, once finished, would improve local service delivery, including extensions of health, education, cultural, and athletic assets. Varying forms of housing options are evident across the Region in the major towns, villages and rural areas. A diversity of housing is important to attract new residents to the Region and to ensure existing residents have a choice of housing to suit their needs as their circumstances change.

34.4% of the occupied private dwellings were owned outright, 27.5% were owned with a mortgage, 23.3% were rented and 0.5% had other tenure types.

Tenure type - occupied private dwellings

Description	2011	2016	2021
Owned outright (%)	40.5	38	34.4
Owned with a mortgage (%)	29.3	30.6	27.5
Rented (%)	26.6	27.4	23.3
Other tenure type (%)	0.6	0.7	0.5
Tenure type not stated (%)	3	3.4	11.1

The average monthly rental payments in the region according to the 2021 ABS Census data was \$2022.1, while the median monthly household mortgage payment was \$1733.

Rent and mortgage payments

Description	2011	2016	2021
Average monthly household rental payment (\$)	928	1 122	2022.1
Median monthly household mortgage payment (\$)	1 681	1 777	1 733

Residential property prices are relatively higher than other regional areas with the median sale price for houses in 2022 being \$550,000.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	456	487	578	628	614	750
Houses - median sale price (\$)	342 750	354 050	350 000	378 000	397 500	550 000
Attached Dwellings - number of transfers (no.)	26	21	35	26	41	Nil data
Attached Dwellings - median sale price (\$)	308 250	275 000	262 500	266 000	286 500	Nil data

Narromine Shire

The proportion of housing stock in Narromine represented by separate houses has increased from 92% in 2006 to 93.6% in 2016. This mirrors the dominant family composition in the shire, being couples with and without children. It also could indicate a small price gap between detached dwellings and residential units where, if affordable, lifestyle choices being made are for detached dwellings.

There are 2,860 private dwellings in the shire according to the 2021 ABS Census data. 35.6% of the occupied private dwellings are owned outright, 26.1% are owned with a mortgage, 22.7% are rented and 0.8% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	38.2	38.8	35.6
Owned with a mortgage (%)	28.5	28.7	26.1
Rented (%)	28.8	27.8	22.7
Other tenure type (%)	1	0.9	0.8
Tenure type not stated (%)	3.2	3.7	12.1

The average monthly rental payments in the region according to the 2021 ABS Census data was \$1498.2, while the median monthly household mortgage payment was \$1200.

Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$)	624	779	1498.2
Average monthly household mortgage payment (\$)	1 243	1,354	1,200

Residential property median sale price for houses in 2021 was \$280,610, a large increase from \$225,000 in 2018.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	103	83	93	107	79	151
Houses - median sale price (\$)	220 000	220 000	216 250	225 000	236 610	280 000

Walgett Shire

At the 2021 Census, the ABS Indigenous Location of Walgett had a total population of 5,253 people, of whom 21.2% identified as Aboriginal or Torres Strait Islander.

Detached homes dominate the existing housing stock in the shire. A significant percentage of these are occupied by 'empty nesters', many of whom have reached retirement age. As evident in the 2021 census data, Walgett LGA has around 31% of its population aged 64 and over, making this reality relevant. The changing size and age composition of the Walgett's population will increase the need for housing,

The shire has 3,694 private dwellings. 36.3% of the occupied private dwellings are owned outright, 10.5% are owned with a mortgage, 27.9% are rented and 2.8% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	41	37.9	36.3
Owned with a mortgage (%)	13.9	13.1	10.5
Rented (%)	36.3	39.4	27.9
Other tenure type (%)	2.9	3	2.8
Tenure type not stated (%)	5.9	6.4	22.5

The average monthly rental payments in the region according to the 2021 ABS Census data was \$1385.6, while the median monthly household mortgage payment was \$858

Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$)	417	554	1385.6
Average monthly household mortgage payment (\$)	1 123	982	858

Residential property prices in the region are low with the median sale price for houses in 2021 being \$88,500.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	48	46	44	47	42	89
Houses - median sale price (\$)	110 000	60 000	70 000	120 000	97 000	88,500

Warren Shire

There are 1,327 private dwellings in the shire according to the 2021 ABS census data. 34.4% of the occupied private dwellings are owned outright, 22.5% are owned with a mortgage, 29.9% are rented and 1% have other tenure types.

Tenure type - occupied private dwellings - Census

Description	2011	2016	2021
Owned outright (%)	42	43.2	34.4
Owned with a mortgage (%)	20.6	22.5	20.4
Rented (%)	32.6	29.9	22.2
Other tenure type (%)	1.2	1	0.8
Tenure type not stated (%)	3.4	3.4	9.7

The average monthly rental payments in the region was \$1268.9, while the average median household mortgage payment was \$1,045, both decreasing in price from 2019.

Rent and mortgage payments - Census

Description	2011	2016	2021
Average monthly household rental payment (\$)	428	948.3	1268.7
Median monthly household mortgage payment (\$)	1 034	1 106	1 045

The housing market is very solid by Warren's standards. The shire has a median residential property sale price for houses as \$152,500 in 2019, an increase from \$145,000 the previous year.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	36	38	49	29	29	56
Houses - median sale price (\$)	155 000	220 000	167 500	145 000	152 500	155 000

Warrumbungle Shire

There were a total of 4,749 dwellings in the Warrumbungle Shire in 2021. Of these, 94 percent are made up of separate dwellings. The total number of occupied dwellings in the Warrumbungle Shire has remained steady over the last 10 years. Warrumbungle region offers affordable property and rental markets, with the property prices being highly affordable, particularly when compared to prices in the major regional centres and capital cities.

46.4% of the occupied private dwellings are owned outright, 23% are owned with a mortgage, 25.8% are rented and 1.3% have other tenure types.

Tenure type - occupied private dwellings

Description	2011	2016	2021
Owned outright (%)	47.7	46.4	42.1
Owned with a mortgage (%)	22.6	23	20.6
Rented (%)	24.8	25.8	20.1
Other tenure type (%)	1.3	1.3	1.1
Tenure type not stated (%)	3.4	3.5	14.7

The average monthly rental payments in the region according to the 2021 ABS Census data was \$1234.1, while the average monthly household mortgage payment was \$922.

Rent and mortgage payments

Description	2011	2016	2021
Average monthly household rental payment (\$)	480	687	1234.1
Median monthly household mortgage payment (\$)	1 190	1 136	922

Residential property prices in the region are moderate with the median sale price for houses in 2021 being \$210,000.

Residential property prices

Description	2015	2016	2017	2018	2019	2021
Houses - number of transfers (no.)	138	129	136	147	124	263
Houses - median sale price (\$)	154 000	160 000	183 000	185 000	160 000	21000 0

3. RESULTS OF THE STUDY

3.1 CURRENT REGIONAL HOUSING OUTLOOK

LGA	Available Houses for rent (2016)	Average Monthly Household Rent	Available Houses for sale (2016)	Average monthly household mortgage	Median household income	DAs in the last 3 years (to 2016)
<i>Bogan</i>	0	\$ 669	5	\$1,186	\$60,060	11
<i>Bourke</i>	0	\$ 626	47	\$ 1,281	\$64,636	6
<i>Brewarrina</i>	0	\$ 461	5	\$ 772	\$44,928	23
<i>Central Darling</i>	0	\$ 413	0	\$ 1,042	\$46,852	16 transportable dwellings
<i>Cobar</i>	1	\$ 759	89	\$ 1,513	\$77,740	10
<i>Coonamble</i>	0	\$ 606	35	\$ 1,207	\$50,752	27
<i>Gilgandra</i>	1	\$ 674	29	\$ 1,307	\$51,896	10
<i>Mid-Western Regional</i>	76	\$ 1,122	56	\$ 1,777	\$58,812	290 DAs 276 Occupancy Certificates
<i>Narromine</i>	5	\$ 779	26	\$ 1,354	\$56,056	53
<i>Walgett</i>	1	\$ 554	17	\$ 982	\$41,912	14

<i>Warren</i>	3	\$ 564	46	\$ 1,106	\$46,585	2
<i>Warrumbungle</i>	0	\$ 687	52	\$ 1,136	\$45,656	45

Sources: CoreLogic RP Data, REMPLAN Property Analysis Module.

ABS, Census of Population and Housing 2021 (& 2016)

3.2 TRENDS AND PROJECTIONS

For the purpose of this research, the Far West planning region consists of Balranald Shire, Bourke Shire, Brewarrina Shire, Broken Hill, Central Darling Shire, Cobar Shire, Walgett Shire and Wentworth Shire. The Central West and Orana Planning region consist of Bathurst Regional, Bogan Shire, Cabonne Shire, Coonamble Shire, Cowra Shire, Dubbo Regional, Forbes Shire, Gilgandra Shire, Lachlan Shire, Lithgow, Mid-Western Regional, Narromine Shire, Oberon Shire, Orange, Parkes, Warren Shire, Warrumbungle Shire and Weddin Shire.

3.2.1 DEMOGRAPHIC TRENDS

According to the Australian Bureau of Statistics (ABS), 3.1 million people live in Regional NSW (38.3% of NSW's almost 8.1 million population) and 5.2 million live in Greater Sydney (64%). Within Regional NSW, 1.3 million live in the 'Regional Metro' area, and 1.8 million reside in 'Country NSW'¹¹. (2020 data)

The Orana region is very diverse. Based on the 2021 ABS Census data, the study LGAs had an average Indigenous population of 26.01%. Brewarrina Shire and Central Darling Shire have the largest Indigenous population at 51.4% and 36.5%¹² respectively, while Mid-Western Regional and Warrumbungle Shire come last at 6.8% and 10.7% respectively. 20% of the Orana region, and 27.4% of the Central Darling region's population is above 64 years of age .

In the last 10 years, the number of persons aged 65 and up has increased by 37 percent. It is expected that this trend will continue over the next decade. This has implications for the type of home people require, particularly if they prefer to age in place. (2020 data)

Major demographic trends in the region show:

- 1) An ageing population
- 2) Changing household composition
- 3) Changing size and age composition of the Indigenous population

Together, these changes suggest the need for significant increases in housing supply particularly in remote areas and low income regions where demand outstrips supply.

¹¹ Chris Angus (2020), [Regional NSW: A Demographic and Economic Snapshot](#), NSW Parliamentary Research Service, Briefing paper No 01/2020

¹² Housing Statistics for Aboriginal and Torres Strait Islander Peoples, 2021 | Australian Bureau of Statistics. [ABS Housing Stats for Aboriginal and Torres Strait Islander Peoples](#)

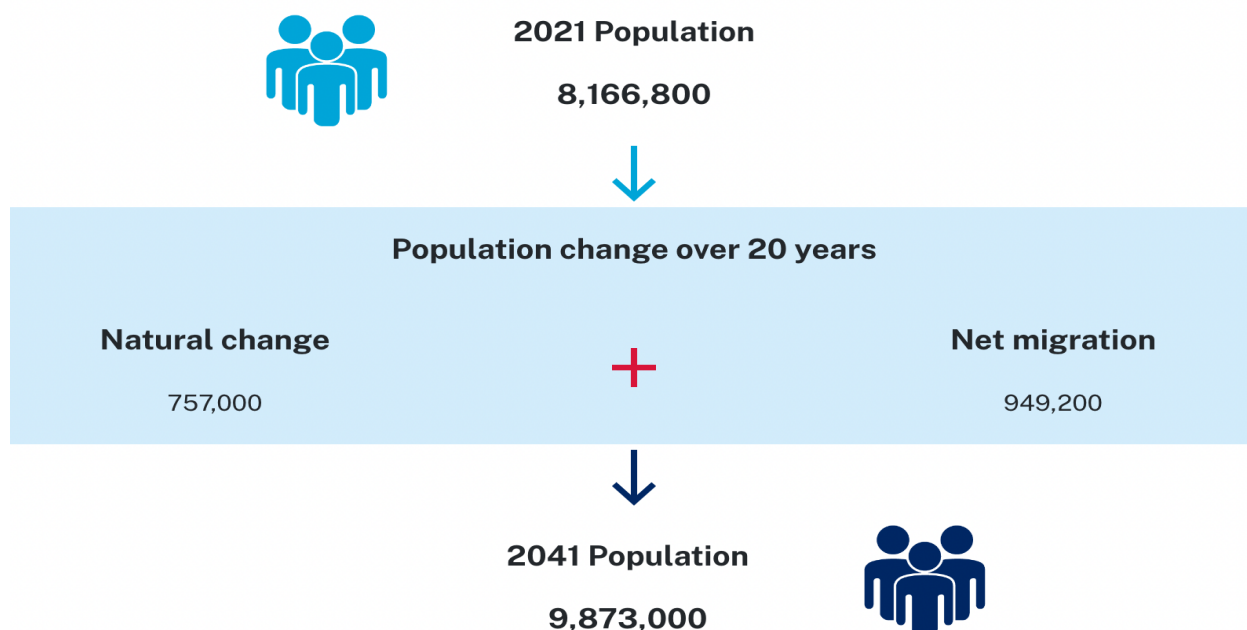
The changes in demographics identified are largely due to: longer life expectancy; migration; and growing household diversity¹³.

Population ageing results in a changing population composition, with older age cohorts growing relative to young age cohorts. Most people would prefer to age in place – whether in their own home or in a form of supported accommodation. They may choose to move to more convenient accommodation, such as a retirement unit, as their needs change, or smaller housing. Ideally this can occur without having to shift from their home area and local networks. This is clearly more difficult to put into practice in rural areas where there is a smaller range of appropriate housing and aged care homes available.

Over the next 20 years, changes to agricultural productivity, freight and transport connections, water trading and regulation, climate and economic conditions, as well as varying degrees of population change have the ability to reshape the communities across the region.

3.2.2 POPULATION TRENDS

The total population in NSW in 2021 was 8.2 million. This is projected to increase from 2021-2041¹⁴.



¹³ Kraatz J., Elena M. Z and Newman P. (2018), [P1.54 Procuring Social and Affordable Housing Changing Demographics and Typologies](#). Sustainable Built Environment, National Research Centre

¹⁴ NSW Department of Planning, Industry and Environment, [Full NSW Population Projections](#)

The 2021 population projections tell us:

1. NSW is living longer and is more active and productive
2. Border and coastal regions are retirement havens
3. There is powerful growth in regional hubs

Housing shortages and affordability problems are a major constraint on regional development. Housing demand is closely linked to population growth, but for much of the recent era growth in demand has outpaced population growth. Should the regions experience high levels of population growth, there will be increased pressure on housing markets, inflating prices and impacting housing affordability.

The Central West and Orana Region is projected to have a 0.05% population growth in the next 20 years. The Far West Region is projected to experience a 0.11% population decline over the next 20 years.

DPIE Planning Region	2021	2026	2031	2036	2041	% Change 20 years
Central West and Orana Region	291,567	297,488	301,745	304,567	306,011	0.05%
Far West Region	44,806	43,524	42,322	41,107	39,889	-0.11%
NSW Total	8,414,978	9,011,010	9,560,567	10,077,964	10,572,696	0.26%

The region presents a more varied picture of population change and distribution, with many LGAs experiencing population decline in the last 10 years. Much of the growth has been concentrated in larger towns like Mudgee and Cobar.

The reasons for the varied patterns of population change in the region are driven by demographic and economic factors. While some of these factors are relatively recent, others have been playing out for more than half a century. It is expected that this pattern will continue over the next two decades, with Bogan Shire, Bourke Shire and Mid-Western Regional

expected to experience a slight population growth while the rest of the LGAs are projected to experience population decline.

The population growth from 2021 - 2041 is expected as follows¹⁵:

- **Bogan Shire-** The population of Bogan is projected to decrease by 919 people over the next 20 years from 2,500 in 2021 to 1,581 in 2041. The population decline in Bogan is driven by natural change and people ageing in place. The working age population (aged 15-64) is estimated to decrease to around 870 people. The number of people aged 65 and over is estimated to be 360 in 2041. The number of children aged 14 and under is estimated to decrease from 545 in 2021 to 346 in 2041.
- **Bourke Shire-** The population of Bourke is estimated to decrease by 1021 people between 2021 and 2041, from 2,758 to 1,556. Population change in Bourke is supported by people ageing in place and the number of births exceeding the number of deaths. The working age population (aged 15-64) is estimated to decrease by 1,540 in 2021 to 819 in 2041 – a change of 721. The number of children aged 14 and under is estimated to decrease from 638 in 2021 to 319 in 2041. The number of people aged 65 and over is to increase from an estimated 400 in 2021 to 413 by 2041 - a change of 13.
- **Brewarrina Shire-** The population of Brewarrina is projected to decrease by 591 people between 2021 and 2041, from 1,522 to 931. In Brewarrina, the number of births exceeding the number of deaths and the number of people ageing in place is offset by some families leaving the area. The working age population (aged 15-64) is estimated to decrease by 1,120 in 2021 to 525 in 2041 – a change of 595. The number of children aged 14 and under is estimated to change from 314 in 2021 to 110 in 2041. The number of people aged 65 and over is estimated to increase from 210 in 2021 to 294 by 2041 - a change of 84.
- **Central Darling Shire-** The population of Central Darling is projected to decrease by 501 people between 2021 and 2041, from 1,812 to 1,311. The change in Central Darling's population is driven by working age people leaving to larger regional centres. The working age population (aged 15-64) is estimated to decrease by 1,089 in 2021 to 763 in 2041 – a change of 326. The number of children aged 14 and under is estimated to decrease by 185 children, from 382 in 2021 to 197 in 2041. The number of people aged 65 and over is estimated to increase from 340 in 2021 to 351 by 2041 - a change of 11.
- **Cobar Shire-** The population of Cobar is projected to decrease by 1,774 people between 2021 and 2041, from 4,329 to 2,555. Cobar's population change will be driven by people leaving the area to live in regional centres. This loss is tempered by natural change with births outnumbering deaths. The working age population (aged 15-64) is estimated to decrease by 2,712 in 2021 to 1,386 in 2041. The number of children aged

¹⁵ NSW Department of Planning, Industry and Environment [Projections](#)

14 and under is estimated to decrease from 934 in 2021 to 521 in 2041. The number of people aged 65 and over is estimated to decrease from 682 in 2021 to 650 by 2041.

- **Coonamble Shire** - The population of Coonamble is projected to decrease between 2021 and 2041, from an estimated 3,888 to 2,965. The main driver behind Coonamble's population change will be people leaving the area for regional centres such as Dubbo and Tamworth, a loss that will be tempered by some natural change. The working age population (aged 15-64) is estimated to decrease by 2,024 in 2021 to 1,624 in 2041 – a change of 400. The number of children aged 14 and under is estimated to decrease from 854 in 2021 to 528 in 2041. The number of people aged 65 and over is estimated to increase from 769 in 2021 to 816 by 2041 - a change of 47.
- **Gilgandra Shire**- The population of Gilgandra is projected to decrease between 2016 and 2041, from 4,187 to 3,530. Population change in Gilgandra will be driven by people leaving for regional centres like Dubbo. Many older residents will age-in-place. The number of children aged 14 and under is estimated to change from 852 in 2021 to 555 in 2041. The working age population (aged 15-64) is estimated to decrease by 2,304 in 2021 to 1,680 in 2041. The number of people aged 65 and over is estimated to decrease from 1032 in 2021 to 939 by 2041.
- **Mid-Western Regional**- The population of Mid-Western Regional is projected to increase between 2016 and 2041, from 25,445 to 29,649. The projections show Mid-Western Regional is estimated to grow and this is driven by people moving to the area and natural changes. The number of children aged 14 and under is expected to increase from 5,272 in 2021 to 5,527 in 2041. The working age population (aged 15-64) is estimated to increase by 14,991 in 2021 to 16,964 in 2041. The number of people aged 65 and over is estimated to increase from 5,180 in 2021 to 7,157 by 2041.
- **Narromine Shire** - The population of Narromine is projected to decrease between 2021 and 2041, from 6,304 to 4,695. Future population change in Narromine will largely be driven by the continued movement of young adults, workers and their families away from the area. The number of children aged 14 and under is estimated to decrease from 1,351 in 2021 to 865 in 2041. The working age population (aged 15-64) is estimated to decrease by 3,532 in 2021 to 2,591 in 2041. The number of people aged 65 and over is estimated to decrease from 1,300 in 2016 to 1,236 by 2041.
- **Walgett Shire**- The population of Walgett is projected to decrease between 2021 and 2041, from 5,747 to 3,732. The movement of people away from Walgett is estimated to continue. The number of children aged 14 and under is estimated to change from 1,127 in 2021 to 562 in 2041. The working age population (aged 15-64) is estimated to decrease by 3,334 in 2021 to 1,988 in 2041, a change of 1,346. The number of people aged 65 and over is estimated to decrease from 1,288 in 2021 to 1,184 by 2041.
- **Warren Shire**- The population of Warren is projected to decrease by 912 people between 2021 and 2041, from 2,667 to 1,755. The movement of people away from

Warren is estimated to continue. The number of children aged 14 and under is estimated to decrease from 550 in 2021 to 283 in 2041. The working age population (aged 15-64) is estimated to decrease by 1,540 in 2021 to 995 in 2041. The number of people aged 65 and over is estimated to decrease from 596 in 2021 to 477 by 2041.

- **Warrumbungle Shire-** The population of Warrumbungle Shire is projected to decrease by 1,494 people between 2021 and 2041, from 9,092 to 7,598. The movement of people away from Warrumbungle is expected to continue. The number of children aged 14 and under is estimated to change by 435 children, from 1,627 in 2021 to 1,192 in 2041. The working age population (aged 15-64) is estimated to decrease by 4,952 in 2021 to 3,945 in 2041. The number of people aged 65 and over is estimated to decrease from 2,510 in 2021 to 2,461 by 2041.

It is crucial to note that the recent trends brought about by the COVID-19 pandemic show that this trend might change as more people are looking to move away from populated metropolitan areas and into regional areas. These changes might have a varied impact on the projections.

Population projections 2021-2041

LGA	2021	2041	Change	Average change	Annual
Bogan	2500	1581	-919	-2.26%	
Bourke	2578	1556	-1021	-2.49%	
Brewarrina	1522	931	-591	-2.43%	
Central Darling	1812	1311	-501	-1.60%	
Cobar	4329	2555	-1773	-2.60%	
Coonamble	3888	2965	-923	-1.35%	
Gilgandra	4187	3353	-833	-1.10%	
Mid-Western	25445	29649	+4203	0.77%	
Narromine	6304	4695	-1609	-1.46%	
Walgett	5747	3732	-2015	-2.14%	
Warren	2667	1755	-913	-2.07%	
Warrumbungle	9092	7598	-1494	-0.89%	

Source: Projections Explorer, NSW Department of Planning and Environment. <https://www.planning.nsw.gov.au/Research-and-Demography/Population-projections>

3.2.3 MIGRATION PATTERNS

Migration patterns have been changing since 2015. Over the last 5 years, Australia has had historically high population growth, due primarily to overseas migration. However, in the wake of Covid-19, border closures have greatly diminished the number of new arrivals, leading to a large reduction in overseas migration. Nevertheless, internal migration has remained relatively high with changing patterns seeing record high migration from metropolitan areas to regional areas.

Internal migration trends showed an increasing net gain of residents in regional areas, mainly from major cities. ABS data showed regional Australia experienced a net inflow of 43,000 people from the capital cities in 2020¹⁶. That was the highest number since reporting began two decades ago. The net figure represents the total number of people moving to the country minus the number of people leaving it for the big cities.

Net migration	internal	Regional areas		Capital cities		Total state/territory	
		2019	2020	2019	2020	2019	2020
New South Wales		6,021	12,691	-28,468	-31,564	-22,447	-18,873
Victoria		11,197	13,356	-548	-26,093	10,649	-12,737
Queensland		5,981	16,970	16,947	13,048	22,928	30,018
South Australia		-374	1,306	-3,487	-1,208	-3,861	98
Western Australia		-4,720	-2,133	596	3,518	-4,124	1,385
Tasmania		1,855	1,626	-417	-462	1,438	1,164
Northern Territory		-1,056	-845	-2,938	-497	-3,994	-1,342
ACT		-	-	-589	287	-589	287
Total net gain or loss		18,904	42,971	-18,904	-42,971	-	

¹⁶ Australian Bureau of Statistics (ABS) (2021). [Net migration to the regions highest on record](#), Canberra

Source: ABS Data

In the December 2020 quarter there was a net loss of 10,600 people from Australia's greater capital cities through internal migration. This was a smaller net loss than in the previous quarter (-11,200) and a much larger net loss than in the December 2019 quarter (-3,800). The net loss was the result of 55,400 arrivals (up from 41,800 in the September 2020 quarter) from and 66,000 departures (up from 53,100) to non-capital city areas¹⁷.



Source: Australian Bureau of Statistics, Regional internal migration estimates, provisional December 2020

There are four key drivers that may influence the impact of COVID-19 on migration between capital cities and regional areas; working from home, economic uncertainty and market conditions, restrictions on international borders and the impact of young adults¹⁸.

¹⁷ Australian Bureau of Statistics (ABS) (2020). [Regional Internal Migration Estimates, Provisional](#). Canberra

¹⁸ Australian Government Centre for Population (2021). [Migration Between Cities and Regions: A Quick Guide to Covid-19 Impacts](#). Canberra

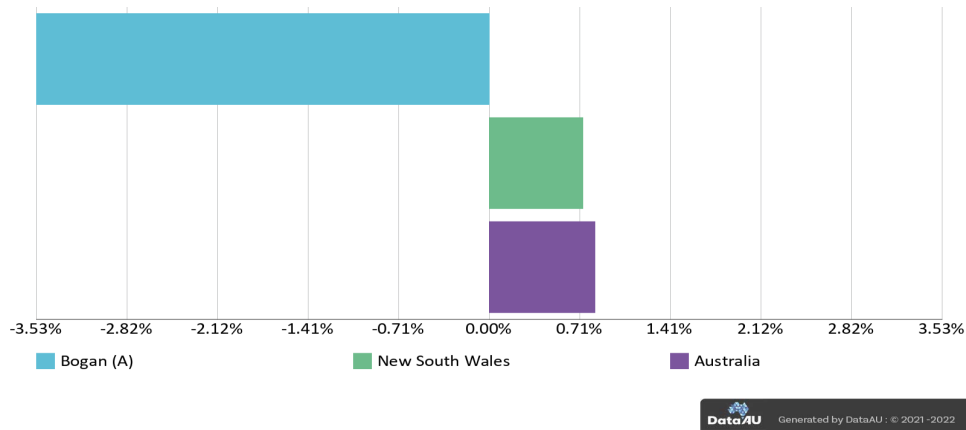
Net Migration Patterns in LGAs

This indicator presents the proportion that the five year average net migration (i.e arrivals minus departures) represents of the population in a selected area.¹⁹

Bogan Shire

The value in Bogan (A) is lower than New South Wales at -3.5%, compared to 0.7%.

2017 to 2021 Bogan (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-3.5%	0.7%	0.8%



Bourke Shire

The value in Bourke (A) is lower than New South Wales at -2.8%, compared to 0.7%.

2017 to 2021 Bourke (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-2.8%	0.7%	0.8%

¹⁹ ABS (2022). Regional Population Growth, Australia, 2021. Cat no. 3218.0. Australian Bureau of Statistics, Canberra

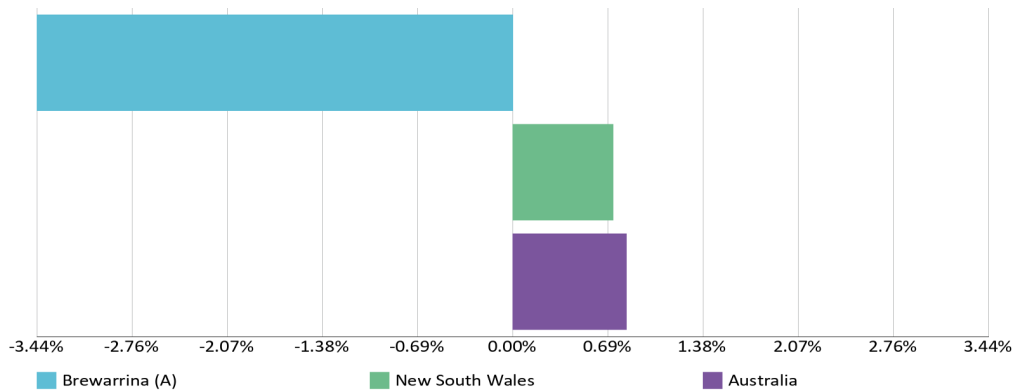


DataAU Generated by DataAU : © 2021-2022

Brewarrina Shire

The value in Brewarrina (A) is lower than New South Wales at -3.4%, compared to 0.7%.

2017 to 2021 Brewarrina (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-3.4%	0.7%	0.8%

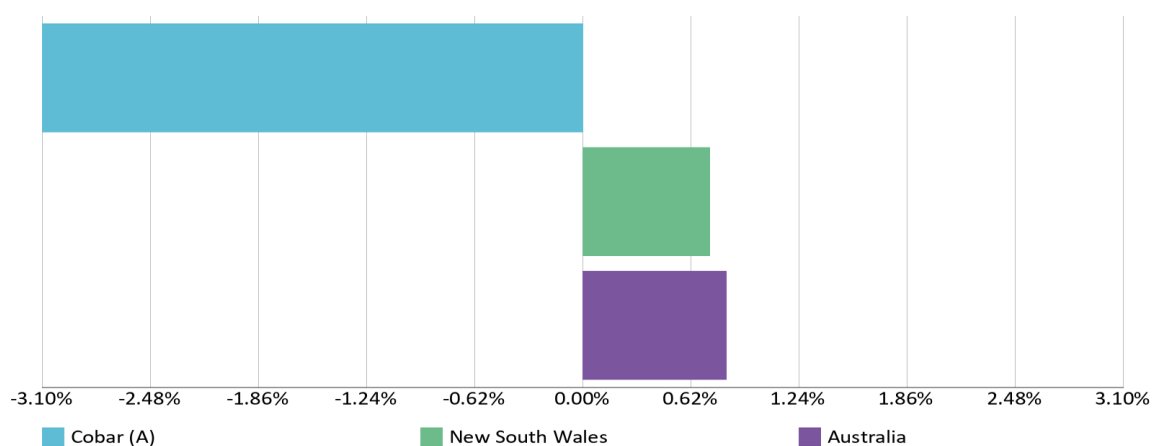


DataAU Generated by DataAU : © 2021-2022

Cobar Shire

The value in Cobar (A) is lower than New South Wales at -3.1%, compared to 0.7%.

2017 to 2021 Cobar (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-3.1%	0.7%	0.8%

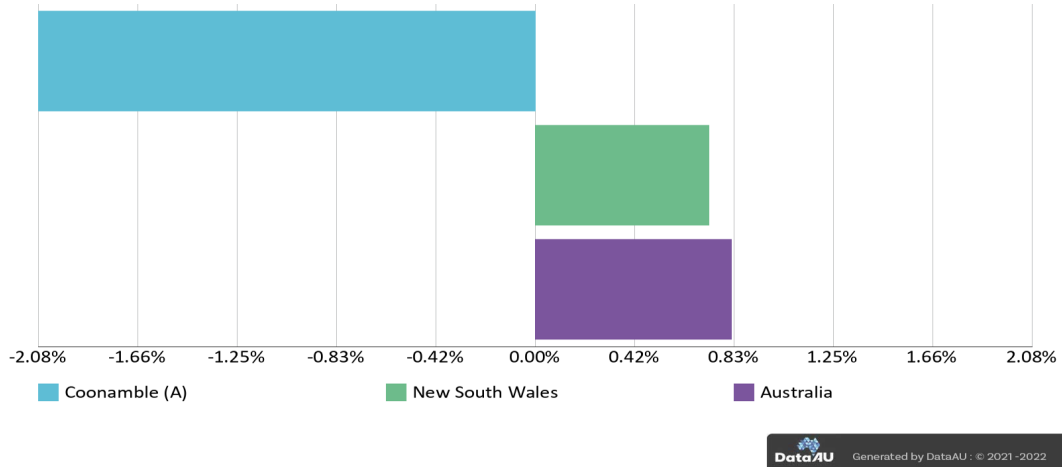


DataAU Generated by DataAU : © 2021-2022

Coonamble Shire

The value in Coonamble (A) is lower than New South Wales at -2.1%, compared to 0.7%.

2017 to 2021 Coonamble (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-2.1%	0.7%	0.8%



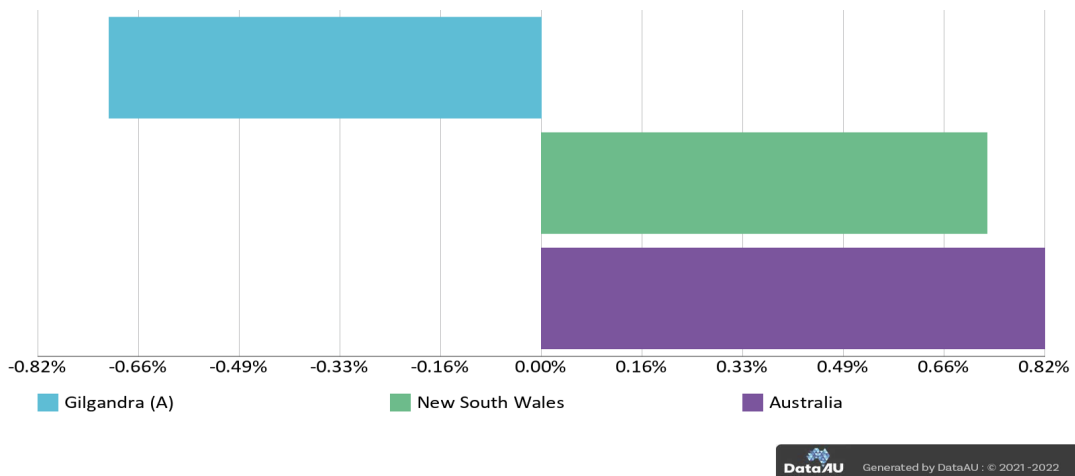
Central Darling Shire

Nil data available

Gilgandra Shire

The value in Gilgandra (A) is lower than New South Wales at -0.7%, compared to 0.7%.

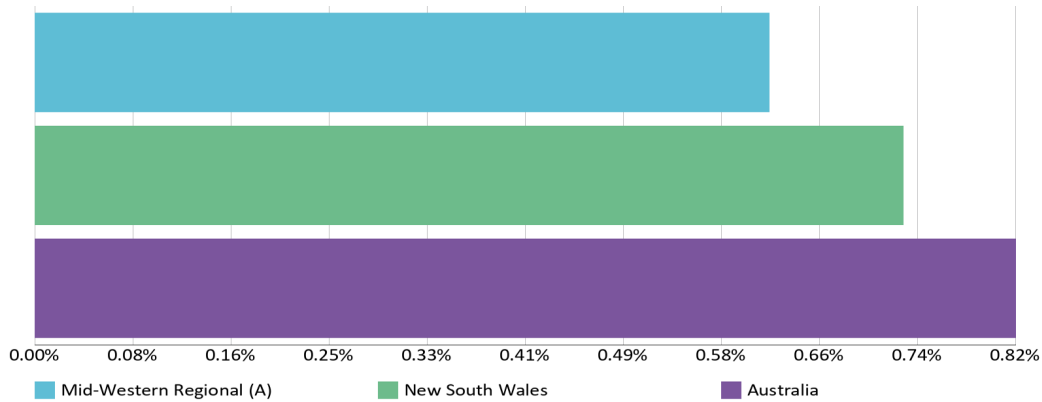
2017 to 2021 Gilgandra (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-0.7%	0.7%	0.8%



Mid-Western Regional

The value in Mid-Western Regional (A) is lower than New South Wales at 0.6%, compared to 0.7%.

2017 to 2021 Mid-Western Regional (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
0.6%	0.7%	0.8%



Data4U Generated by Data4U - © 2021-2022

Narromine Shire

The value in Narromine (A) is lower than New South Wales at -1.3%, compared to 0.7%.

2017 to 2021 Narromine (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-1.3%	0.7%	0.8%

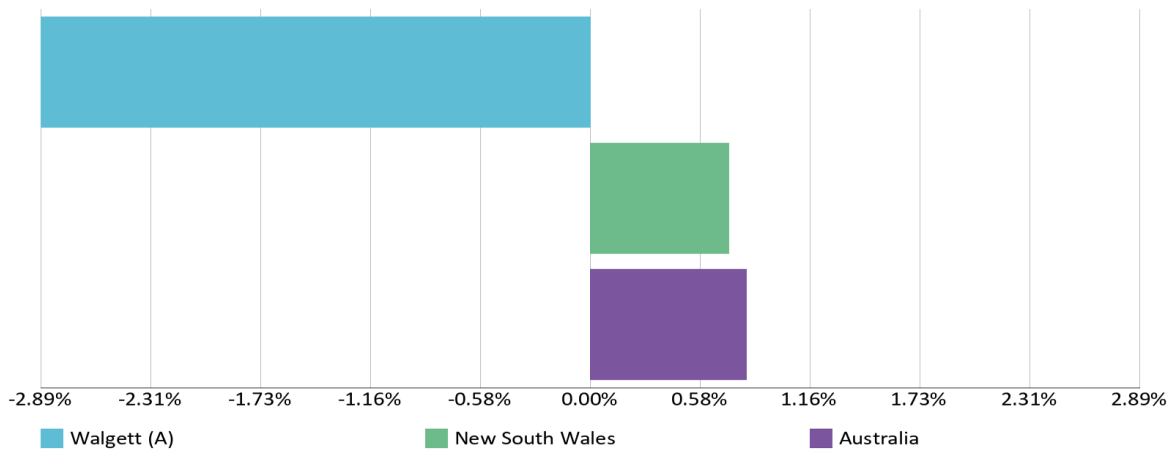


DataAU Generated by DataAU : © 2021 -2022

Walgett Shire

The value in Walgett (A) is lower than New South Wales at -2.9%, compared to 0.7%.

2017 to 2021 Walgett (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-2.9%	0.7%	0.8%

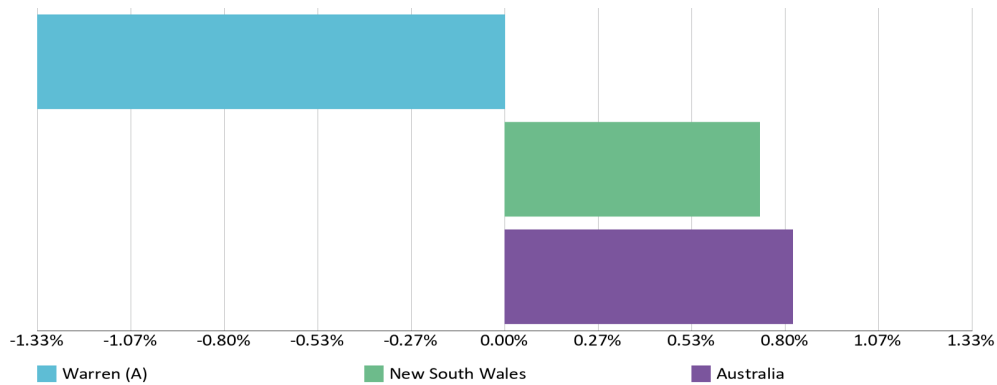


DataAU Generated by DataAU : © 2021 -2022

Warren Shire

The value in Warren (A) is lower than New South Wales at -1.3%, compared to 0.7%.

2017 to 2021 Warren (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-1.3%	0.7%	0.8%

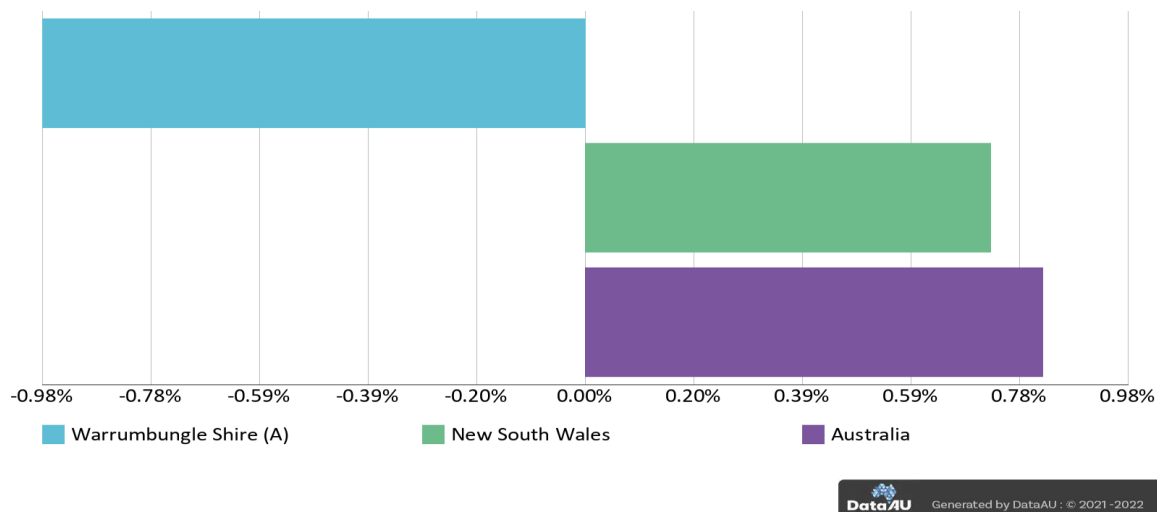


DataAU Generated by DataAU - © 2021-2022

Warrumbungle Shire

The value in Warrumbungle Shire (A) is lower than New South Wales at -1.0%, compared to 0.7%.

2017 to 2021 Warrumbungle Shire (A)	2017 to 2021 New South Wales	2017 to 2021 Australia
-1.0%	0.7%	0.8%



3.2.4 HOUSING MARKET TRENDS

Housing across the Orana region is predominantly in the form of dwelling houses and duplexes, but may also include small scale multiple dwellings, retirement or residential care facilities and short-term accommodation to provide for ‘whole of life’ accommodation choices. Most of the short term accommodation choices are in the form of AirBNB, Motels, Caravan parks etc and often provide short term accommodation for travellers, tourists and seasonal workers.

In the last 20 years, median rents across the region were on an upward trend, increasing by between 84.7% and 177.7%. Larger regional centres have particularly seen a steady growth with the highest rent increases being in major towns like Mudgee. Vacancy rates across the region have fluctuated over the last decade, with some towns experiencing periods of significant undersupply of private rental accommodation, particularly in the last 3 years.

Most of the regional towns offer affordable housing. However, due to some areas being severely economically challenged like Central Darling Shire, housing affordability is also an issue of concern. The trend has been for a decline in the proportion of rental stock which is affordable for very low and low income earners. Affordability also plays a big role in attracting buyers into regional areas as even with double-digit growth, many regional areas remain cheaper compared to the larger cities

House prices in the regional markets have surged twice as fast as metro areas during the past year, jumping up to 30 per cent in some areas. The faster pace of growth reflects stronger demand flowing into regional areas through the COVID-19 period.

It is projected that 904,000 additional homes will be needed across NSW in the next 20 years to meet demand based on current population projections. By 2056, it is anticipated that significant further housing supply will be required to meet the state's continued strong population growth²⁰.

As part of this unprecedented level of supply, a range of housing types, tenures and price points will be needed to meet demand. This refers to all types of houses, apartments, terraces and villas; to different tenures including dwellings that are owned outright, mortgaged or rented; to homes occupied by single people, families and groups.

Many in-land rural markets are showing strong housing market conditions. These areas generally do not provide commuting options back to major working nodes, nor the broad-based lifestyle appeal of coastal markets or hinterland locations. But they do provide a variety of other benefits such as low housing prices, low population densities and a rural lifestyle that may appeal to many. These regions tend to exist within their own economic ecosystem, driven by localised factors including climatic conditions such as drought, as well as local economic drivers like agriculture, mining operations and tourism, infrastructure investment or government services.

A range of housing types provides for the needs of the community at different stages of life and caters for diverse household types. It means that as people age they can move into smaller homes and age in their own neighbourhoods, while young adults leaving home can stay close to their families and communities.

New housing will need to be designed to cope with temperature extremes, heavy rainfall, droughts, bushfires and flooding. Design should incorporate passive solar access, water-efficient features and thermal qualities to contribute to affordable long-term housing options, lower energy costs and a more comfortable and sustainable lifestyle.

3.2.5 ECONOMY AND LABOUR MARKETS

The region's collective strength lies in its diversity, with leading industries being agriculture, mining and healthcare, and strong emerging manufacturing and renewable energy industries. Shires like Bogan, Narromine, Bourke, Coonamble, Warren, Walgett and Warrumbungle are agricultural hubs that contribute to the development of value-adding industries and marketing ventures. Cobar and Bogan Shire are known for strong mining industries with four major mines in Cobar; CSA Mine, Endeavor Mine, Peak Gold Mines and Hera Gold Mines. There is a strong industrial network including tradespeople, equipment hires and labour force. Tritton copper mine in Nyngan is a major employer in Bogan Shire.

²⁰ Greater Sydney Commission (2020), Greater Housing Supply
<https://www.greater.sydney/metropolis-of-three-cities/liveability/housing-city/greater-housing-supply>

Demand for housing in NSW. (2022). NSW Department of Planning and Environment.
<https://www.planning.nsw.gov.au/Policy-and-Legislation/Housing/Housing-Supply-Insights/Quarterly-Insights-Monitor-Q1/Demand-for-housing-in-NSW>

Two aspects of labour market performance were identified in relation to housing markets:

- 1) **Labour market mobility**, which is constrained when there is a shortage of affordable homes accessible to employment opportunities. The study showed that there is a mismatch between the location of jobs and housing that is affordable for moderate and lower income earners in the region. Most people live and work in one region – or travel to an adjoining region to work. People move to different parts of the region to follow job opportunities and housing opportunities.
- 2) **Labour market participation and employment rates**, which is also constrained by a shortage of affordable housing opportunities in accessible locations, near employment. Labour Force participation rates are often affected by long distances between home and work as many people tend to prefer to live where they work. Many businesses are reporting having a hard time getting employees to stay when they are unable to find adequate housing near their workplace, resulting in high turnover rates.

Labour market change and housing market dynamics interact in significant ways²¹. Rural centres often have a limited capacity to take full advantage of the benefits of adventitious or short-term growth because they cannot accommodate push workers to live outside the immediate town limits or commute long distances. The region has consistently reported low unemployment rates, usually below the state and national averages, with many businesses and employers having trouble attracting appropriate labour.

The challenges now confronting our regional and remote towns include;

- Challenges for small businesses attracting staff
- Rental housing becoming unaffordable for those working within low-income industries
- Owner-occupier housing becomes unaffordable for households on below median income
- Planning authorities struggle to adapt to a dynamic housing market and a development industry thirsting for quick land release.
- Population growth placing pressure on local services who in turn find it difficult to attract and retain staff due to housing costs.
- Displacement of households from the town to smaller, surrounding towns that lack the services to cope with the needs of low-income households.

The main factors influencing the level of regional self-containment are each region's number of jobs (in particular the ratio of jobs-to-residents for different industry groups), its industry specialisation, measured in terms of industry over/under-representation, and its relative balance

²¹ Beer, A. et al. (2011) The drivers of supply and demand in Australia's rural and regional centres, AHURI Final Report No.165. Melbourne: Australian Housing and Urban Research Institute

of part-time and full-time work. Industry specialisation plays a strong role, not only because it provides particular types of jobs, but because perceptions of a particular region as having a relative abundance of a particular sort of job helps people make decisions about where to live. Part-time workers also tend to live close to work, so if a region has many industries offering part-time work this will tend to increase the level of labour market self containment.

3.2.6 MAJOR PROJECTS

There are billions in planned and developing projects underway in the region, with the Government announcing over \$100M in support and funding for local businesses and councils since the beginning of the year. Shovels are expected to hit the ground with major projects like the Inland Rail Southern Civil Works expected to commence in 2022, employing at least 2,000 people in the region. The Central-West Orana REZ is another major investment that will attract \$4.5 billion in private sector investment once fully developed and support about 3,900 construction jobs in the local region, and 500 ongoing jobs.

A total of twenty major development projects were identified within the area of influence, with the main development type consisting of renewable energy and mineral mining ventures . Nine of these projects were within Mid-Western Regional, accounting for over \$3.5 billion of the proposed investments and contributing over 2,300 jobs. Cobar Shire also has some significant projects in the pipeline. Only projects that are yet to commence or are in their very initial stages of construction were considered.

The region has over \$6 billion in planned investments with the renewable energy sector. The project pipeline indicates that in the next 5 years, there will be over 6000 jobs generated from the major projects. The increased labour demand is likely to exacerbate housing stress across the region, indicating a dire need for housing solutions to accommodate the growing demand.

Major projects across the region

PROJECT	DESCRIPTION	LOCATI ON	INVESTMENT	JOBS	CONSTRUCTI ON COMMENCE	OPERATION AL
Central West Orana REZ Transmission Project <i>Transgrid</i>	500kV and 330 kV transmission lines, substation(s) and related infrastructure to support the development of the Central-West Orana REZ.	Central West Orana	\$39,900,000	450	2024	2027
Southern Civil Works Package- Inland Rail <i>ARTC</i>	306 km of new track formation, including earthworks, drainage, bridge/viaduct structures and related logistical management	Narrabri - Narrowmi ne	\$1.2B	2000	2022	2024
BOGAN SHIRE						
Nyngan Scandium Project <i>Scandium International</i>	Scandium International Mining Corp. Resource Estimate (Measured, Inferred) of 12 million tonnes (Mt) of laterite containing 3,135t scandium.	Nyngan	\$87,140,000	155	2024	2031
Yarren Hut Solar Farm <i>BayWa r.e. Projects Australia</i>	36 MW DC of sun tracking solar panels, 28 megawatt (MW) alternating current (AC) solar farm, 84,000 PV solar panels	Nyngan	\$40,000,000	42	2022	2023

CENTRAL DARLING SHIRE							
Wilcannia Replacement Weir		WaterNSW proposes to undertake the Wilcannia Weir replacement project involving construction of a new weir and decommissioning of the existing weir	Wilcannia	\$30,000,000	50	2023	2024
Pooncarie Menindee Road to		Sealing 61km of the existing Pooncarie Road towards Menindee, NSW.	Central Darling	\$26,900,000	75	2021	2024
COBAR SHIRE							
Cobar Bio Hub <i>Renewed Carbon</i>		Utilising Invasive Native Scrub, (24 million tonnes , 100,000t pa harvested,produce 8,000MW pa	Cobar	\$250,000,000	665	2021	2022
Collerina Project <i>Helix Resources</i>		17.9 million tonnes (Mt) at 0.89% nickel, 0.06% cobalt, 22% iron & 3.6% aluminium at Homeville.	Cobar	\$30,000,000	56	2024	2034
New Cobar Complex Project <i>Peak Gold Mines</i>		Amalgamation of existing underground mining of the Chesney and Jubilee deposits & development of new underground workings.	Cobar	\$40,000,000	40	2023	2035
GILGANDRA SHIRE							
Gilgandra Solar Farm		50MWac, 156,000 solar panels, on 150 hectares,	Gilgandr	\$63,000,000	110	2022	2022

<i>Neoen Australia</i>	produce 100,000 MWh, power 14,000 homes	a				
MID WESTERN REGIONAL						
Crudine Ridge Wind Farm <i>CWP Renewables</i>	37 turbines: GE Energy 3.6-137 (power 3 600 kW, diameter 137 m),, 134 MW,392 GWHS annual output ,Supply 55,000 homes,	Crudine	\$300,000,000	15	2020	2021
Tallawang Solar Farm-RES	500MW solar farm, 1300 hectares, capacity of up to 1000 MWh, supply approximately 330,000 homes	Gulgong	\$1.2B	120	2023	2026
Barneys Reef Wind Farm <i>RES</i>	340MW, up to 65 wind turbines, over 13 free-hold properties, supply around 265,000 NSW homes.	Gulgong	\$400,000,000	240	2023	2026
Stubbo Solar Farm <i>UPC/AC Renewables</i>	400MW, 1,750 hectares, power 150,000 NSW homes	Stubbo	\$418,000,000	400	2022	2024
Wollar Solar Farm <i>Wollar Solar Dev</i>	290MW (ac), power approximately 104,926 households	Wollar	\$450,000,000	305	2021	2023
Uungula Solar Farm <i>CWP Renewables</i>	400MW, 97 wind turbines, 200,000 homes powered	Wellington	\$820,000,000	262	2023	2026

Birriwa Solar Farm <i>UPC/AC Renewables</i>	600MW solar farm, battery energy storage system of up to 1,000MW, 240,000 homes powered	Birriwa	\$100,000,000	400	2023	2026
Bowden Silver Project <i>Bowden's Silver Pty</i>	3.4 million ounces of silver per annum, 6,900 tonnes of zinc and 5,100 tonnes of lead per annum	Lue	\$247,000,000	320	2024	2034
Burrundulla Energy Park <i>ITP</i>	10MW AC , 24 gigawatt hours (GWh) of electricity per year, power approximately 4,300 homes	Burrundulla	\$13,200,000	100	2023	2024

The development of new projects will provide employment for construction workers and employment continuity once projects cease construction. The known construction workforce associated with the concurrent projects is an expected minimum of 4500 employees. This demand will be filled by both local and non-local residents.

The potential of a non-resident workforce and increased construction workforce from the concurrent developments will contribute to the cumulative impacts for the region. Depending on how the workforces will be managed, housing shortages will potentially exacerbate already existing tensions associated with workforce management and accommodation within the region.

Future employment is reasonably positive with many employers looking to recruit more workers. Opportunities exist for young people as employers report expecting to be recruiting for a number of entry level occupations

3.2.7 IMPACT OF COVID-19

The emergence of the COVID-19 pandemic in Australia in early March 2020 has had significant effects on all households, but also uneven ones, depending on factors such as employment, income, housing tenure, family composition, age or health profiles, or whether households are located in city or regional (including rural) areas.

Recent studies have shown that one in five people living in Australia's capital cities want to move to the regions and, of those, half want to make the move within the next 12 months²². Interestingly, "pull" factors such as improved quality of life, reduced cost of living and shorter commuting distances, outweighed "push" factors such as increased house prices in metropolitan areas.

The effects of COVID-19 are unevenly distributed geographically, with regional areas facing different issues and therefore having different recovery needs in the wake of the pandemic. While regional communities are distinct, often with unique social and economic drivers, there are features common to regional areas. These may include higher levels of socio-economic disadvantage, including lower incomes, higher unemployment rates, reliance on small business or dependence on a small number of larger industries²³.

Regional housing markets have to-date experienced few serious consequences as a result of the pandemic and have behaved quite differently to those in major cities, most likely due to regional living being perceived as 'safer' than cities in a pandemic. This demand has led to increasing housing prices, lowering vacancy rates, and reducing affordability in these areas. In some areas, short-stay rental properties have been reintegrated into the longer-term rental market to reduce some housing market pressures.

Current data also show that there has been a slowing of investor activity; mostly likely reflecting lower investor confidence in the wake of fewer incentives to invest in property; increased numbers of tenants who owe arrears, policy which has protected tenants, and lower migrant housing demand²⁴.

Emerging research on COVID-19 and Australian housing policy suggests that despite the measures put in place by government, the housing consequences of COVID-19 have been uneven and sometimes fraught, especially in relation to the private rental markets²⁵

²² Regional Australia Institute. (2021). [New research shows why city dwellers want a life in the country and when they might move.](#)

²³ Mason, C., Moran, M. and Earles, A. (2020) Policy coordination and housing outcomes during COVID-19, AHURI Final Report No. 343, Australian Housing and Urban Research Institute Limited, Melbourne.

²⁴ Francke, M. and Korevaar, M. (2020) Housing markets in a pandemic: evidence from historical outbreaks, 25 January 2021, available at SSRN 3566909.

²⁵ Verdouw, J., Yanotti, M., De Vries, J., Flanagan, K. and Ben Haman, O. (2021) *Pathways to regional housing recovery from COVID-19*, AHURI Final Report No. 354, Australian Housing and Urban Research Institute Limited, Melbourne.

3.3 HOUSING PRESSURES

Housing pressures are felt differently across the region by different groups of people depending on need, economic capability, preferences etc. Our consultation with the 12 LGAs revealed that the most impacted groups across the region are; families, workers, retirees, Indigenous people and students.

LGA	Groups affected	● Challenges
Bogan	Families Workers Retirees	<ul style="list-style-type: none"> ● Low housing stock <ul style="list-style-type: none"> ○ No significant new housing development taking place. ● Expansion of the local copper mine has created increased demand, <ul style="list-style-type: none"> ○ hence fewer houses for the existing population and severe constraints for other local businesses trying to attract staff. ● Families facing housing pressures especially in Nyngan where the majority of the employment opportunities are. ● People retiring from farming and needing to move into town.
Bourke	Workers Families	<ul style="list-style-type: none"> ● Old stock of houses - houses not maintained to a suitable standard ● Houses sold off and owners moved ● No houses to rent <ul style="list-style-type: none"> ○ owners prefer to sale instead of renting ● Owners are reluctant to undertake leases <ul style="list-style-type: none"> ○ may be due to a bad experience previously or they do not want the hassle of dealing with tenants. ● Not enough service providers eg real estate agents or property managers
Brewarrina	Families Workers	<ul style="list-style-type: none"> ● Not enough rental housing stock ● Limited public or social housing

	Retirees Indigenous Community	
Central Darling	Families Retirees Indigenous Community	<ul style="list-style-type: none"> • Shortage of affordable and low income housing stock - Very low income and limited access to housing • Central Darling Shire Council is the lowest income socio economic area in NSW • There is a shortage of housing for indigenous communities (about 40% of the population), for low income workers and families and particularly for retirees on low incomes • No alternative housing options for senior citizens such as retirement homes or aged-care facilities
Cobar	Families Workers	<ul style="list-style-type: none"> • Low housing stock especially for rentals <ul style="list-style-type: none"> ◦ owners prefer to sale • Workers and families looking to move into the region for work purposes can not find suitable housing • Perceived lack of confidence to invest in housing has limited supply <ul style="list-style-type: none"> ◦ Investors are often cautious given the potential volatility of the market
Coonamble	Workers	<ul style="list-style-type: none"> • Shortage of housing of an appropriate/desired standard to attract workers to town • Low capital growth resulting in minimal investment, development and maintenance of housing • Numerous dilapidated houses <ul style="list-style-type: none"> ◦ which are very unlikely to be maintained or renovated due to an unjustifiable ROI
Gilgandra	Workers Indigenous Community	<ul style="list-style-type: none"> • Indigenous members and low socio-economic groups <ul style="list-style-type: none"> ◦ housing and homelessness services provided through

		<p>Council is not enough</p> <ul style="list-style-type: none"> • Long wait times and low stock of available social housing • Difficulty attracting new workers as suitable accommodation options are limited • Challenge to accommodate seasonal workers, particularly at harvest time
Mid-Western	Workers	<ul style="list-style-type: none"> • Shortage of accommodation for major construction projects - High demand for the life of the projects and a significant drop once completed • Lack of housing diversity for workers • Fewer medium density houses available
Narromine	Workers	<ul style="list-style-type: none"> • Lack of diversity in terms of housing and block sizes • Low quality housing, poorly maintained as a result of lack of trades • Insufficient social housing stock • Low capital gains discouraging investment • Flood heights and zoning limitations • Public infrastructure is limited and can not sustain bigger growth
Walgett	Families Workers Indigenous Community	<ul style="list-style-type: none"> • Low housing stock • Property owners do not want to rent out properties- prefer selling • Limited vacant residential land
Warren	Students Retirees	<ul style="list-style-type: none"> • People don't want large yards with lots of lawn to mow, and/or the cost of a large house.
Warrumbungle	Families Workers Indigenous Community	<ul style="list-style-type: none"> • Not enough emergency housing • Low economic conditions • Lack of affordable housing to meet demand- low social housing stock • No rentals or tradespeople to complete repairs

3.4 DRIVERS OF HOUSING MARKETS IN THE REGION

The study found that housing markets in the region are affected by a range of factors. These include: population trends; demographic trends; local labour force; the balance between supply and demand for housing; economic capacity; and the impact of housing finance.

- **Demographic changes-** Major demographic trends in the region show an ageing population, changing household composition and changing size and age composition of the Indigenous population. Together, these changes suggest the need for significant increases in housing supply particularly in remote areas and low income regions where demand outstrips supply. The changes in demographics are largely due to: longer life expectancy; migration; and growing household diversity.
- **Population growth-** The region presents a more varied picture of population change and distribution, with many LGAs experiencing population decline in the last 10 years. Much of the growth has been concentrated in larger towns like Mudgee and Cobar. Housing demand is closely linked to population growth, but for much of the recent era growth in demand has outpaced population growth. It is also worth noting that regional population predictions may not be very accurate or take into account changing dynamics. Therefore, should the regions experience high levels of population growth, there will be increased pressure on housing markets, inflating prices and impacting housing affordability.
- **Ageing population-** Population ageing results in a changing population composition, with older age cohorts growing relative to young age cohorts. The study found that most people prefer to age in place – whether in their own home or in a form of supported accommodation.
- **Changing migration patterns-** Internal migration trends showed an increasing net gain of residents in regional areas, mainly from major cities. Regional Australia experienced a net inflow of 43,000 people from the capital cities in 2020. We also found that more people are choosing to stay in their regional communities, increasing the demand for housing.
- **Labour market growth-** There are strong and stable geographic links between housing markets and labour markets within the region. Most people live and work in one region – or travel to an adjoining region to work. People move to different parts of the region to follow job opportunities and housing opportunities. With the regions experiencing significant infrastructure and project investments, it is expected that housing demand will increase. Local businesses are reporting hardships in attracting

- appropriate workforce due to unavailability of housing within the region. The study found a multiplier effect of housing and jobs.
- **Economic factors-** There are significant numbers of households with low and insecure incomes across the region- Central Darling for instance ranks top in the NSW State as the lowest income socioeconomic area. Other LGAs reported having a significant population reliant upon statutory incomes, with many households recording low income according to ABS data. This creates an issue of affordability.
- Some of the major drivers of urban housing markets could not be seen, or exert a minimal impact, on regional communities. On the other hand, factors that may appear insignificant in metropolitan housing markets have a major influence in regional housing markets. This includes the impact of scale, geography, spatial differentiation, localism and the presence of an Indigenous population.

3.5 DECLINING HOUSING AVAILABILITY

Critical issues affecting the availability and affordability of housing include:

- **Limited supply of publicly-owned dwellings and social housing** - Most of the LGAs recorded very limited public housing stock which in most cases is the older and poorer housing stock. The absence of sufficient public rental housing—which in many of the shires was important historically—places additional pressure on the private market.
- **Changing demographics and mismatched housing stock** is causing a lot of pressure on the housing market. From the growing household size to the changing housing composition, we have found that the housing needs are changing, causing a need for diverse housing provision which is inadequate in regional areas.
- There are **significant numbers of households with low and insecure incomes across the region-** Central Darling for instance ranks top in the NSW State as the lowest income socioeconomic areas. Other LGAs reported having a significant population reliant upon statutory incomes, with many households recording low income according to ABS data.
- The **small size of the rental market** in many regional areas- Majority of the LGA's reported a very small rental market with very few active real estate agents, with some reporting having no real estate agents at all. Of the 12 LGAs, six were found to have no rental houses listed. Across these 6 LGAs there were 144 houses for sale, with Warrumbungle, Coonamble and Bourke Shires having over 30 houses listed for sale, with no houses for rent. This can be attributed to the owner's preferences to selling rather than renting, and the fact that most of the houses are old and require significant renovations that owners may not be willing or able to undertake.

- Peaks in demand for workers particularly in industries like construction create **short term demand** which drops as soon as the projects end. Legislative reforms allowing for temporary accommodation rentals has influenced long-term supply in that property owners prefer to transfer normal rentals to AirBNB. The returns are more favourable, and they can easily manage the properties themselves, decreasing the stock of rental housing. There has been an increasing number of short term housing, creating increased competition for rental markets especially in larger towns like Mudgee.
- Across many shires, it was reported that workers were unable to move in or stay tenants in the community of their choice because housing simply was not available. **Many workers are forced to live outside of the region** with employers opting for FIFO or DIDO to satisfy their labour needs.
- Many regional areas have experienced **sudden ‘demand shocks’** (particularly due to the COVID-19 pandemic pushing people away from metropolitan areas) that have adversely affected the rental market. In some areas, land and house prices have risen across the board.
- **Changing migration patterns** are causing increased pressures on regional housing markets as more people are moving from bigger cities to smaller regional towns, and more people are choosing to stay in their regional communities, increasing demand and creating housing pressures. Rental vacancies across the region have dropped due to the changing demand patterns caused by the changing migration patterns.
- **Uncertain supply processes for the rental market** in regional areas have also contributed to the high degree of unaffordability in housing. The study found limited housing supply across the region.
- **Higher density housing forms such as townhouses which are frequently used for rental housing in the metropolitan areas, are relatively uncommon** across the region. Most of the housing supply is in the form of detached dwellings.
- Another constraint identified was a **high degree of reliance on small scale investors who live locally**. Our study found that ‘mum and dad’ investors comprised almost the entirety of the rental supply system in most LGAs and this resulted in limited investment overall. Many LGAs reported having no active developers or real estate agents.

3.6 KEY ISSUES FACING REGIONAL HOUSING MARKETS

A range of capacity issues are affecting the supply of land and housing and particularly for affordable housing. The study identified real concerns from regional areas about:-

- The **capacity of the local labour force to respond to increased demand for housing**, as well as uncertainty surrounding potential demand.
- In more remote locations, there could be substantial **challenges in attracting builders and trades**. In such instances, the shortage of trades can add to the cost of new dwelling construction.
- Some stakeholders were concerned that the **type of land released to the market does not match demand**; for instance only releasing large size blocks limits options for smaller and cheaper land for more affordable housing.
- **Lack of economies of scale** in rural and remote regions generally provides a local barrier to housing supply. Along with the ongoing skills and labour force shortages in these areas, these factors can add on to the cost of building—both in the residential and commercial sectors.
- **Rural and regional markets do not attract large developers due to a range of market barriers** including the upfront and ongoing costs of such developments, lack of demand for such a large number of properties in smaller local markets, skilled labour shortages and the scarcity of suitable land.
- **Planning and the provision of land for new development** can be seen to impede the housing supply process in some regions. In many instances, the supply of land for housing development is constrained by broader political, social, aesthetic or environmental considerations. It was reported that the development process is lengthy and costly and may discourage developers from investing in regional areas.

3.7 BARRIERS TO NEW HOUSING SUPPLY

The residential development and construction industry faces a number of challenges that may lead to a conservative culture and potentially leaves them unwilling to take risks. Large-scale investment and innovation is a risk which the industry may be unwilling to take, given the risks inherent in the development process and the uncertainty about whether the regional markets will accept innovative approaches. Most developers and home builders are responding to affordability issues by reducing costs in the parts of the process that they can comfortably control.

Barriers to new housing supply across the region include:-

- I. ***The complexity of the planning system-*** The planning system faces challenges in terms of balancing the needs of future housing from existing communities. Most regional areas do not plan for growth and are therefore very unprepared for sudden changes. Population predictions in many of these local areas show an anticipated population decline, which limits infrastructure investment and causes concern for

potential investors as they would not want to plan or invest in an area with no expected returns. There also may be some resistance from locals who may not want big developers in their neighbourhoods.

- II. **Market failure-** regional areas tend to have a lower return on investment and capital growth as compared to metro areas. Most regional areas show signs of market failure and are considered high risk by investors, leading to underinvestment and lower valuation. This is exacerbated by the slow increase of housing prices that have kept regional areas at a relatively low market level.
- III. **High cost of construction-** building a house in a remote regional area tends to be more expensive and take longer than metropolitan areas. Regional areas have minimal access to materials and labour, making it expensive to construct a new dwelling. Even though the cost of land tends to be lower, the cost of construction in many cases is high, discouraging new investment.
- IV. **Access to labour-** Regional and remote areas experience a lack of access to proper labour. Many LGAs reported having no access to the required labour to construct or renovate existing houses, creating a disincentive for potential investors,
- V. **Access to service providers-** Many of the LGAs reported having no active developers in the region. Many of these rural towns don't have real estate agents or property managers and rely on word-of-mouth advertisement for available vacancies, which is a great disincentive for big investors who predominantly use these services.
- VI. **Long developmental approval processes-** The development approval process in some cases tends to be too long, therefore discouraging potential investors. It was reported that the average length of approval is between 8-12 months in some areas. By the time a developer has secured the land and the necessary development approvals, the market may have changed, and the development may no longer be profitable.
- VII. **Long lead times for construction materials-** Most rural and regional areas experience a longer lead time in construction materials, making the construction process longer than it is in metro areas. This along with the high prices of materials and the unavailability of labour acts as a disincentive for major developers or investors who may want to invest in the region.
- VIII. **Land availability and attractiveness-** Our study found that there is adequate land zoned for housing development across the region. However, the issue comes in with sizing in that most regions only allow for a certain size of land, which limits the type of housing being provided, and in turn discourages big investors. We also found that even though there might be significant land available, they may not be attractive to investors due to factors such as natural disasters.

Local governments are frequently chastised for poor land use planning and for failing to zone enough land for residential development. Many councils, however, do not have the financial resources to hire a strategic land use planner. Furthermore, financial constraints on councils' revenue-raising capacity, like rate caps and expenditure burdens, frequently put councils under financial strain, limiting their ability to engage strategic land use planners and facilitate housing and infrastructure delivery.

- IX. Release issues-** Some landowners are hesitant to develop their properties. This could be due to the fact that people who own undeveloped residential land are either unwilling or unable to do anything with it. Many planning-related expenses such as development application fees, development contributions, and other expenditures associated with development may be a deterrent to landowners developing and subdividing their property. Additionally, many regional areas lack the required infrastructure, services, and utilities to support development.

3.8 CHALLENGES FOR RESIDENTIAL DEVELOPERS AND INVESTORS

Regardless of what type of housing is being produced, developers, builders and investors see themselves as producers of products that are sold to purchasers or rented out at a price which will result in an acceptable return.

Residential home builders and developers are currently experiencing significant challenges that impact their ability to deliver affordable housing. These factors include the cost and availability of land, the cost and availability of finance, obtaining timely planning approvals, the cost of infrastructure provision, additional regulation and the lack of political consistency and leadership and support for housing development²⁶.

This study found that private developers and investors in the region face the following challenges:

- **Small pool of developers and investors-** One of the main issues identified in this study is that the region lacks access to developers and investors. All 12 LGAs reported having no active developers in their areas, which is a big barrier for large investors. Most of the investors in the housing market across the region are mom-and-dad investors, or community providers with limited capacity. Since there are no developers in the region, it is harder to attract larger investors who would substantially contribute to housing development and supply.
- **Return on investment-** The risk-adjusted rate of return on housing in regional areas is viewed as too low by investors. If the returns are not going to compensate for the risk of

²⁶ URBIS (2012) [Housing Supply Responses to Changes in Affordability](#). Final Report. National Housing Supply Council

the investment, development does not occur. Many regional and rural areas are perceived to have low ROIs due to economic, and demographic factors including unpredictable population trends resulting in demand changes. Whenever there is low demand, development is more risky as rates of sales and final revenues are less certain. Population predictions across the region indicate a predicted decrease in population, which means that investors have less confidence in the markets as they anticipate a decrease in demand. Many investors see regional markets as high risk.

- **Cost of development and construction-** Another important overarching feature is the concept of a minimum price of housing, based on the cost of the land, construction costs, professional fees and minimum acceptable developer return. This means developers are unable to deliver a product to a large part of the population who cannot afford this minimum price because their income is too low, or they lack the necessary savings to meet the deposit requirements of lenders. In other words, there is a gap between prices and affordability for many households. This could only be met through some type of government intervention or a shift in the balance between prices and incomes.
- **Long lead time for residential development-** Long lead times in seeking planning and development approvals, the time taken to construct new dwellings, and the long term durability of housing products means that there are inevitably lags between adjustments in consumer preferences due to price signals or changing social and cultural norms, and the housing products which are available to the market.
- **Access to finance-** This is especially true for social and community housing providers who rely on funding from the government or capital grants provided by state, territory and Commonwealth governments on an ad hoc basis. Lack of capital grants restricts private investment once existing assets and cash flows are committed. Private investment in community housing is fundamentally about whether the combination of capital grants, subsidies and rental income is sufficient to fund construction of new stock and maintain existing stock, pay the cost of capital, while enabling rents to be held at a level that is affordable to the lowest income households.
- **Regulatory fragmentation-** Investors tend to look for scale in markets. Undue fragmentation can, therefore, deter investment. This can stem from various sources, including fragmentation in the market itself: e.g. small investments; multiple actors with different incentives to invest; or barriers to growth. However, it can also be exacerbated by fragmented regulations -different regulations in comparison to the potential size of the market.
- **Trades gap-** There is an evident gap between trades expertise and that needed for large scale projects, which at this time may not be being effectively met by other construction professionals. This gap is even more significant with the introduction of innovative building methodologies.

- **Structural barriers-** There are some structural impediments preventing greater institutional investments in the housing sector including; complexity in planning, construction and tenancy management; policy inconsistency and uncertainty; lack of incentives in tax policy; lack of scale and illiquidity of assets.

3.9 FINANCING FOR HOUSING

The study conducted interviews with financial institutions to identify what role they play in the housing spectrum and how their role can be supported to ensure adequate provision of housing across the region.

Financial markets are fundamental institutions in any developed economy. They play a crucial role in promoting economic growth by facilitating the channelling of saving decisions into productive investment²⁷.

Financial providers reported experiencing an increased demand over the last year particularly as a result of the government programs such as the First Home Buyers Grant. This has also been fuelled by very low interest rates that have sparked an interest in potential homeowners. Most of the demand is from owner-occupiers at about 75%, then mom-and-dad investors who are looking to supplement their income. They reported very minimal interest from large investors.

The study also found that most of the housing investments across the region are in the form of purchase of existing homes. Even though land prices are particularly low across the board, it was reported that homeowners and investors showed little interest in building new houses. This might be as a result of long development processes, high costs and longer periods of construction, lack of developers or trades in the region etc. The slow growth of the market and low rental yields in some areas also make construction an unattractive option for investors.

One of the key issues identified was that even though there has been increased participation fuelled by low interest rates and government programs, there is a challenge of translating this participation into outcomes as many potential home-owners are still struggling to save up a deposit while paying regular rent.

Credit risk is closely related to the real estate market. This is due to the high dependence of real estate markets on banking products, in addition to using properties as collateral for loans. Consultation with financial providers revealed that depreciation in property prices can severely reduce the quality of lenders' assets and negatively impact on their profitability, therefore reducing their lending capacity.

²⁷ Alessandra Canepa and Fawaz Khaled (2018) [Housing, Housing Finance and Credit Risk](#), *Int. J. Financial Stud.*, 6(2), 50;

3.10 IMPACT OF GOVERNMENT POLICIES

Government policies have a critical, if not determinant, influence on the operation of housing markets in regional areas. This study found that:

- The First Home Owners Grant, and especially the expanded version of that grant introduced as part of the Nation Building Economic Stimulus Package by the Australian Government, has driven large sections of the housing market and increased participation in many regional areas. However, the increase in participation does not necessarily translate into demand as people still face hurdles like saving for deposits while paying rent in their current accommodations.
- In some remote areas, government provided housing represents virtually the entirety of the social housing stock and that there is no functional market to be identified. This is particularly true in areas with low incomes like Central Darling Shire and Warrumbungle Shire. In many rural and regional areas, the publicly-owned stock is very small, and the stock of publicly-owned dwellings is often inadequate in areas where there are affordability pressures.
- Only those in greatest need are served by social housing, and it is becoming increasingly clear that it cannot accommodate individuals with only low wages. The gap in the housing stock to accommodate people on low incomes is the most serious potential issue.
- Other recent affordable housing policy initiatives have had a muted impact on regional areas. There is also very low awareness of these measures.

4. HOUSING POLICIES AND STRATEGIES

Housing supply responsiveness in Australia is affected by a range of policies at federal, state and local levels. The evidence base presented in this report has implications for a range of policy instruments across all tiers of government. The implications of this research will extend beyond policies that are directly targeted at housing outcomes to policies that do not have housing objectives, but which nonetheless affect the responsiveness of housing supply in the region.

4.1 FEDERAL LEVEL

The Australian Government has implemented various policies around international and regional migration, taxation (including capital gains and negative gearing), interest rates, financial regulation, social security programs (such as Commonwealth Rent Assistance) and grants and funding support (such as the National Housing Finance and Investment Corporation). The National Disability Insurance Scheme (NDIS) and the National Housing and Homelessness Agreement also influence the supply of housing for vulnerable people across the country

Measures to boost the supply of housing include providing \$1 billion through the National Housing Infrastructure Facility to fund critical infrastructure that will speed up the supply of housing, releasing suitable Commonwealth land for housing development and specifying housing supply targets in a new National Housing and Homelessness Agreement (NHHA) with the States and Territories²⁸.

Other reforms aim to improve housing outcomes by assisting first-home buyers in saving a deposit through voluntary superannuation contributions, including salary sacrificing, lowering barriers to downsizing to free up larger homes, improving the integrity of capital gains rules for foreign investors, and better targeting of housing tax concessions and refinancing.

Further reforms will focus on improving outcomes in social housing and homelessness by providing \$375 million to make homelessness funding permanent and give funding certainty to providers of homelessness services under the NHHA, establishing a National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator and providing tax incentives to increase private investment in affordable housing.

²⁸ Australian Government- The Treasury. [Housing Policy](#)

For the past decade in Australia there has been a growing awareness of a housing crisis and the absence of a national strategy to address it. Australia's current housing crisis impacts the most vulnerable of people.

4.1.1 National Housing Finance and Investment Corporation

The Government established the National Housing Finance and Investment Corporation (NHFIC) in 2018 to operate an affordable housing bond aggregator to provide long term, low cost finance for affordable housing providers. This initiative was aimed at supporting greater private and institutional investment to expand the community housing sector and provide more Australians with access to affordable rental housing.

The investment corporation oversees the National Housing Infrastructure Facility (NHIF), which provides grants and loans to Commonwealth and state initiatives in the provision of housing outcomes and the building of critical infrastructure to support the supply of new housing. Up to \$1 billion in funding was made available from the NHIF, of which \$600 million is concessional loans, \$225 million is equity investments, and \$175 million is grants.

The National Housing Finance and Investment Corporation (NHFIC) and Landcom have recently signed a memorandum of understanding to deepen collaboration and work together to identify and unlock housing pilot projects across regional and metropolitan NSW. According to the MoU, parties will work together to;

- accelerate new housing supply across regional and metropolitan NSW
- develop deal parameters for a pilot social and affordable housing program
- facilitate financing applications under the Affordable Housing Bond Aggregator (AHBA) and the National Housing Infrastructure Facility (NHIF).

The goal is to strengthen collaboration and provide additional certainty for partners in the community housing sector to deliver more affordable housing and sustainable communities across NSW. This will in turn improve the affordability and diversity of housing to meet the needs of communities with differing requirements and income levels.

A key priority will be to identify opportunities to deliver housing infrastructure and unlock new housing supply in both metropolitan and regional areas, to alleviate affordability challenges. NHFIC will work closely with Landcom, which has strong relationships with NSW councils, to bring forward land that can be used to deliver more affordable housing.

4.1.2 National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS or the Scheme), which commenced in 2008, seeks to address the shortage of affordable rental housing by offering annual financial

incentives for up to ten years, to rent dwellings for eligible NRAS tenants at 80 per cent or less of the market value rent²⁹.

Under NRAS, the Australian Government in conjunction with the States and Territories is providing financial incentives to:

- increase the supply of affordable rental housing
- reduce the rental costs for low to moderate income households
- encourage the large-scale investment and innovative delivery of affordable rental housing.

The program was discontinued in May 2014 by the Abbott Government. Accumulated NRAS exits by 2026 will be 6,549 in NSW and 36,721 nation-wide according to the Department of Social Services.

4.1.3 National Housing and Homelessness Agreement

The National Housing and Homelessness Agreement (NHHA) commenced on 1 July 2018 and provides around \$1.6 billion each year to states and territories to improve Australians' access to secure and affordable housing across the housing spectrum. The NHHA includes \$129 million set aside for homelessness services in 2020-21, with states and territories matching this funding³⁰.

Under the NHHA, to receive funding, state and territory governments are required to have publicly available housing and homelessness strategies and contribute to improved data collection and reporting. The housing strategies must address the NHHA housing priority policy areas relevant to the state or territory.

The housing priority policy areas include:

- affordable housing,
- social housing,
- encouraging growth and supporting the viability of the community housing sector,
- tenancy reform,
- home ownership and

²⁹ Australian Government Department of Social Services (2020, [Housing Support: About the National Rental Affordability Scheme](#). Canberra

³⁰ National Housing and Homelessness Agreement: https://www.federalfinancialrelations.gov.au/content/npa/other/other/NHHA_Final.pdf

- planning and zoning reform initiatives.

4.1.4 Commonwealth Rent Assistance

Rent Assistance is a non-taxable income supplement payable to eligible people who rent in the private rental market or community housing. Pensioners, allowees and those receiving more than the base rate of Family Tax Benefit Part A may be eligible for Rent Assistance.

Rent Assistance is payable at the rate of 75 cents for every dollar of rent payable above the rent threshold until the maximum rate of payment is reached. Rent thresholds and maximum rates vary according to a customer's family situation and the number of children they have. For singles without children, the maximum rate may be reduced if the accommodation is shared with others. Rent thresholds and maximum rates are indexed in March and September each year to reflect changes in the Consumer Price Index.

4.1.5 Indirect policies

Other budget fiscal policies (subsidies, expenditures, credits, and concessions) aimed at promoting larger investment and savings goals also have an effect on housing. These have become more common strategies for Australian governments to boost residential property ownership, generally under the guise of encouraging residential home building.

These policies directly influence property market prices, potentially reducing home affordability. For instance at the Federal level, the combined annual cost of negative gearing and capital gains tax discount at \$12 billion nationally³¹. This is far higher than the annual cost of building over 1 million social and affordable housing nationwide (by 2036) – to meet the estimated housing shortage, would be \$8.6 billion per year³². Such a comparison demonstrates that closing the housing gap is possible if the Australian government reprioritizes its policy goals.

- **Negative gearing**

Negative gearing allows losses incurred on an income producing asset to be offset against all of a taxpayer's taxable income, including income not related to that asset. Negative gearing encourages taxpayers to employ high levels of leverage (which reduces the amount of capital required by investors and maximises tax losses).

This has a negative influence on residential property yields, which has deterred institutional investors from becoming more involved in the industry over time. Housing affordability and

³¹ Other studies such as 'The Cost of Privilege – A Research Paper by Per Capita for Anglicare Australia' estimates the combined cost of negative gearing and capital gains tax discount to be around \$14.9 billion a year.

³² Troy, L., van den Nouwelant, R. & Randolph, B. 2019. 'Estimating need and costs of a social and affordable housing delivery', City Futures Research Centre, UNSW Built Environment, UNSW Sydney.

household debt levels related to the domestic economy have been increased as a result of this. The annual cost to the Federal budget of the negative gearing concession on residential property is projected to be around \$4.6 billion.

- **Capital gains tax discounts**

Capital gains tax (CGT) on property is applied to only 50 per cent of the appreciation (a discount of 50 per cent) if an asset is held for 12 months or more. The discount aims to ensure that taxpayers are only taxed on the real value of capital gains.

This tax distortion encourages speculation on land. Acting in tandem with the negative gearing concession, it encourages investors to allocate too heavily to property and take on too much debt. This also distorts property markets by driving up prices and driving down yield over time. The discount also reduces the progressivity of the tax system as capital gains are not distributed evenly compared to other forms of income³³. The cost of the discount on capital gains for residential property to the Federal budget is estimated at approximately \$10.3 billion per year.

4.2 STATE LEVEL

NSW takes a holistic approach across housing – from homelessness to home ownership – in its planning to allow for more people to access the right type of housing at the right time, and to support people into the best housing option available.

On a state level in NSW, the DCJ allocates Federal and state sourced funding to support various housing programs. Agencies such as the LAHC and AHO are also directly involved in the provision and management of social housing. Collectively, the state level agencies formulate and carry out the policies. These are direct policies aiming to increase the stock of social and affordable housing through partnerships with nonprofit CHPs.

4.2.1 Housing 2041

Housing 2041 is a 20-year vision for housing in NSW. It embodies the government's goals and ambitions to deliver better housing outcomes by 2041— housing in the right locations, housing that suits diverse needs and housing that feels like home. Housing requirements evolve over time, reflecting changing desires and lifestyles, as well as current economic, environmental, and social situations. All of these factors have an impact on housing decisions and, as a result, the character of our communities³⁴.

³³ Daley, J. & Wood, D., 2016, '[Hot property – Negative gearing and capital gains tax reform](#)', Grattan Institute, Melbourne.

³⁴ [Housing 2041-NSW Housing Strategy](#)

Housing 2041 aims to make housing more accessible in the right places, addressing the needs of individuals in metropolitan and regional NSW. The NSW Government intends to initiate housing projects that boost affordability and test new ways of living by encouraging creative approaches to housing solutions. Housing security, improved help for those in housing crises, and enhancing the experience of those in the private renting market will all be priority over the next 20 years.

NSW will have housing that supports security, comfort, independence and choice for all people at all stages of their lives.

20-YEAR VISION

<p>People and communities have:</p> <ul style="list-style-type: none"> access to housing security, diversity and support, irrespective of whether they live in metropolitan or regional areas choices that enable them to afford a home without compromising on basic needs support and opportunity in differing circumstances, including people in crisis, social housing residents, private rental tenants and those who aspire to home ownership. 	<p>Homes in NSW are:</p> <ul style="list-style-type: none"> accessible and suitable for different stages of life or changing circumstances connected to local facilities, jobs and social networks, with infrastructure, services and spaces that people need to live sustainably designed to support human wellbeing and respond to the environment, maximise technology and support local character and place.
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NSW HOUSING SYSTEM PILLARS

<p style="text-align: center;">SUPPLY</p> <p>Includes amount, location and timing of the supply of new housing. Planning for the supply of new housing should respond to environmental, employment and investment considerations, and population dynamics.</p>	<p style="text-align: center;">DIVERSITY</p> <p>Considers different types of housing and looks at how a diverse choice of housing can reflect the needs and preferences of households.</p>	<p style="text-align: center;">AFFORDABILITY</p> <p>Recognises people live in diverse tenures based on their income and circumstances, and that housing should be affordable, stable and supportive of their aspirations and wellbeing.</p>	<p style="text-align: center;">RESILIENCE</p> <p>Includes matching housing to community and environmental issues, so people, communities and their homes are safe, comfortable and resilient.</p>
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ACHIEVING OUR VISION

<p>1. Enhanced partnerships and collaboration</p>	<p>2. Increased support for those most in need</p>	<p>3. New housing that is adaptable to changing needs and environments</p>
<p>4. Improved alignment of housing with infrastructure and community services</p>	<p>5. Support for first home buyers</p>	<p>6. Greater support and security for people in private rental</p>

2021-22 Action Plan

<p style="text-align: center;">Priority Area 1</p> <p>Enabling access to and promoting the use of data and evidence-based decision making</p>	<p style="text-align: center;">Priority Area 2</p> <p>Providing planning, regulation and guidelines to support the NSW Government housing objectives</p>	<p style="text-align: center;">Priority Area 3</p> <p>Maximising the impact of government-owned land, investment or assets, and government-led development projects or funding to achieve the housing vision</p>	<p style="text-align: center;">Priority Area 4</p> <p>Establishing a research agenda that invests in best practice and new ways of building and living</p>	<p style="text-align: center;">Priority Area 5</p> <p>Working with local governments and communities to achieve the NSW Government housing objectives</p>
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Future action plans - Informed by our inaugural action plan

NSW housing system pillars

The NSW housing strategy is reflected in the four pillars of supply, diversity, affordability and resilience of housing.

- Supply—housing supply delivered in the right location at the right time
- Diversity—housing is diverse, meeting varied and changing needs of people across their life
- Affordability—housing that is affordable and secure
- Resilience—housing that is enduring and resilient to natural and social change.

The objectives in each pillar are interrelated and together will contribute to improved economic, health and social wellbeing outcomes for the people of NSW.

Collaboration is at the heart of *Housing 2041*, and will be critical to its implementation over the next 20 years. The NSW Government can have a considerable impact on the success of the NSW housing system, particularly through investment, policy, legislation, and regulation, but it will not be able to fulfil the Housing 2041 objective on its own.

The Vision

Given the key role of the private sector in delivering housing supply across NSW, the successful delivery of *Housing 2041* requires effective collaboration. This includes local government, community housing providers, the development industry, the finance industry and other private sector partners.

The 20 years of *Housing 2041* will provide:

1. **Enhanced partnerships and cross-sector collaboration** - increasing availability of housing data, evidence and research; making continuous improvements to reduce planning assessment processing times and red tape across all tiers of government; collaborating to test new ways of living
2. **Increased support for those most in need**- rejuvenating the social housing portfolio; supporting growth in the community housing sector; increasing the supply of affordable housing and providing ongoing support and programs to agreed targets to reduce homelessness and support those with complex needs.
3. **More investment and support for housing that is adaptable to changing needs and environments**- Implementing planning and design standards that support adaptability; applying smart technology housing design and construction and ensuring NSW Government-led residential development is an exemplar of carbon neutral housing design and construction.

4. **Improved alignment of housing with infrastructure and community services for NSW communities-** Establishing and implementing strategic planning principles at the state and local level; promoting housing that is strategically planned, considers climate resilience, applies good urban design principles and is located in places that effectively support how people want to live now and in the future; building collaboration across the housing sector, including government, industry and communities and
5. **Additional support for first homebuyers and for new housing products-** Implementing a range of strategies such as right of first purchase or low deposits on government-led residential developments ; fast-tracking developments that support first homebuyers and investing in new types of housing and housing products that have the potential to increase affordability.
6. **Continued support for people in the private rental market-** Exploring ways to ensure secure and safe housing, including support for new types of housing products such as build-to-rent housing.

Strategy timeframes

The NSW strategy prioritises meaningful short-term actions to shape the foundation for future action plans. Future action plans will outline new, long-term change or reform that aligns with the priorities of the NSW housing strategy.

0-2 Years: Actions in this period predominantly seek to address or respond to the COVID-19 pandemic and resulting economic recession, as well as recent environmental disasters including the drought, bushfires and floods. Actions include facilitating increased supply in appropriate locations, more diverse housing products and tenure types, improved support for vulnerable groups and improved building sustainability and resilience.

Long Term: Long-term initiatives in NSW will be guided by a 20-year vision and objectives for housing. These will be focused on improving housing outcomes for NSW communities while also considering potential changes to the way we think about housing. This will allow for greater adaptability in the face of new technology, new ways of thinking, and better home design and delivery.

4.2.2 Regional Housing Taskforce

In July 2021 the NSW Government established a Regional Housing Taskforce (the Taskforce) in response to increasing pressures on the supply and affordability of housing in Regional NSW. The Taskforce was charged with investigating regional housing issues and the planning barriers people are experiencing in buying, renting and building a place to live in the regions.

The Taskforce found that the challenges in delivering an adequate supply of diverse and affordable housing that meets the needs of regional communities are many and varied. The task for Government and the planning system is not simply to increase the supply of housing

generally, but to provide a diverse range of housing that supports the full spectrum of housing needs in regional communities now and into the future³⁵.

The key issues raised in the findings report include:

- Greater prioritization on the coordination and delivery of infrastructure to support new homes
- A need for collaboration between all levels of Government, the housing development industry and the community to develop the right type of housing where people need it;
- Calls to speed up planning processes and reduce duplication, particularly where opportunities to provide housing are time-critical
- Demand for more affordable and diverse housing in line with changing demographics, jobs growth, natural disasters, and migration trends.

The Taskforce made five key recommendations for Government and 15 supporting targeted interventions that relate to the recommendations. The five key recommendations made are:

1. Support measures that bring forward a supply of “development ready” land.
2. Increase the availability of affordable and diverse housing across regional NSW.
3. Provide more certainty about where, when and what types of homes will be built.
4. Investigate planning levers to facilitate the delivery of housing that meets short term needs.
5. Improve monitoring of housing and policy outcomes and demand indicators

4.2.3 NSW Regional Housing Fund

As an initial response to the NSW Government’s Regional Housing Taskforce recommendations, the NSW Regional Housing Fund (RHF) was launched on 3 February 2022. This \$30 million grant program will help to incentivise and support regional councils in NSW to address growing housing pressure³⁶.

The RHF will provide funding to identified regional councils to deliver new infrastructure upgrades and open-space projects that directly support the delivery of new housing supply. The objectives of the RHF are to:

³⁵ <https://www.planningportal.nsw.gov.au/regional-housing>

³⁶ <https://www.planning.nsw.gov.au/Plans-for-your-area/Infrastructure-funding/NSW-Regional-Housing-Fund>

- unblock and accelerate new housing capacity in regional NSW,
- bring forward construction and the opportunity for jobs, and
- support investment in critical infrastructure and high-quality public and open spaces.

4.3 LOCAL LEVEL

There are some significant housing challenges facing regional communities in Australia, some of which are equally felt across major cities and towns and others which are uniquely localised to the regions. Councils have local strategies which seek to address some of the local housing challenges in each township as well as advocating for associated regulation reform at a State level. The Local Housing Strategies aligns the Council's housing vision with the NSW Government's housing strategic plans, including regional and district plans³⁷.

Councils' local housing strategies outline how and where housing will be provided in specific areas. They take into account demographics, local housing supply and demand, and local land-use options and limits, among other things. These strategies can also be used to identify important cultural, natural, heritage, or local character regions.

Local Housing Strategies are aligned with supporting infrastructure and social services, such as schools, health facilities, and public transportation, to enhance the efficient use of land and infrastructure. These strategies aim to make the most of existing infrastructure while also anticipating future requirements. **It is important to note that not all Local Governments have housing strategies.**

Bogan Shire

The key to attracting and retaining a diverse population in Bogan Shire is to provide housing choices and enough suitably located residential land, particularly rural residential. Housing affordability is a strength of the region, but there are also ongoing housing demands that need to be addressed. Community Infrastructure planned in Nyngan to alleviate the pressure on suitable housing includes the construction of four affordable seniors living units with additional sites planned in the near future.

Agriculture, notably grazing and grain crops, is the primary feature of the Bogan Shire's surrounding rural lands. Bogan Shire's gross domestic product is largely based on agricultural revenue and rural industries, but it also gives a strong feeling of place to its residents.

Ensuring that planning regulations are in place to prevent fragmentation of these valuable rural lands, as well as decreasing land use conflict by finding suitable locations for rural residential development, would help to preserve Bogan Shire's rural character.

³⁷ NSW Planning & Environment- [Local Housing Strategy](#)

Planning Policies include:

- Utilising existing zoned and serviced land for a range of urban development outcomes, particularly the provision of housing for older people and affordable housing near existing services and amenities.
- Locating new rural residential areas close to existing urban settlements to maximise the efficient use of existing infrastructure and services including roads, water, sewer and waste services, and social and community infrastructure
- Avoiding and minimising the potential for land use conflicts with productive, zoned agricultural land and natural resources
- Avoiding areas of high environmental, cultural or heritage significance, regionally important agricultural land or areas affected by natural hazards.
- Encouraging a range of housing options, including affordable housing, housing for older people, family housing and temporary worker accommodation in Nyngan

Bourke Shire

Because the population of Bourke Shire is dwindling, future development will be focused on Bourke township before other options are considered. Before areas that are not serviced in North Bourke and other possible greenfield locations, development suggestions are centred on underutilised sites inside Bourke. The council will look into prospective zoning changes that would recognise the residential value of the existing properties.

There is enough designated R5 Large Lot Residential land in North Bourke to accommodate any future demand. The original village of Wortumertie has been subdivided along High Street. The existing lots are around 2,000 square metres in size, and Council plans to look into possible zonings that would recognise the existing properties' residential value.

Planning policies include:-

- Focusing Alignment with Policy Strategic Outcome Description Changing Demographic Far West Regional Plan – Direction 20 Plan for a changing demographic .
- Investigating management strategies for declining populations .
- Reviewing Local Environmental Plan (LEP) and Development Control Plan (DCP) provisions to plan for appropriate housing choice options

People are increasingly purchasing lots in Louth as a cost-effective remote hideaway. Local planning instruments will reflect this tendency by extending the current Village Zone and allowing for possible development on lots surrounding the village. Expanding the RU5 Village zone to include smaller lots in the outskirts of the current zoned land within the Louth levy bank would support future land sales.

Brewarrina Shire

Brewarrina will be able to consolidate inside its defined town boundaries as a result of its growth and development. This will help to build the community's identity, preserve infrastructure and services, minimise natural disasters, and reduce demand on the community's vital water and land resources.

Council intends to :

- Investigate the demand to extend the rural residential zone for any additional housing development.
- Review the Brewarrina LEP 2012 to ensure that residential land is appropriately zoned for future demand

Brewarrina Shire Council is within the Murdi Paaki Regional Assembly, along with three 3 Local Aboriginal Lands Council based at Brewarrina, Goodooga and Weilmoringle. The aboriginal land Council who are the only legal authority within the aboriginal reserve areas. The Murdi Paaki Regional Assembly (MPRA) is the peak Aboriginal governance body for the Murdi Paaki Region representing the interests of Aboriginal and Torres Strait Islander peoples throughout western NSW.

The NSW Government and the Assembly have also agreed to work together through the Agreement to improve Aboriginal social housing results in the Murdi Paaki region, among other things. The Accord negotiated between the Assembly and the NSW Government underpins this Agreement, and the governance formed under it may be considered in other parts of the Accord's execution.

The Regional Aboriginal Housing Leadership Assembly (RAHLA) is tasked with devising and pursuing actions as a joint decision-making body to achieve the following objectives:

- Support joint decision making on the delivery of social housing outcomes in the Murdi Paaki region
- Advise government and the Assembly on ways to direct social housing programs and policies to operate effectively and efficiently, to respond to the priorities of Aboriginal communities in the region and establish mutually agreed service outcomes with the NSW Government
- Conceive, develop, plan and implement strategies and actions to give effect to the allocation of the \$15 million; and
- Commence the co-design of an Aboriginal social housing plan for the region. Council is committed to supporting the outcomes of this initiative.

Central Darling Shire

In Wilcannia, deceased estates make up a considerable amount of zoned land. Council is working closely with government organisations to figure out how to deal with the growing number of uninhabitable, deceased estates, or vacant dwellings. To promote community wellness and tourist experiences, Council is focusing on improving the state of housing stock across the Shire.

Detached dwellings are the most common type of housing in the shire. To aid in the consolidation of communities, new growth and development will be located inside the existing urban footprint. This will strengthen the community's identity and heritage, ensuring that infrastructure and services remain viable. It will also ensure that natural dangers are avoided, and demand on water and land resources is reduced.

Within the zoned region, there is enough suitable land for growth over the next 20 years. No additional rural residential development is intended over the next 20 years.

The priorities of the council include:

- Supporting a diverse housing choice where possible using existing infrastructure and building stock
- Advocate for existing and new development to be supported by infrastructure
- Ensuring any future residential development is located on land that is currently zoned and serviced.
- Working with agencies to clear uninhabitable housing stock to improve visual amenity and experience in Wilcannia and Menindee.

Any future development will take into account the possibility of extreme weather occurrences and will be placed and designed to suit the local environment as much as feasible, notably by decreasing dependency on non-renewable energy and water use, especially during droughts.

Cobar Shire

Housing options in Cobar range from rural to rural residential, big town blocks, and unit complexes. Council issued 64 lots in late 2006, and they sold out in three days. There are plans for a 47-lot subdivision by the Council. Several private subdivisions are now underway across the Shire.

Two new off-road bike routes serving the Lerida Road rural residential estates and town areas have recently been built, providing safe cycling access for school children and anyone seeking to explore wilderness near Cobar. The majority of estates have access to municipal water and power. Blocks of varying sizes with great road access to Cobar are offered.

Cobar is a community-based mining town. Current housing stock will be prioritised over any future requests for temporary housing outside of town. Council will favour future industrial growth proposals that accommodate personnel in town to the best of their abilities to maintain longevity. Setting this course for future growth will give local residents confidence in their and the economy with confidence.

Coonamble Shire

The supply of residential zoned land in Coonamble needs to be better understood to ensure that availability of land is not restricting development potential. Rural residential housing is a popular lifestyle housing option driven by the desire of city and urban dwellers for a rural lifestyle.

The predominant character of surrounding rural lands of Coonamble is productive agriculture, particularly sheep, cattle grazing and cereal crops. Ensuring that planning controls are in place to prevent fragmentation of these productive rural lands, and importantly, reducing land use conflict by identifying suitable locations for future rural residential housing development that will assist in retaining Coonamble's important rural character, whilst also providing the necessary means for population and economic development growth within the local government area.

Council's priorities include:

- Identifying suitable locations for future rural residential housing development.
- Continuing to provide health, aged care and housing diversity across the Shire to assist in ageing in place and support a diverse community.
- Encouraging a range of housing options, including affordable housing, housing for older people and family housing.

Future strategic planning should maximise development within existing zoned land and protect local businesses and industry from land use conflicts to provide greater operational certainty, in order to achieve sustainable population and economic stabilisation and best support the local communities of Coonamble. Providing a varied population with housing options and enough appropriately placed residential property, particularly in rural areas, is critical to recruiting and keeping a diverse population.

Rural residential development can potentially conflict with productive agricultural, industrial or resource lands. It may also increase pressure for new services outside existing settlements, with costs borne by councils and the broader community. Managing this type of development and its 53 Local Strategic Planning Statement cumulative impacts will be essential as the regional economy diversifies and development pressure increases.

Gilgandra Shire

Gilgandra Shire has a higher proportion of older persons (65 years and older - 23.6%) than the state average (15.8%). This highlights the need of continuing to provide housing options for the

elderly in order to keep up with shifting demographics. It also implies a reduction in the number of workers available. As a result, succession planning and staff planning are critical³⁸.

Agriculture remains the largest employer of local residents in Gilgandra Shire. It is the main source of local employment and has a direct link into the local economy. Gilgandra's LEP is designed to avoid potential land use conflicts between agriculture and other land uses through appropriate land zones. Council aims to review and rationalise the current usage of vacant Council, Crown and Private residential lands. Council will also assist in the provision of community housing options

Gilgandra Shire Council is developing a Local Housing Strategy to respond to the local housing pressures and issues from an informed local perspective.

Mid-Western Regional

Mid-Western Regional is one of the fastest developing LGAs in NSW, serving as a vital gateway to the Central West and Far West. Council will continue to ensure that a variety of residential housing alternatives, including various lot sizes and rural lifestyle possibilities, are available to serve the growing population. Council will work to enhance the housing stock's constructed outcomes, with sustainability at the forefront of its efforts and community expectations for future development. The landscape and current land uses will be respected and responded to when growth occurs in rural regions.

The Region has a sufficient supply of low density residential zoned land across the four towns to meet the long term 20 year demand. Medium density housing is encouraged in Mudgee within the R3 Medium Density Residential zone, this zoning is located within close proximity to the CBD area. Three sites are zoned for large lot residential with a minimum of 2 hectares, representing a 10 year supply. Identifying suitable sites for future large lot residential opportunities will ensure that a 20 year supply is available should there be high levels of demand.

Planning actions for council include:

- Making available diverse, sustainable, adaptable and affordable housing options through effective land use planning
- Providing ongoing monitoring of land release and development
- Promoting affordable housing options across the Region
- Amending the Land and Housing Supply Monitor to include medium density residential to ensure an adequate supply in the R3 Medium Density zone.

³⁸ Pawson, H. 2018, '[Does NSW really need to double its social housing output?](#)', UNSW City Blog, 2

- Review the Liveable Housing Australia's Liveable
- Housing Design Guidelines and consider any applicable elements to be included in a future review of the DCP.
- Mapping the location of large lot residential opportunities in accordance with the Large Lot Residential Strategy

Given the Region's ageing population, which is anticipated to grow considerably over the next 25 years, ensuring a sufficient land supply for Seniors Housing will be critical in preparing for the future. Mudgee's status as a Strategic Centre, as recognised in the Regional Plan, plus its closeness to current services and amenities make it an ideal location for Seniors Housing.

Narromine Shire

Except for sites that are possibly highly confined, the present supply of Zone R5 Large Lot Residential property is close to being depleted, and there is little subdivision possibility (particularly by flooding and the new Inland Rail alignment). Urban residential growth areas may consider rezoning of adjacent large lot residential lands that have subdivision potential if they are connected to reticulated sewer and water services.

A variety of housing options to accommodate the various lifestyles and needs of the population is critical to Narromine's future and resilience. Many variables impact the sorts of housing alternatives available, including economic aspects such as job patterns and types, as well as demographic trends such as the ageing population. Narromine offers good access to Dubbo's Regional City and can serve as a lifestyle option for those seeking jobs or services in Narromine or Dubbo. It's also in the centre of the agricultural sub-region, with plenty of living space for farmers and businesses.

Changing demographics such as an ageing population will require large lot residential uses around the dominant centre of the Town of Narromine. Large lot residential housing is a popular lifestyle housing option driven by the desire for a rural lifestyle, particularly close to regional cities and strategic centres. This type of development has been seen as a way to attract new residents. Land use conflicts between housing and employment lands need to be managed. Large lot residential development can conflict with productive agricultural, industrial or resource lands. It may also increase pressure for new services outside existing settlements.

Narromine and Trangie have the potential to provide adequate big lot residential areas as a housing option for those downsizing from larger farms or people needing additional land for increasing families, resulting in a more diverse housing mix. It has the ability to strengthen the resilience of cities and villages when combined with an employment land plan.

Large lot residential development mean conflict with profitable agricultural, industrial, or resource areas. It may also create demand for additional services outside of current settlements, with Council and the larger community bearing the expenses. As the regional

economy diversifies and growth pressure grows, managing this development and its cumulative effects will become increasingly important.

Walgett Shire

Under present zoning and land use regulations, it is expected that additional housing and all other land use typologies may be delivered within Walgett's existing footprint. However, demand and supply in Walgett and other areas will be closely monitored to ensure the Shire's housing demands are satisfied.

Councils Rural Residential Strategy 2019 identifies that there is a need for rural residential land in proximity to Walgett. There is growing demand for residential lifestyle blocks along the river corridor with an uptake of large lot rural residential development along the Namoi River, East of Walgett. An analysis of suitable sites for rural residential sites has been undertaken in Councils Rural Residential Strategy (2019). The strategy identified an area of land immediately to the east of the Showground on Come By Chance Road Walgett as a key investigation area for Large Lot Residential development. Further investigations need to be undertaken to appropriately rezone this land in accordance with environmental factors including, flooding, servicing and biodiversity conservation.

Walgett strategies include:

- Encouraging consolidation of development and growth to take place within the urban areas of Walgett, Lightning Ridge and Collarenebri
- Ensuring housing is in urban centres and does not extend into mining areas.
- Protecting existing residential amenity and provision of housing choice.
- Ensuring any rural residential development is located within close proximity of existing district centres in accordance with the Rural Residential Strategy
- Encouraging alternative/ and or additional use of vacant housing stock where residential amenity is not compromised.

Because Walgett has a larger concentration of professional employees than the rest of the Shire, there is a rising desire for rural residential development near to the center's services and employment base. This is also true for the Shire's ageing population, which is looking for smaller, more manageable land holdings at Walgett War Memorial.

It is anticipated that other housing and all other land use typologies can be provided within Walgett's existing footprint under current zoning and land use controls. However, demand and supply in Walgett and surrounds have to be monitored to ensure the Shire's housing needs can be met.

Warren Shire

Warren Shire, unlike many rural towns and villages, has seen and will continue to experience population growth. It's a big duty to plan for a developing Shire, and it's critical to prepare for an integrated built and natural environment that preserves and promotes liveability while allowing the community to prosper. Warren, like many other towns, is experiencing substantial demographic shifts. As a result, expanding housing variety and choice, especially for elderly citizens, is critical in the future.

Warrumbungle Shire

The majority of residential development in the Warrumbungle Shire is low density and consists largely of detached houses. The towns of Coonabarabran, Coolah, and Dunedoo have the most residential land. The nature of the local rural economic activity and its transportation linkages are reflected in the spread of residential development surrounding these towns.

Demographic change is a major driver of residential development demand in the Shire. People's housing requirements vary based on their age, health, income, and cultural background. People have various home preferences as well. Farmers approaching retirement sell their holdings and relocate to towns like Dunedoo, Coolah, and Coonabarabran, where they are closer to aged care services and infrastructure including hospitals and medical practitioners.

The local housing strategy aims to resolve two issues in the Warrumbungle Shire in terms of residential development:

1. How much land, if any, should be made available for residential development
2. What should that development look like and who should it be for.

One of the Shire's main goals for residential development is to concentrate expansion in serviced towns (Dunedoo, Coolah, and Coonabarabran) in order to make the most of existing infrastructure and community services. As a result, the Strategy encourages infill development over settlement growth. The development of settlements puts a lot of strain on agricultural fields and natural regions.

This plan supports the practice of ensuring that residential neighbourhoods retain their sense of place based on their location, residential character, topography, natural environment, built form and proximity to the town centre. Like many rural towns Coolah, Dunedoo and Coonabarabran are characterised by wide avenues with mature street trees, often centrally located. This is a very distinct part of the rural character of residential neighbourhoods in the Warrumbungle Shire and one which should be retained.

4.4 THE TAXATION TREATMENT OF HOUSING

The key taxes that are relevant to housing in the Australian tax system are, at a federal level, (individual) income and consumption (GST) taxes and, at a State or local level, transactions (stamp duties) and wealth (land tax and rates) taxes³⁹.

Stamp duty on transactions can discourage turnover, influence housing decisions and inhibit mobility. Land taxes favour owner-occupied over investment housing and can both encourage investment in properties where land is a small proportion of total value (such as apartments) and discourage large scale investors. The asset test on pensions can create “lock-in” effects that may discourage sales of housing⁴⁰.

While the impact of these individual taxes or exemptions can be significant, they pale in comparison to the considerably larger tax breaks available through the income tax system. The potentially distortive and destabilising implications of an asymmetric tax system that treats gains and deductions differently denotes an impact of the income tax system on the housing system .

Estimates of the size of various taxes and tax exemptions vary greatly depending on how they are defined, but all (including official Treasury estimates) plainly show that tax expenditures outnumber taxes, with the capital gains tax exemption being the most significant of them. This preferential housing treatment has the potential to cause inefficiencies in the housing market by encouraging excessive consumption and investment in owner-occupied houses, as well as distorting tenure choices.

Debt-financed investment in housing, particularly for higher income households, is encouraged by the current tax treatment of rental housing which encourages households to negatively gear (recognised in the AFTS report as amongst the greatest tax-induced biases to the savings choices of households)⁴¹. This benefit is offset by the operation of state based land taxes which generally apply to the cumulative value of investment holdings and which are unnecessarily high because of the narrowness of the residential land tax base (as a result of exemption of the vast bulk of investment - that undertaken by owner-occupiers - from the land tax base).

An even greater concession to owner-occupied housing, however, arises because it is fully exempt from capital gains tax. It is also exempt from taxation on imputed rent (equal to value of rent saved from owning a home) but, against this, interest expenses and maintenance costs are not deductible. In the absence of any form of income or land taxes on the family home,

³⁹ Judith Yates. Affordable Housing Submission 53. *Issues and Policy Options*

⁴⁰ Yates (2010) "Housing and Tax: The Triumph of Politics Over Economics", in Evans, C., Krever, R. and Mellor, P. (eds) *Australia's Future Tax System: The Prospects After Henry*, Sydney: Thomson Reuters, pp 233-265.

⁴¹ Milligan, V., Yates, J., Weisel, I. and Pawson, H. (2013) "Financing rental housing through institutional investment", AHURI Final Report No. 202.

households are encouraged to build up significant holdings of their wealth in owner-occupied housing.

Distributional analyses of these concessions highlight the extent to which older, higher income households with high housing wealth benefit disproportionately compared with younger, lower income households who are most in need of assistance. The somewhat lower benefits for older, lower income households are reinforced by the exemption of the family home from asset testing for the age pension (higher income households are less affected because they will be excluded by the income test). This provides an incentive for households potentially eligible for the pension to maintain a high proportion of their wealth in the family home in the same way as tax incentives encourage older higher income households to do the same⁴².

4.5 POLICY IMPLICATIONS

Despite the strategies outlined above, the level of the existing supply gap indicates that the housing needs of many vulnerable and disadvantaged people aren't being effectively met.

Allocation of resources to new public rental housing in NSW has flatlined for almost 10-years. Over the next ten years, the NSW government aims to fund the building of under 10,000 more social and affordable rental houses. However, based on projected population growth rates, 21,000 extra social and affordable rental dwellings would be required throughout this time period to keep up with rising demand⁴³.

Current policies may also be (directly and indirectly) hindering the supply and demand of affordable housing. Federal Government tax policies such as negative gearing and capital gains tax discount, fuel investor demand for established properties, put upward pressure on prices and drive down rental yields⁴⁴.

National policy has effectively promoted (residential) property ownership over home ownership as the top policy priority. Financial deregulation has inadvertently prioritised mum and dad property investors relative to the goal of stable family formation and economic participation in vibrant communities. At the same time Australia's largest banks forgot how to lend to SME businesses – the engine room of productivity and future prosperity.

Clearly, there's a shortfall of necessary equity investment by governments and the private sector to deliver new housing in sizable volumes to alleviate the housing shortages. Previous studies

⁴² Yates, J. and Milligan, V. (2012) "Policies that Support Access and Affordability of Housing", in Smith, S. (ed) International Encyclopedia of Housing and Home, chapter 255, Oxford: Elsevier

⁴³ Pawson, H. 2018, '[Does NSW really need to double its social housing output?](#)', UNSW City Blog, 2

⁴⁴ Phillips, J., Yates, J., Krever, R., Gruen, N. & Smith J. 2015, '[Fuel on the fire: negative gearing, capital gains tax & housing affordability](#)', Australian Council of Social Service

by Anthony & Lu (2017) and Troy et al. (2019) show that there is capacity within the Federal budget to allocate more funding to meet the national shortfall in social and affordable housing⁴⁵.

The resources are there, and what the government needs to is acknowledge the urgency of the housing problem and take steps to prioritise those in need of secure housing

⁴⁵ Troy, L., van den Nouwelant, R. & Randolph, B. 2019. 'Estimating need and costs of a social and affordable housing delivery', City Futures Research Centre, UNSW Built Environment, UNSW Sydney.

5. HOUSING DELIVERY

5.1 DIVERSIFIED HOUSING OPTIONS

A mix of housing types and lot sizes increases residential density which, in turn, helps create a local population large enough to support a vibrant community. Higher density and a mix of housing produces a more diverse range of residents and this increased population, density and vibrancy tends to mean a broader range of services can be supported within walking or cycling distance⁴⁶. Housing diversity also supports older residents by providing suitable and affordable housing options as they age.

Many types of dwelling can combine to achieve housing diversity:

- Single dwellings and detached houses, whether single-storey or multiple-storey. The majority of Australia's suburbs are made up of single dwellings. An ancillary dwelling can be added to a single lot – usually behind the main dwelling – so that elderly relatives can more easily be cared for by younger family members.
- Survey strata lots are a single lot that has been divided into multiple separate smaller lots. They usually contain a smaller single house – known as duplex or triplex units – or grouped dwellings. Traditionally, this is the second-most common form of housing in Australia.
- Townhouses are single or multiple dwellings of two or more storeys. They are mostly found in the inner suburbs.
- Multiple dwellings or apartments are strata-title developments where multiple landowners occupy separate dwellings within the one complex. These are more likely to be found near high-frequency transport, or in transit-oriented developments.
- Mixed-use development combines residences with commercial or retail activities. The dwellings tend to be multiple-unit developments, with commercial operations located on the ground floor.
- Specialised housing comes in various types, including single-bedroom dwellings, retirement villages, dwellings for people over 55 years and their carers, aged-care facilities, and holiday accommodation.

⁴⁶ Wood, G and Ong, R. 2011. 'Factors Shaping the Dynamics of Housing Affordability in Australia 2001-06', Housing Studies, Vol.26, pp. 1105-1127.

5.2 THE CURRENT HOUSING SPECTRUM

At one end of the housing spectrum are people who are homeless, renters in social and affordable housing and renters in the private rental market that includes low-income households. Around one-third of Australian households are renters.

Moving along the spectrum, we have potential first home buyers who are renting but attempting to access home ownership. In August 2020, more than two-fifths of total owner-occupier housing loan commitments in Australia belonged to first home buyers⁴⁷.

Homeowners are at the other end of the spectrum. Around 70% of Australian households either own their home with a mortgage or outright. The proportion of private renters in the market has consistently risen over time, while the proportion of owners who own their home outright without a mortgage has declined⁴⁸.

Homeowners who have already purchased a home profit from price increases. Furthermore, rising housing prices do not necessarily reflect a lack of affordability. Higher-income families are more likely to spend more on housing as a lifestyle choice, whether it's upgrading to a larger home or paying a premium for a better location to reach more attractive suburbs.

Public and Social Housing

Social housing covers subsidised rental housing allocated and managed by state governments or not for-profit organisations, including community and Indigenous housing organisations. Social housing is funded by state governments and through federal programs such as the National Housing Homelessness Agreement and Commonwealth Rent Assistance.

State social housing targets those on low household incomes, who are often on the brink of homelessness. Typically, rent is set at 25–30% of gross income. Housing is considered cheap in many states if households do not spend more than 30% of their disposable income on housing, hence most state social housing renters are not in rental distress.

Australia's community housing sector is still relatively nascent (with around 93,000 dwellings), and the funding gap is one of the widely acknowledged constraints on its growth⁴⁹. This gap is the difference between the costs of delivering and operating new community housing developments (including construction and ongoing management costs) and the rental returns.

⁴⁷ Australian Bureau of Statistics (August 2020) [Lending Indicators](#)

⁴⁸ National Housing Finance and Investment Corporation- [State of the Nation's Housing-2020](#)

⁴⁹ The number of community housing dwellings includes dwellings that are owned by state housing authorities and managed by CHPs—[Productivity Commission 'Report on Government Services' 2020](#)

Home ownership

An important aspect of housing affordability is the ability for households to transition from renting to buying their first home. Prospective first home buyers have been identified as those currently renting which have a household head aged between 25 and 39 years old. The ability to comfortably transition into home ownership can be assessed by looking at trends in tenure rates by income and age, the median age of first home buyers over time, and the p

Accessibility to home ownership is especially significant in a historically low interest rate environment, as new entrants into the housing market are able to take on higher levels of debt. Despite increased loan sizes, reductions in interest rates have kept monthly mortgage repayments steady since 2008. This indicates the main barrier to transitioning into home ownership is saving for a deposit rather than ongoing mortgage serviceability⁵⁰.

Private rentals

There remains a significant proportion of the population who are unable to enter the home ownership model. For those who cannot afford home ownership, private rental provides the primary route to securing accommodation, with almost a third of Australian households renting in the private market.

The private rental sector has played an increasing role in housing provision as the state sector has declined in significance and been less available for families with low to moderate incomes. Additionally, rising house prices, especially in larger , have pushed more people for longer periods into the private sector rental market and private renting can no longer be seen as a transitional phase of housing for many households⁵¹.

Supply of affordable rented accommodation has not increased proportionately, creating cost pressures and, for many, this route is accompanied with rental affordability pressures that become heightened by wider economic conditions as real wage levels fall, employment becomes more precarious and the level of poverty rises.

Some 62.6% of long-term renters experience housing stress with those lowest 40% of income households paying more than 30% of income for rental accommodation. Households, experiencing this level of housing stress, are less resilient and more likely to experience difficulties sustaining their tenancies at times of financial or family crisis.

⁵⁰ [State of the Nation's Housing 2020](#) National Housing Finance and Investment Corporation

⁵¹ Chamberlain, C. Homelessness: re-shaping the policy agenda. Final Report No 221, AHURI, Melbourne. 2014

Marginal renting

Despite its small size, this sector plays a significant role in bridging the gap between social housing and homelessness. For certain types of tenants, it is an attractive option. Motels, boarding houses, hostels, and caravan parks are among these establishments.

The marginal rental sector has the capacity to provide a safety net between homelessness and other elements of the housing continuum. Variable state-level requirements and regulatory processes hinder universal attainment of minimal standards, and the tenant experience of marginal housing is very variable, putting renters at risk of poor personal safety and tenure instability.

Homelessness

The Australian Bureau of Statistics (ABS) defines homelessness, for the purposes of the Census of Population and Housing, as the lack of one or more elements that represent 'home'. The ABS statistical definition of homelessness is '... when a person does not have suitable accommodation alternatives they are considered homeless if their current living arrangement⁵²:

- is in a dwelling that is inadequate;
- has no tenure, or if their initial tenure is short and not extendable; or
- does not allow them to have control of, and access to space for social relations).

On Census night in 2016, more than 116,000 (0.5%) people were estimated to be homeless in Australia—58% were male, 21% were aged 25–34 and 20% identified as Aboriginal and Torres Strait Islander Australians⁵³. Around 51,000 (44%) were living in severely crowded dwellings. Over 21,000 (18%) were living in supported accommodation for the homeless and 8,200 (7%) were rough sleepers.

5.3 KEY STAKEHOLDERS

- ***Government Agencies***

Governments play a significant role in the housing market at two levels. The first is at the structural level, whereby governments determine the policy framework by which the overall market operates. The second is through direct interventions in the market, in circumstances where either the market is unable to provide appropriate outcomes for specific groups of people, or where governments are seeking to achieve specific outcomes.

⁵² ABS Information Paper—[A Statistical Definition of Homelessness](#), 2012

⁵³ ABS 2018. [Census of Population and Housing: Estimating homelessness, 2016](#). ABS cat. no. 2049.0. Canberra: ABS.

The Government's role in housing encompasses taxation, zoning, subsidising, regulating, lending, and others- that take place at several levels of governance- federal, state, and local.

At the federal level, the government serves primarily as a funder, providing financial resources through federal tax policy, direct subsidies such as assistance to low- income renters and indirect subsidies such as tax credits to builders of affordable homes. The federal government provides funds to states and local governments as well as the flexibility to address their area housing needs.

State governments play an important role in housing too. They help lower the cost of homeownership through various programs, along with state matching funds, to areas throughout the state. States can also provide incentives or requirements to encourage localities to adopt policies that will help expand the supply of affordable homes.

Local governments play a major role in facilitating and developing affordable housing in NSW. Councils plan to ensure there is an appropriate supply and mix of housing to meet community needs and encourage the construction of affordable housing by offering incentives to developments which will include it. From implementing zoning regulations and processing requests for waivers to issuing developmental approvals, councils play a direct role in shaping the housing that gets built in their communities.

- ***Private Sector***

When the lack of affordable homes- both rental and homeownership- threatens the vitality of the community, homebuilders, bankers and realtors certainly are affected, but so too is the local community at-large. Investors can work alongside councils and developers to help expand housing opportunities for communities by providing appropriate rental housing.

As the drivers of jobs, tax, revenue, and economic development, employers and business associations hold considerable sway when it comes to reforming zoning regulations or other practices that limit the supply of affordable homes.

- ***Developers***

One reason why housing prices are rising faster than wages is that housing supply has not kept up with demand. With the right set of market incentives in place, private- sector developers will respond by increasing the supply where needed, slowing the rise of housing costs. With creative policies to keep housing affordable over time also in place, communities can go a long way towards meeting both their economic development and affordable housing goals.

- ***Financial Institutions***

Private financial institutions- namely lenders and servicers- are critical partners to help ensure long- term affordability for homeowners and help families stay in their homes. With the dramatic shifts in the housing market currently taking place, lenders and servicers have a big part to play in housing provision.. Lenders and servicers are able to work with brokers on behalf of the

borrower or through voluntary agreements with the federal government to assist households that qualify for the federal programs.

- **Not-for-profit Sector**

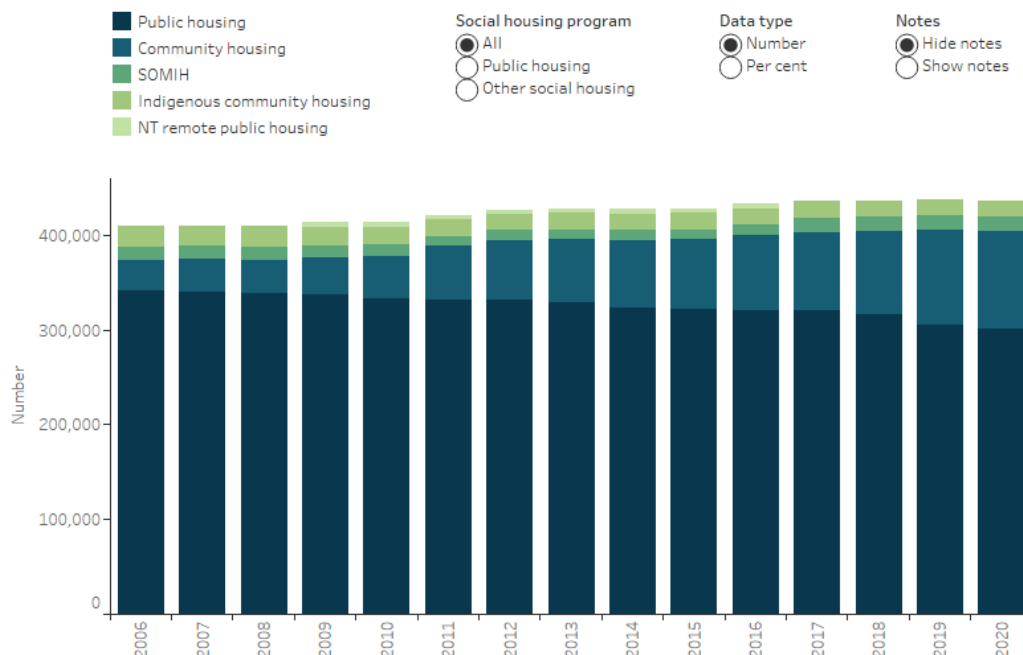
Nonprofit organisations have been the sponsors, developers, and operators of housing for marginalised groups for many years. Some nonprofit community development groups focus on the overall improvement of targeted groups like the Indigenous people. Others have as their mission serving vulnerable populations such as the homeless or physically and mentally disabled. Housing often is utilised by nonprofits as a platform to provide supportive services such as job training, health care, child-care, or transportation. Generally, most nonprofits are committed to making the housing they provide continuously affordable. This means they will be unlikely to opt out of affordable housing programs when market prices rise.

5.4 SOCIAL HOUSING

Over 800,000 Australians lived in social housing in over 436,000 dwellings across the country in 2019-2020. The majority (69%) of social housing dwellings were public housing stock and Community Housing (24%) with increasing numbers in community housing⁵⁴.

Between 30 June 2006 and 2020, Australia's social housing stock increased by 27,500 dwellings. There has been considerable change in the social housing stock across the four programs, particularly with the transferring ownership and/or management of public housing stock to community housing organisations. In the same period, there was a decrease in the number of public housing dwellings from 341,400 to 300,400. The reduction in public housing stock has been partly offset by an increase in the number of community housing dwellings from 32,300 to 103,900 dwellings. There has also been an increase in the number of SOMIH dwellings from 12,900 to 14,600. There was also a decrease in the number of Indigenous community housing dwellings from 22,200 to 17,400.

⁵⁴ Australian Institute of Health and Welfare 2021. [Housing assistance in Australia](#). Cat. no. HOU 325. Canberra: AIHW. V



Source: AIHW National Housing Assistance Data Repository. Northern Territory Government. Department of Housing, Annual Report. Darwin, NT. Supplementary table DWELLINGS.1.

The location of social housing is an important component of suitability. It largely reflects the geographic population distribution in the country, with large concentrations being in urban centres in the south-east and east coastal areas⁵⁵. Considering the four different social housing programs, the location of dwellings managed by each program reflects their differing target groups. Location is often associated with employment opportunities, health services, transportation services etc.

New South Wales has the largest number of public and community housing dwellings with 96,900, and 49,500 dwellings respectively. The highest growth in the proportion of community housing dwellings was between 2014 and 2020, increasing from 18% to 32%. The state has the most community housing providers (145 providers), and the majority of these providers manage less than 20 dwellings (87).

The waiting times for social housing programs differ across the country, with waiting times for particularly high demand city areas often being far greater than other areas⁵⁶. They can also differ based on the size of the dwelling needed, and differ for people deemed to be in a priority

⁵⁵ Powell A, Meltzer A, Martin C, Stone W, Liu E, Flanagan K, Muir K and Tually S 2019. The construction of social housing pathways across Australia. AHURI Final Report 316. Melbourne: Australian Housing and Urban Research Institute Limited.

⁵⁶ NSW Government, Department of Communities and Justice 2018. Waiting times for social housing. Last published 24 January 2018. Viewed 12 March 2020.

group for social housing. Time spent on the waiting lists for social housing can be measured by looking at newly allocated households. For public housing, 36% spent less than six months on the waiting list; 24% spent less than three months waiting. For SOMIH, over half (55%) of newly allocated households spent less than six months on the waiting list; 41% spent less than 3 months waiting.

5.5 DEMAND AND SUPPLY DRIVERS

It is important to remember that there are two distinct groups driving housing demand:

1. Owner occupiers
2. Investors

Owner occupiers purchase and consume housing while deriving both financial and functional benefits from the asset. There has been a shift in the balance between housing's functional and financial roles during the past 20 years. The financial significance of housing has become increasingly crucial over the last decade, resulting in a shift in emphasis. Many families regard the family home as a primary source of wealth and an asset that will help them support their retirement.

Investors, on the other hand, derive a solely financial benefit from property in the form of income and capital returns. The rental income often helps to finance the mortgage, but the asset's increasing capital value provides a large part of the profits. House prices in several jurisdictions, including NSW, have gradually grown over the previous decade, making property an extremely profitable financial asset. Housing markets are largely influenced by investment returns.

Due to the functional nature of housing for owner occupiers, the demand for housing differs differently for investors and owner occupiers.

Market drivers, can be broadly divided into four groups:

- Economic factors—interest rates, employment etc.
- Finance and tax—availability of finance, taxes and subsidies etc.
- Demographic factors—population growth, in and out migration etc.
- Supply side factors—land supply issues, labour markets etc.

The problem of affordability has been a function of both strong demand and limited supply. Rising average incomes, a decrease in household size, population growth and cheap, available credit all contribute to the demand for housing.

Shortages in land supply hampered the supply side, raising development and planning costs while reform processes and infrastructure provision were delayed. The construction labour market's tightening has resulted in capacity limits in the industry, making it difficult to meet housing demand and infrastructure project deadlines.

5.5.1 Economic factors

Both investor and owner-occupier demand is influenced by economic considerations. The situation of the global, national, and local economies determine the circumstances in which a property acquisition is undertaken.

The Australian economy grew steadily from the recession of 1990-1991 to the narrowly avoided recession of 2008-2009. The rate of unemployment has fallen gradually from 5.9% in 2010, to 5.2% in 2019 before the onset of COVID-19 pandemic. The pandemic saw the unemployment rate skyrocket to 7.9%, a high that had not been seen since 1998.⁵⁷ An economic recovery emerged in the second half of 2020, with GDP rebounding by 3.3 per cent in the September quarter, although it remained 3.8 per cent lower over the year. An important contributing factor was the 7.9 percent increase in household consumption, although this heavily reflected the easing of COVID-19 restrictions⁵⁸.

Employment growth allows more households to enter home ownership or 'trade up' and purchase larger, more expensive housing units. Employment growth has had significant effects on the housing markets of many regional towns. Increasing wealth from strong employment has knock on effects for most housing markets where these employment opportunities exist. With a strong economy follows consumer confidence and income growth.

A low inflation environment, even though property is traditionally considered a hedge against inflation, generates a level of economic certainty that provides consumers with greater confidence to make their purchasing decision.

House prices are driven by competition between an expanding number of property investors and owner occupiers. Although rental yields have been low in recent years, this has been compensated for by strong capital growth, which has resulted in great medium and long-term total returns. These high returns have attracted a growing number of 'mum and dad' investors looking for long-term investments.

The ideal market for an investor is one that offers a low initial capital outlay but a decent rental return. These conditions exist in many regional and rural markets where housing is relatively affordable, but there is a shortage of rental accommodation for those looking to form new households and those seeking short term accommodation.

⁵⁷Australian Government- [Unemployment Rate Time Series](#). Labour Market Information portal.

⁵⁸ Lim G., et al. (2021). [The Australian Economy in 2020–21: The COVID-19 Pandemic and Prospects for Economic Recovery](#). The Australian Economic Review. Volume 54, Issue 1, Page 5-18

5.5.2 Finance and tax

Increased competition among lenders has led to innovative mortgage products and, more and more households are able to access the housing market. The availability of credit coupled with the historically low interest rate environment and high loan to value ratios granted by lending institutions have fuelled the demand for housing.

Over the shorter term, fluctuations in interest rates can affect the demand for housing. By reducing the burden of debt repayments relative to income, lower interest rates may ease cash-flow constraints and increase borrowing capacity at the margin. This effect applies both to owner-occupiers and investors. Lower interest rates also encourage households to save less and borrow more in the present, thereby shifting consumption from the future⁵⁹.

Government taxes and subsidies also affect demand. Subsidies to owner-occupiers from the Australian Government have contributed increasing demand and have been justified by the widely recognised and valued social and economic benefits associated with home ownership. The Home Owners and Home Buyers Grants introduced by the federal and state governments to offset the impact of GST have directly impacted demand. NSW provides first home buyers with stamp duty relief and up to \$10,000 in grants to reduce their financial burden.

The Commonwealth introduced in the 2017-18 Budget the First-Home Super Saver Scheme (FHSSS). It allows buyers to pool voluntary contributions that would go towards their deposit on their first home. The Senior Downsizing Scheme (SDS) also introduced in the 2017-18 Budget, encourages seniors to transition from their existing family home to a smaller home, and contribute the sales proceeds (up to \$300,000) to their super accounts in the form of non-concessional contributions⁶⁰.

5.5.3 Demographic factors

An increasing population results in an increasing number of households demanding property and, without an equal supply response, prices rise. The opposite is also true for regional economies.

Sea and tree change movements have also contributed to significant population growth outside metropolitan areas, even reversing the population decline seen in many rural areas. Sea and tree change, or amenity migration, is where migrants move for lifestyle rather than employment opportunities seeking natural amenity, climate, recreation and affordable housing.

⁵⁹ Kent C (2015), 'Monetary Policy Transmission –What's Known and What's Changed', Public Lecture at the Australian National University, Canberra, 15 June.

⁶⁰ Industry Super Australia. (2020) [Fixing Affordable Housing in NSW and Beyond](#).

5.5.4 Supply side factors

If supply cannot keep pace with demand then prices will inevitably rise under certain economic conditions⁶¹. Failure to meet demand with new supply has inevitable price consequences. Where new supply does exist, its nature and form will shape housing demand. Higher density residential development will attract more investors and deliver diverse house types. Large, detached dwellings on traditional subdivisions will attract owner occupiers. Therefore planning and the characteristics of land supply are key to establishing demand at the micro level.

There are certain supply side issues unique to rural markets that determine just how much housing demand can be met including:

- ❖ Native title
- ❖ The provision of infrastructure
- ❖ Climatic conditions
- ❖ Labour and building material shortages
- ❖ High construction costs

These factors make it very difficult for supply to respond to demand changes in regional housing markets, particularly remote rural locations. The cost of remote, large scale development increases the price of the final product impacting on housing affordability. New housing is then difficult to access for the existing community on low to middle incomes.

5.6 THE IMPORTANCE OF UNDERSTANDING REGIONAL HOUSING MARKETS

Regional housing markets remain an important part of Australia's system of housing supply and demand. There is a need to develop a much stronger evidence base if we are to understand how national level programs and policies interact with these markets. This information is essential for the adequate planning of services and other responses.

Ensuring supply and demand in regional markets is in balance is important in terms of regional development, as the availability of good quality, well serviced and affordable housing is what will attract workers to regional areas—where many jobs are currently located or will be in future years if government plans for the regions to soak up much of the population growth come to fruition. Moreover, ensuring adequate housing supply in regional markets is important in terms of closing the gap in social, economic and health outcomes between Indigenous and non-Indigenous Australians.

⁶¹ Wing H., Norman D. and Orsmond D. (2012) [Supply Side Issues In the Housing Sector](#)

Finally, we need to acknowledge that planning measures to contain population growth and urban sprawl in major cities make assumptions about the nature and performance of regional housing markets that may, or may not, hold true. In a number of jurisdictions, such as South Australia, Victoria, and Western Australia, the further development of regional centres is seen as one way of addressing the problems of urban growth and sprawl. Containment policies may incorrectly forecast the capacity for regional and rural centres to accommodate further population growth if the nature of their housing markets is not known. Similarly, plans that forecast higher rates of growth in more remote centres may well overlook the particular circumstances that drive—or limit—their expansion.

5.7 ROLE OF HOUSING IN REGIONAL DEVELOPMENT

What part does housing play in effective regional development, and what role could it play?

Regional development is a national and state issue, because disparities between regions affect the country as a whole. A lack of suitable housing contributes to regional disadvantage in many cases, and housing therefore needs to be part of the solution⁶².

Local housing market conditions can adversely affect the ability of people on income support to meet their housing needs. Specific local factors include seasonal fluctuations in rental costs related to tourism and university semesters, and the role of temporary accommodation, such as caravans, in providing an “overflow” service for low-income groups.

Appropriate housing can contribute significantly to the success of regional development efforts, for example, by attracting workers and supporting a broader economic and social basis. Housing is equally important to the success of a region's local development efforts. Appropriate housing for young singles and critical professionals such as doctors and teachers, for example, can help rural towns remain viable.

⁶² Medhurst, D., Lea, J. and Pritchard, B. (2003) [The key role of housing in regional development](#), AHURI Research and Policy Bulletin No. 20, Australian Housing and Urban Research Institute Limited, Melbourne

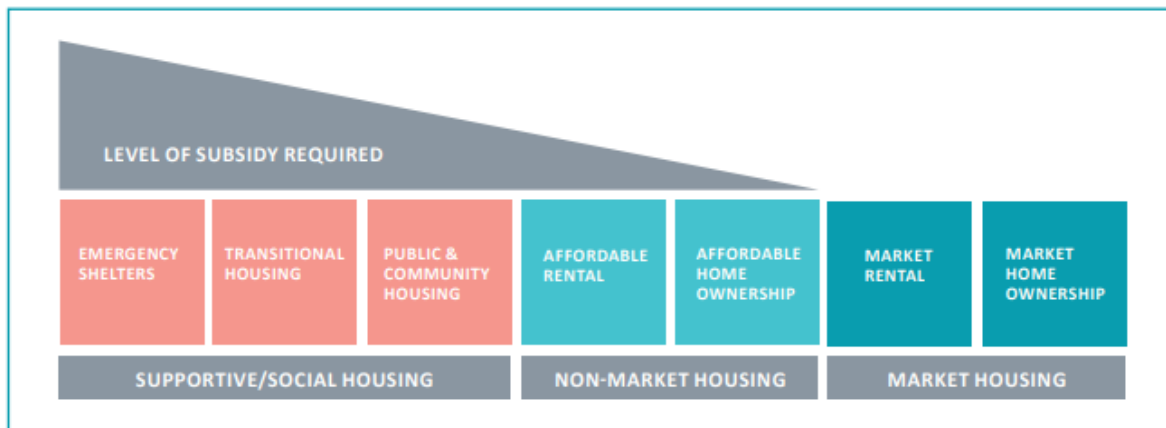
6. HOUSING MODELS

This section examines the common characteristics, target groups, level of investment, strengths, weaknesses, opportunities of various housing models, and how the models have been successfully developed and applied in other areas. It also highlights five possible housing models for the region, and what sets these models apart from conventional development forms, and how these models can be targeted for our regional communities.

We examine a wide range of housing models including: Affordable by design model; Restricted purchase model; Shared equity model; Rent to buy model; Built to rent model; Community housing model; Live-work model; Community land trust model; Employer assisted housing model; Participatory development model and Cooperative housing model.

6.1 AFFORDABLE HOUSING MODELS

Housing affordability exists on a continuum where the level of subsidy is directly related to the typology and ownership structure. The models identified provide a simple conceptual framework for considering the relationship between income groups, tenure types and the relative level of subsidy that might be needed.



Source: The Barnett Model - Evaluating the Outcome and Scalability of an Affordable Homeownership Model. Prepared by the University of Melbourne.

There are a variety of affordable housing delivery models available to meet the housing needs of different income groups. The level of government subsidy associated with each model is proportional to the income band and therefore the capacity of the household to pay market rent or mortgages.

- **Affordable by design**

Affordable by design dwellings are developed using a standard development process to create small lots and compact dwelling designs that can be delivered at lower price points.

Given that there are many fixed costs in the development process and that the quality of dwellings also needs to be maintained, there are limitations as to how far the price can be lowered. Design costs, construction costs, finance costs and statutory authority charges are relatively fixed, and the most variable cost factor is the price paid for the land.

Target groups	Moderate income earners
Commercial Model	Standard financial structures
Level of Subsidy	Nil
Case study	

- **Restricted Purchase**

Price-controlled dwellings that are sold and can only be resold at a limited cost can be made available to purchasers on defined incomes.

The key principles are that the:

- Dwelling must be offered for sale at or below the appropriate price
- Dwelling must be offered for sale to eligible buyers (e.g. on certain incomes)
- Discount for affordable housing for the first purchaser is preserved for future purchasers, either in perpetuity or for a fixed period of time (this restriction can be registered as a covenant on the certificate for title)

Potential purchasers will also need to meet the requirements of financial institutions.

Target groups	Moderate income earners, first home buyers
Commercial Model	
Level of Subsidy	Minimal, in that the dwelling price may be 'subsidised' through capped development profits

- **Shared Equity**

The essential feature of all shared equity models is that the buyer shares the capital cost of purchasing a home with an equity partner, thereby permitting households to buy a home with lower income levels than would otherwise be required.

This term covers government-backed and private sector-led schemes. Government-backed shared equity arrangements already operate in Western Australia, South Australia, Tasmania and the ACT, and the Victorian government has recently initiated its own scheme.

Alternative, ‘community equity’ models operate overseas, where the home-buyer buys a proportion of a property with a subsidy from the equity partner, usually a form of ‘not-for-profit’ trust or housing association. In this scenario, the equity partner retains a large proportion of ownership and has an ongoing interest in the property.

These types of schemes are difficult to implement under Australian law. One way to enable it would be for the government to transfer “surplus” public land into a Community Land Trust (CLT), a form of shared equity tenure long established in the US and UK. The premise of the CLT is, again, radically simple - the trust owns the land, residents own the buildings. Legally it is a “tenancy in common” between the homeowner and the not-for-profit CLT entity¹⁷.

Target groups	First home buyers, investors
Commercial Model	Usually standard financial structures for the developments, with the differences relating to the mortgage
Level of Subsidy	Moderate, although purchasers will usually eventually ‘buy out’ the government or private sector partner where the equity is in cash or land, allowing the funds to be re-used by other purchasers in the scheme
Case study	

- **Rent to Buy**

In this model, the homes are offered for rent for several years with the ability to then purchase the home. The model being adapted in most parts of Australia is that, after five years of renting, the tenant has first option to purchase the dwelling at price agreed at the commencement of the five years. If the tenants do not want to buy, the landlord can retain the property as rented housing or sell it on the open market.

The key investment factors for consideration in a rent to buy scheme are:

- Sizable investment opportunities and product base. The model is easily replicable across inner and middle ring suburbs in major cities but invested in regional townships.
- Active asset management
- Potential for development activity.

Some rent-to-buy schemes in Australia have targeted vulnerable low income buyers who may not usually be able to obtain a loan due to not having a large enough deposit, not being able to afford mortgage repayments, or having a poor credit history. Private vendors offer dwellings as rentals with the option to purchase the dwelling in the future (often at an inflated ‘future’ price to cover anticipated property price rises), but the households often find themselves still unable to obtain a mortgage.

Target groups	Moderate income households
Commercial Model	Developers rent the dwellings and then sell them to residents after a set time
Level of Subsidy	Minimal, in that developers still collect rent and sell the dwelling at a set price
Case study	the MAKE/Assemble model in Melbourne)

- **Build to Rent**

With this model, developers and their financiers build dwellings and retain them to let to tenant households. Rents may be set at market rent or, for affordable and social housing, at an appropriate discount.

Build to rent projects tend to target apartments, small households and people on lower incomes. The degree of difference between build to rent and the broader housing system varies between household incomes and locations. Build to rent is an established practice in both the UK and the US, but has yet to be fully taken up in Australia.

A model developed by Robert Pradolin (the Prads model) has been considered by some councils especially in Victoria. Rents would be charged at 75 percent of market rent of the local area being either the LGA or ABS Geographic Statistical Division. Renters would be those defined as low to moderate income earners, on the basis of the legislative framework. The maximum return the investor would get would be 75 percent of the full market rent. The affordability would remain on the dwellings for the economic life of the building (usually 25 years).

To entice an investor to purchase a dwelling that has a discounted rent, the purchase price would also need to be discounted proportionately. Typically, this would be about 20 percent of the purchase price. The ongoing affordability aspect of this model would be managed via a caveat agreement on title.

Target groups	Low to moderate income households
Commercial Model	Private build to rent projects can be undertaken by institutional investors that will develop a wholly build-to-rent or by developers who retain or sell a portion of dwellings in a project to be rented at a below market rent to eligible renters
Level of Subsidy	Moderate
Case study	The National Rental Affordability Scheme (NRAS) was a build to rent mode

- **Social Housing**

Social housing is owned by a state government or a community housing organisation. All states, excluding Victoria, have endorsed and agreed to the National Housing Regulator which manages the compliance and financial readiness of the Registered Housing Entities. The Regulator has the Housing Associations divided into Tier 1, Tier 2 and Tier 3. The division is based upon capacity to grow, financial resources and management of tenancies.

There are 4 types of social housing:-

- **Public housing:** Rental housing managed by all state and territory housing authorities. Included are dwellings owned by the housing authority or leased from the private sector or other housing program areas and used to provide public rental housing or leased to public housing tenants. It is accessed by those on low incomes and/or with greatest and/or special needs.
- **Community housing:** Housing managed by community-based organisations, available to low to moderate income or special needs households. CH models vary across states and territories, and the housing stock may be owned by a variety of groups including the government.
- **State owned and managed Indigenous housing:** Housing that state and territory governments provide and manage. It is accessed by those on low incomes and/or with special needs and is available to households that have at least one member who identifies as being of Aboriginal and/or Torres Strait Islander origin.
- **Indigenous community housing:** Housing that Indigenous communities own and/or manage. These organisations may either directly manage the dwellings they own or sublease tenancy management services to the relevant state/territory housing authority or another organisation. This type of housing is made available to households with at least one Indigenous member.

Community housing organisations are not-for-profit corporations that own and/or manage community housing and are registered by Federal and/or State Housing Regulators. Housing Associations and Providers are independent companies that are overseen by a skills-based Board. Tier 1 Housing Associations are seen by Government as organisations that:

- Own, manage and develop affordable rental housing
- Provide housing support and assistance to clients
- Are viable businesses, partnering with government and the community
- Have met registration criteria and meet ongoing regulatory compliance against performance standards.

Tier 2 and 3 Housing Associations and Providers are managers of housing portfolios (not developers).

Housing Associations and Housing Providers vary hugely in size. The largest Housing Associations have more than \$600 million in assets, while the smaller Housing Providers may have a portfolio of less than \$200,000. Housing Associations are developers and managers of social housing; whereas Housing Providers generally only manage housing. Housing

Associations have differing rental policies, starting from 25 per cent to 30 per cent of pension income and increasing to 75 percent of market rent/30 percent of employment income.

Target groups	Very low income households, Indigenous communities,
Commercial Model	
Level of Subsidy	High
Case study	

- **Community Land Trust**

A Community Land Trust (CLT) is a form of shared ownership of a property, where the land component of a residential property is owned by a community based, not for-profit legal entity and the actual building is owned (or leased long-term) by an individual household.

As CLTs remove land costs from the cost of housing, they can make housing much more affordable, particularly in markets where increases in land value outpace income gains for lower income workers. The CLT will charge an ongoing ground lease (i.e. a form of rent) for the land, often payable monthly by the householder. This ground lease may be subsidised for low income households so as to make housing affordable.

CLTs offer householders many of the benefits of home ownership, including householder's control over a dwelling, security of tenure and transfer of occupancy rights, and the potential for some asset wealth building. The ground leases on which the homes are built are inheritable, and properties on leased land can be bought and sold at prices determined by a resale formula spelt out in each CLT's ground lease.

When the householder decides to sell, any increases in the value of the property are limited through the use of predetermined price formulae instead of being based upon open market values. The intention is that, rather than the initial subsidy dissipating when the household sells, the community partner's ongoing financial interest ensures the home will remain affordable for future households. The benefits come from assisting lower income households into affordable rental or housing ownership, which can relieve the strain on housing assistance programs.

Target groups	Low to moderate income households
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Commercial Model	
Level of Subsidy	High
Case study	

- **Participatory development**

The participatory development approach has attracted growing attention since the late 1960s⁶³. Participatory methods include information-gathering activities that engage entire communities in dialogue as they conduct their own analyses toward creating action plans for projects that reflect their priorities.

Participatory methods typically utilise matrix scoring and ranking to help prioritise development opportunities. Also used are visual forms of analysis, such as mapping locality, household well-being, risk identification, and community assets.

Methods of participatory development are created in recognition of the potential creativity of communities and marginalised groups, and their views, expressions of identity, and needs⁶⁴.

Local communities understand local conditions and are able to monitor activities. Since the communities do their own investigation, analysis, and planning, their knowledge is more relevant and “authentic”.

Participatory development forms of housing are being advanced as alternatives to marketed and developed housing. There are a variety of forms of participatory development which can encompass a number of project types. The extent of participation in any project varies as shown below:

- **Passive participation-** Participation is only by being informed about the project and feedback is minimal or non-existent.
- **Participation by consultation-** Extractive process, whereby stakeholders provide answers to questions posed by outside researchers or experts. This consultative process keeps all the decision-making power in the hands of external professionals who are under no obligation to incorporate stakeholders’ input.

⁶³ Williams G. (2004). “Evaluating participatory development: Tyranny, power, and (re)politicization”, Third World Quarterly, Vol. 25, No. 3, pp. 557-578.

⁶⁴ Mikkelsen B. (2005). Methods for Development Work and Research: A New Guide for Practitioners, Thousand Oaks, CA: Sage, p. 34.

- **Participation by collaboration-** Groups of primary stakeholders participate in the discussion and analysis of predetermined objectives set by the project. This level of participation does not usually result in dramatic changes to the design but there is involvement in how to best achieve the predetermined objectives.
- **Empowerment participation-** Primary stakeholders are capable and willing to initiate the process and take part in the analysis. This leads to joint decision making about what should be achieved and how. Dialogue identifies and analyses critical issues, and an exchange of knowledge and experiences leads to solutions.

Target groups	
Commercial Model	The 'light touch' participatory models utilise a standard financial structure, with the developer purchasing and developing the land, and commencing pre-sales around the time a planning approval is obtained.
Level of Subsidy	
Case study	

6.2 POSSIBLE HOUSING MODELS FOR THE ORANA AND CENTRAL DARLING

There are a variety of models which are suitable to be developed within the Orana region and Central Darling. Some of the identified models need to be scaled up and down to suit the context and profile of an area, various levels of participation and an affordability spectrum.

Certain models are better suited to meeting housing needs in different townships and areas having regard to their capacity of growth, scale of development sites and their demographic profile. Areas like Cobar, Mudgee and Nyngan would be suitable for EAH and temporary or alternative housing models.

For large sites, a combination of models is necessary to ensure the commercial viability, or at least reduce the viability gap. This could include selling off part of the land for a conventional or deliberative development model and developing the remaining land for a range of affordable housing models. Commercial structures can be put in place to enable the councils to retain control over the housing tenure and their ongoing affordability.

6.2.1 Employer Assisted Housing (EAH)

Housing is a crucial component of regional economic competitiveness. The economic health of a region is dependent on the presence of a competitive workforce, which in turn is strongly related to the availability of suitable and affordable housing.

There is a growing mismatch between where employment growth is taking place and where workers live. Affordable rental and home-ownership units tend to be located in the major towns, with smaller surrounding towns and villages facing severe housing shortages⁶⁵.

This model offers an innovative mechanism for leveraging public and private funds to make housing affordable for working families. Employer Assisted Housing programs have been shown to help attract and retain workers, and, ultimately, enhance the economic stability of communities.

The abundance of job opportunities is offset by the lack of housing opportunities in regional areas. Housing production has failed to keep pace with job growth, making it impossible for regional areas to acquire and retain proper labour. Frustrated employers can't find workers, and workers can't find affordable housing without the economic and time burdens of commuting.

A few local government entities are also using this model to provide housing solutions for teachers, public servants, etc. Local governments seem to be particularly inclined to support this model given that these programs promote regional economic development and often leverage private dollars to support housing.

Employer-assisted housing can be described as any employer sponsored housing benefit, which could include down payment assistance or rental assistance, homebuyer education and counseling, low-interest mortgages, relocation housing support among others. This model can close the homeownership and rental affordability gap and allow workers to live in the communities they serve.

Objectives of the EAH Model

1. Attracting key workers into the region by ensuring appropriate housing is available to accommodate key worker groups
2. Increasing the supply of appropriate (well located, relevant, quality) housing for key workers
3. Maintaining the economic capacity of the region whilst providing for housing growth
4. Achieving housing growth in locations that have the capacity and propensity for economic growth

⁶⁵ Dockery, A.M., Ong, R., Whelan, S. and Wood, G. 2008b, The relationship between public housing, wait lists, tenure and labour market outcomes, Research Paper, 9, Australian Housing and Urban Research Institute.

5. Support population and economic growth

Implementation of the EAH Model

Existing housing-market conditions will determine what combination of supply-side and/or demand side mechanisms will be effective:

- **Demand-side mechanisms** help make more of the existing housing stock affordable to employees. The majority of these mechanisms focus on increasing demand for home ownership, rather than rental, by lowering or restructuring the financial requirements of home purchase in terms of the up-front and monthly carrying costs. They include construction financing, master leases, purchase guarantees, or down payment assistance programs.
- **Supply-side mechanisms** add to the ownership- or rental-housing stock by developing or rehabilitating units that are affordable to employees. Supply mechanisms can help employers increase both the affordability of housing and its availability to employees. They involve an employer providing some form of housing-development assistance in exchange for affordability concessions, or assurances that housing units will be made available to employees. Such mechanisms entail some temporal considerations of whether and how unit affordability can be retained, and whether units dedicated for employees can or should be kept as such.

The region has a shortage of housing supply, therefore supply -side mechanisms would be most effective to stimulate provision.

Employers need to decide on the type/amounts of assistance e.g. matching local government assistance with employer dollars on a per unit basis, based on income level of employees.

Employers in certain key sectors may be more interested in undertaking this mode. Anchor institutions such as schools and hospitals are predominant, unsurprising given their immobility, enormous fixed investment, and need to attract staff and customers. Other industries like mining can also have high participation given the nature of their operations and need for labour.

Benefits of the EAH Model

Some benefits of the model include:

- Attracting more workers to the region and fill the existing labour gap
- Employers enjoy the benefits of a more stable workforce when employees live near work.
- Improved morale, less turnover and reduced recruitment result in bottom line savings.
- Can serve as incentives for employee recruitment and retention

- The more partners work together to develop affordable housing programs/opportunities for local employees, the more these partners are recognized as essential to the economic health of the region

Public and Private Sector Collaboration

There is an opportunity for private and public sector collaboration. Employers can work together with the government to ensure that the housing needs of workers are met.

EAH can be provided through consortiums, partnerships, public funding and housing trust funds.

- ***Consortiums-*** The employer assisted model can be implemented by consortiums as well as by individual employers. Most of the businesses in the region are SMEs with less than 200 employees. By grouping together, employers of varying size can gain sufficient economies of scale to be able to offer housing assistance.
- ***Partnerships-*** Because employers typically have little or no knowledge of housing, nonprofits are well positioned to promote EAH and shepherd its development and implementation. Nonprofits can be an EAH delivery resource for employers as they add value to initiatives. They have the expertise and experience, are tax-exempt bodies, provide for good community and political relations, and have knowledge of and the ability to tap into a variety of funding sources. EAH in turn provides nonprofits with an opportunity to broaden the impact of their housing expertise and to further their mission.
- ***Housing trust funds-*** Funds can operate using any of the mechanisms on the demand and supply-sides of the ownership- and rental-housing market. Housing trust funds provide a more “hands-off” way for employers to become involved in supply-side measures, as an individual employer which contributes to such a fund is one contributor among many. They in turn, comprise only one element of development-project funding so risk is spread and therefore reduced.
- ***Public funds-*** This model can leverage private funds with public investment (and vice versa). It can also complement public programs. Some local government entities across the country use this model to provide housing solutions for key workers and public servants. A good example is the City of Willoughby that made provisions to increase its key worker housing stock to accommodate the projected increase in key workers by 6,000 jobs by 2031. If local governments can implement this model for public workers, it could potentially free up houses being occupied by them for other workers.

Barriers to implementation

Supply-side mechanisms, such as construction financing, master leases or purchase guarantees, are more risky (as well as more complicated) for an employer to undertake than demand-side mechanisms. The greater the risk, the less common the mechanism, resulting in the continued predominance of demand-side mechanisms.

Employers for the most part are not in the housing business, and lack the knowledge and competencies to undertake an EAH initiative. They may perceive housing as an intractable problem with which it is too overwhelming, complicated and expensive to get involved. Employers often seek clarity, ease, flexibility and limited liability in initiatives they undertake. The generally greater risk and complication of supply-side mechanisms make it likely they will be considered only after the scope for demand-side measures has been determined unfavorable.

An EAH model must conform to the housing needs, priorities and incomes of employees. If a demand-side mechanism is being used, employers must assess whether the more significant housing barriers for employees are associated with the up-front costs (thus the need for down-payment assistance) or the monthly carrying costs (a principal response to which would be to buy down the interest rate), and whether the planned assistance will be sufficient to increase affordability for all those targeted. With supply-side mechanisms, employers should consider whether the new units conform to employee desires (size, location, and amenities). If employers are aware of their employees' housing needs, a close match can be ensured between the type and cost of the housing and the housing preferences and incomes of employees who are expected to occupy the units.

Employers lack information on the costs of offering a housing benefit. This is complicated by the lack of standardisation among potential EAH mechanisms. Some types of EAH initiatives can be operated at little or no cost to employers (ranging from homebuyer education and marketing to fully repayable loans), whereas some require significant upfront investment (such as housing trust funds), although these investments may be recouped. Information on employee needs will help inform cost estimates, given the variable of employee demand.

Regional fit

This model would fit areas with high job opportunities such as Cobar Shire, Bogan Shire, Narromine Shire and Mid-Western Regional.

6.2.2 Live- work Model

This model is closely aligned with the way in which 'villages' operated in the past. Villages were traditionally places where people lived, worked and satisfied all of their daily needs. They were almost totally self-contained places, existing in the landscape in ways that were generally positively responsive to local environmental conditions.

The Live/Work or Co-living model is a setup where a building's bedrooms are private, but nearly all other spaces and facilities are communal. In this arrangement the building operates as modern "dorms for grown-ups".

Co-living spaces are particularly popular in large cities where there are high rents and a lack of housing choice. Co living provides flexible, community-driven housing and is attractive to a young, urban, professional and mobile population.

The co-living model moves further away from long term commitment with the model evolving from signing a lease to being provided only with a “membership” to provide for a furnished bedroom and common areas. This model whilst not strictly affordable housing is an example of the changing role housing is playing in society and the trend for community driven outcomes. A good example of this model’s success is the Warambie Estate Lifestyle Village and The Quarter in Karratha.

Objectives of the Live-work Model

The key theme of the model is the creation of sustainable communities. It stresses that sustainable communities need sufficient, quality housing to meet the needs of the community, a flourishing local economy supported by adequate infrastructure, a high quality, safe and healthy local environment, and the amenities and sense of space and place to support a diverse and vibrant local culture. Traditionally, people like to live where they work. This model allows for just that.

Implementation of the Model

This model would be suitable for local communities to create spaces for creative industries, small business, and start ups and smaller format living. It could be developed in a way which is more affordable for residents and allows efficient use of space, energy consumption and social benefits.

There are four main principles to consider when implementing this model:

- Walkability – the ability for residents to walk to most services/facilities
- Self-reliance – the extent to which residents can meet their daily needs locally
- Active democracy – participation in the local community
- Distinctive image – the things that differentiate one village/settlement from another.

Mixed-use development is more aligned with these four core village principles than conventional suburban development. Having a mix of uses, rather than a segregation of uses, allows people to meet many of their daily needs locally. When this is accommodated in walkable or ‘cycleable’ distances from where people live, car dependence and car use can be greatly reduced.

This model would be part of a small concept village that includes medium-density residential components along with retail and office space located closely together. With the current market conditions, this model will offer as much flexibility as possible. The overall design often allows

for various residential layouts with one and two bedrooms, along with the ability to change from office to residential space as needed.

This versatile model is perfect for retirees who want to continue their profession on a limited basis and young professionals starting out in the employment market.

Benefits of the Live-Work Model

- Minimises time and cost of travel to and from work
- Promotes a more efficient use of land through higher density, mixed use development and the use of suitable previously developed land and buildings.

Public and Private Sector Collaboration

One of the biggest issues with housing is the debate of how private finance could be leveraged into the public sector. There is an opportunity for public and private sector collaboration through:-

- ***The consortium model*** – this would entail a capped Commonwealth outlay subsidy to the states and territories enabling the latter to borrow and acquire dwellings for rent to low-moderate income households at income related (i.e. below market) rents.
- ***A retail investment vehicle*** – developed by Macquarie Bank, would pool retail equity investment for the acquisition of rental dwellings managed by a community housing organisation but would require substantial government subsidy to deliver the required return to investors.
- ***Tax relief targeted to retail investors renting to community housing organisations*** – would entail special tax benefits directed at private landlords investors who rented their dwellings on long leases to community housing organisations or other non-profit providers for a minimum period of time, with the benefits to be split between the investor and provider in the form of lower than market rents.
- ***A low income tax credit scheme*** – would target most of the benefit to landlords providing lower cost rental dwellings, encouraging private investment to flow into that sub-market.
- ***A capital gains tax partial exemption on the sale of rental dwellings*** – would tend to deliver the most benefit to investors providing lower rent stock, encouraging private investment to flow into that sub-market.
- ***A shared equity model*** – proposed by Caplin and Joye, would enable institutional investors to buy an equity share in a mixed-value pool of dwellings spread widely across the states. In this model, the private equity investors receive their return in the form of a share in the growing capital value of the dwellings.

Barriers to implementation

Different Shires have different zoning restrictions that restrict where people can live and conduct their business. Areas zoned for residential use may not be used for commerce, and areas zoned for commercial use may not be residential. Such arrangements help ensure that residents do not have their lives disrupted by the noises or traffic often associated with commercial endeavours.

The zoning laws are typically the biggest challenges faced by those building or purchasing live-work units. Additionally, it may become unclear for Local Governments how to handle taxation on such mixed-use properties if they are used for both residential and commercial purposes.

Regional fit

This model will fit regions with clustered industrial areas, and especially those with high turnaround like Mid-Western Regional.

6.2.3 Cooperative Housing Model

Housing cooperatives are a growing presence in Australia's housing system, providing a diversity of housing forms to a variety of household types across the income spectrum, typically serving low- and moderate-income households. International evidence shows that housing cooperatives can provide a range of housing from very low price points through to market rate in both non-urban and urban contexts.

Cooperative housing is an intentional community of private homes clustered around shared space⁶⁶. It seeks to plan for a very specific need to promote sustainability and ensures there isn't redundant/ poorly used land or interior spaces within the home.

There are three models to Co-operative housing:

- **Non-equity model-** No capital gain accrues to the resident members. Housing co-operatives operating under this model supply "at-cost" shelter to their members. This is the most prominent model in the country
- **Limited-equity cooperatives-** This model allows for a limited amount of capital gain. The formulas by which this gain is calculated vary.
- **Full-equity housing co-operatives** - The free market determines the value of the dwelling and the owner both benefits from any capital gain and runs the risk of a capital loss. This model is not considered to be "affordable housing."

⁶⁶ Vestbro, D (2010). [Living Together-Cohousing Ideas and Realities Around the world](#).

Most rental cooperatives self-govern and self-manage, collecting their own rents and conducting or overseeing required property repairs and maintenance. In NSW and Victoria, some of those functions may be performed by peak bodies where cooperatives have nominated for this to be the case. The rental cooperative landscape in Australia is relatively well known, with numerous reports outlining its composition and performance and flagging potential issues regarding expansion and diversification⁶⁷.

While cooperative housing sectors vary immensely in terms of their target market, built forms, spatial configurations, equity arrangements, titling, funding sources, and how they were established, all require input from public and/or private agencies⁶⁸. This includes public and private funds and/or housing stock, political or policy support, and affiliation with other social movements such as labour movements.

In NSW, Common Equity NSW Ltd is the peak body for housing co-operatives. It owns or leases a portfolio of properties, and sub-leases these to housing co-operatives. The housing co-operative works with Common Equity to manage and maintain the property, collect rent and make decisions on new members. Common Equity provides training and support.

Co-operative housing has a good track record in delivering long-term, affordable housing solutions for people on low to moderate incomes. Co-operatives have demonstrated capacity to grow by assisting governments to respond to a range of priorities and have also demonstrated potential for delivering affordable housing in the most cost effective way compared to other providers. There are international precedents that further highlight the growth potential of co-operative housing. For example, equity cooperatives supply 22% of the entire housing market in Sweden. Both local and international trends provide a foundation to energise the co-operative housing model.

Objectives of the Co-operative Model

1. Build social capital by strengthening social networks and support.
2. Deliver housing that is more affordable, stable and of greater quality than comparable options.
3. Enable a sustainable social mix and mitigate issues associated with the concentration of poverty typical of contemporary social housing through mixed tenure developments
4. Deliver better alignment between housing preferences and outcomes

⁶⁷ Pawson, H., Milligan, V., Phibbs, P. & Rowley, S. (2014). [*Assessing Management Costs and Tenant Outcomes in Social Housing: Developing a Framework*](#). Positioning Paper No. 160. Melbourne: Australian Housing & Urban Research Institute (AHURI)

⁶⁸ Tummers, L. (2015 b). Understanding co-housing from a planning perspective: Why and how? *Urban Research and Practice*, 8(1), 64-78

5. Bring efficiencies and cost savings to government as one of the most effective forms of social housing (with low vacancy rates, low turnover, high participation in management, etc.
6. Enable growth through mobilising capital investment and cross-subsidisation in mixed development models in an efficient way that optimises outcomes for tenants and communities.

Implementation of the Co-Operative Model

In order to enable the implementation of a successful cooperative housing model in regional communities, there are a range of land access, planning, financial and legal factors which require addressing. These include both local opportunities and those that would require advocacy with the state and federal government.

Projects would typically be developed on public land, and financed through a combination of member equity, low-interest loans, and commercial mortgages.

When located on public land, the council can retain freehold title under building rights agreement, which also provides a lever to shape development outcomes and ensure social equity is preserved. At the end of the 60-year term, building ownership reverts to the council.

Units under this model will be made available to all on a rental basis, though residents must become a member of the cooperative—and therefore co-owners in the development with voting rights in the governing assembly—by purchasing a refundable equity ‘share’.

Benefits of the Model

This model allows cooperatives to translate savings on developer margins and interest rate reductions into cheaper rents (approximately 20 percent below market rate), and secure affordability in perpetuity by insulating rental stock from long-term price inflation.

As a non-profit, public interest housing provider, a cooperative may be able to register as an Affordable Housing provider, allowing for access to GST exempt status and access to long term low interest construction finance. There is an opportunity to access low interest loans through the use of bonds.

While negative gearing will have a positive impact on the affordability of homes for purchase, modelling demonstrates that it is likely to have a negative impact on the supply and affordability of available private rental housing. Cooperative housing could both benefit from the redistribution of funds saved from the winding up of negative gearing, whilst directly responding to the need for alternative models to deliver supply of rental housing.

The adoption of the model can achieve a reduction on current market rent on dwellings. The affordability benefit increases over time as the dwellings are protected from speculation within the private rental market.

The co-operative model contributes to the enrichment of the social and cooperative atmosphere of the community and overall strengthening of the local sense of community.

Public and Private sector collaboration

There is an opportunity for both public and private sector investment and collaboration through shared surpluses and joint ventures.

- **Shared surpluses-** Depending on how well housing co-operatives are doing financially, they would have accrued smaller and larger surpluses. However, no matter how large an individual co-op's surplus is, it is not enough to invest in the acquisition of new housing stock. The larger organisation (like Common Equity Housing) receives the surpluses on a "capacity to pay" basis. These funds are then combined and can be used to acquire new stock and grow the sector.
- **Joint ventures with benevolent land owners:** In Canada, municipalities themselves function as benevolent land owners and give co-operative projects long-term leases on land for development. It might also be worth exploring planned giving by local and state governments in regional communities.

The government can work with the co-operative sector's peak bodies with the specific objective of rapidly developing brokerage capability in the revitalised social housing system. These brokers would build on the skills, culture and contacts of the co-operative sector to provide an additional cohort of advisers in the market with the capacity to establish practical and sizeable deals under which institutional capital, such as that in superannuation funds, can be teamed with constructors and managers of affordable housing.

Barriers to implementation

Dependence on government support through both funding and policy measures is the biggest challenge with the implementation of this model. Political austerity measures have meant that there is no longer any real funding for co-operative housing or programs and that consequently new cooperative housing projects have all but ground to a halt.

6.2.4 DHA Sales and Lease Back Model

A good example of how the public and private sector can work collaboratively is the Defence Housing. Defence Housing Australia (DHA) is an innovative Australian Government business enterprise which provides good quality, affordable housing to Department of Defence families across Australia. It is the largest housing provider in Australia apart from the state public housing authorities. Its 'leaseback' program, now covering more than 60 per cent of its stock, involves mainly 'Mum and Dad' investors and offers a successful model of public/private housing partnerships with lessons for the affordable housing sector.

Defense Housing Australia (DHA) is an organisation that has achieved a lot in a reasonably short space of time. It provides affordable housing for a large group of key worker defence personnel, managing over 17,000 properties with a market value of over \$11 billion.

The biggest lesson from the DHA model is the potential of a sales and leaseback model to attract private investment into the affordable housing sector⁶⁹. DHA has developed a sustainable model in the sales leaseback space that has created a product that provides advantages for both the DHA and investors. While applying this concept to the affordable housing sector is likely to necessitate some form of government guarantee, the government may not incur significant costs in doing so.

Objectives of the Model

The DHA model was designed with the following objectives in mind:

1. Providing a rapid solution to significant housing needs which requires an injection of capital and a flexible approach to program delivery
2. Minimising the difficulty of sustaining institutional investment in affordable housing.
3. Reducing the capital requirements of the organisation by getting investors to purchase dwellings and lease them back to the organisation through a long lease.

Implementation of the DHA Model

There are two potential ways to implement this model. First, the state government can pursue its own program. This increases the risks for the government because the guarantee pool is smaller. On the other hand, the recurrent costs of the program would be reasonably small.

The second option might be to undertake a national program. Given the expertise within DHA, it may make sense to explore the feasibility of DHA expanding its sales and leaseback program into the affordable housing space. The addition of affordable housing investors would provide some portfolio benefits for DHA, in that the affordable housing elements of the program would provide additional dwelling and location choice for potential investors. It would also reduce the entry price for investment given the likely focus of the affordable housing program on smaller dwellings.

A key contributor for the success of the DHA scheme is the explicit government guarantee provided to investors. Investors are guaranteed rental payments from the beginning to the end of the lease, regardless of where the property is tenanted or not. It would be very difficult for an individual affordable housing provider to provide such a guarantee and unlikely to be valued by potential investors.

⁶⁹ Bronwyn Hanna & Peter Phibbs (2010), [Lessons of Defence Housing Australia for affordable housing provision](#), AHURI Research & Policy Bulletin

Governments could therefore step in to guarantee rental payments to investors. A guarantee fee could be imposed on affordable housing organisations as a result, and this would act like an insurance pool. To incentivize providers to keep rent arrears to a minimum, they could be held liable for a small proportion (say 10%) of rent arrears in any given year for any given tenancy. The government would then use its guarantee fund to cover the remaining arrears.

The operation of a guarantee system would be reasonably inexpensive for the government due to low vacancy rates among affordable housing providers and low levels of rent arrears.

Benefits of the Model

- The provision of stock on a sale and leaseback model would enable the sector to ‘scale up’ without the need for additional capital or taking on significant debt.
- The model would attract private capital into the lower rent end of the private rental market—a market that traditional private investors often avoid
- Using the DHA construction model would also enable the sector to develop stock that is suited to long-term tenancies. Or, in other words, stock would be developed by affordable housing developers for the sale and leaseback program.
- The model allows access to an existing pool of DHA investors who may be interested in diversifying their portfolios.

Public and Private Sector Collaboration

This model can be successful if some type of government guarantee was available. The government guarantee, given the current and likely future supply of housing in regional areas, is unlikely to generate large risks for the government and could be partly funded through a guarantee scheme with affordable housing providers.

One way for the public sector to contribute towards this model would be through subsidies such as the National Rental Affordability Scheme (NRAS). This level of subsidy would mean that affordable housing providers return a small recurrent surplus as long as houses are constructed in low and moderate cost regions.

Barriers to Implementation

The first barrier is that the investor requires a market rent payment, but the affordable housing provider will be charging their tenants only a proportion of market rents. This means that even the most efficient affordable housing provider would be running each of their tenancies at a loss and hence would require a subsidy to break even.

The costs of servicing an investor with one property are substantial. The investor potentially has to be guided through a marketing process to understand the unique arrangements of the sales and leaseback product, sign a lease, and then manage the tenancy process. For our regional communities with limited access to service providers, this can pose a challenge.

One other main concern would be the potential lack of investors.

6.2.6 Temporary and Alternative Housing Models

Temporary housing plays a critical role in housing by providing temporary or transitional homes for workers before they return or move to their permanent residence. It is usually in the form of low-cost hotels, motels, caravan parks, boarding houses, AirBNB, mining camps, and similar accommodation for people who are experiencing a housing crisis or workers who are in the region for a short period of time.

Objectives

1. Provide short term or temporary accommodation for workers
2. Provide an adequate supply of short-term and alternative housing and services that are appropriate and meet the specific needs of local communities
3. Plan for changing housing needs over time in relation to production and preservation needs.
4. Plan for changing housing needs over time in relation to production and preservation needs.

Implementation of the Model

A possible way to deliver temporary housing to the region is through the implementation of the tiny houses. Tiny houses are small and usually relocatable dwellings that may be entirely off-grid or connected to only some reticulated services. Tiny houses can provide temporary or longer term affordable housing options, and can be suitable for large rural properties, and on vacant land prior to its development for other purposes. For our regional area, there could be tiny house communities where several dwellings are clustered together.

Younger households (generally lone persons and couples) may use tiny housing as a step to home ownership, in that they can spend money they would have otherwise spent on rent, still save for a fixed location dwelling, and have an asset to sell or keep for other purposes (e.g. as a holiday rental). Others see it as a more permanent housing solution that enables them to have a low-cost lifestyle with a small environmental impact. Older households may seek tiny homes as a downsizing measure or for those on lower incomes as a solution in the face of rising rental costs and potential homelessness.

This model has been applied successfully by Mitchell Shire Council in Victoria, being the site of "Transition Village Wallan ", which will be an off grid tiny house community for homeless people that is to be built on land leased from the state government.

Another way to provide appropriate short term housing for workers especially in mining would be by renovating old housing facilities and infrastructure close to the mines, and turning them into appropriate accommodation facilities for workers.

For alternative housing, prefab houses will be a great fit for the region, especially in mining towns like Cobar and Nyngan, and bushfire impacted regions. When combined with the employer sponsored model, this type of housing might just be the way to go. It is a cheaper option for employers, is faster to deliver, usually portable if need be and offers proper living for extended periods of time. This can be a good way to attract workers to stay in the region by offering an opportunity to live closer to work while taking advantage of what the local communities have to offer.

This housing model will be beneficial for the following work groups:

- ***Construction workforce***

Construction workforces are, generally, large workforces which focus heavily on one project in one area for a short period of time. The first three to five years of a mine constitutes what is known as the construction or start-up phase of the project. At the onset of a project, approximately two thirds of positions created will be temporary, with the remaining third continuing once the mine site becomes operational. Due to the short-term nature of these positions, construction workforces are usually employed under FIFO arrangements.

- ***Operational workforce***

Operational workforces are, generally, smaller than construction workforces and have a long-term involvement in a resource operation. This workforce is usually employed by the project owner or a service contractor. The operational phase, compared to the relatively short construction phase, stretches out over the life of the project and provides on-going employment opportunities. With companies struggling to find labour locally, they tend to offer FIFO/DIDO arrangements to employees to allow them to stay closer to work in certain periods of time,

- ***Seasonal workforce***

Temporary housing is particularly crucial for seasonal workers in the agricultural industry who are only in the region for a short period of time. For migrant seasonal workers, having access to accommodation is usually a condition for entry, making employers largely responsible for providing it.

Public and private sector collaboration

Temporary and alternative ways to deliver affordable housing is a topic being widely debated across the nation with State and Local Governments now requiring affordable housing be considered in planning new housing developments. Government and the private sector are exploring ways to deliver affordable housing through different commercial structures, tenure arrangements and agreements. Local governments are increasingly becoming more involved in where and how affordable housing is delivered, facilitating this either on publicly owned land or in partnership with the private industry.

Barriers to implementation

A number of factors have been put forward to suggest the rationale behind the shift away from the construction of purpose-built company towns including:

- increasing costs associated with building and operating towns in remote locations
- increasing costs and difficulties of providing social overhead capital
- industrial disputes
- short project lives due to market considerations or small resource deposits
- long and complex approval processes associated with planning, operating and building towns in remote locations
- the costs associated with the closure of towns once a resource is exhausted or no longer economically viable
- workers' preferences for the opportunities offered by larger metropolitan areas
- the introduction of the Fringe Benefits Tax Assessment Act 1986, that categorised company housing as a 'fringe benefit', which would be taxed
- a tight labour market
- skilled labour shortages

Another barrier to the provision of temporary and alternative housing is that developers are not prepared to come and build in mining regions because of the nature of the industry. The mining industry is looked at as a short term investment and developers tend to be wary of what that would mean for their investment in the long term. A good example would be the case of the Pilbar mines.

Regional fit

This model would fit regional communities with high numbers of seasonal and short term workforce like in the construction and mining industries. The model can be applied to Cobar Shire, Bourke Shire, Mid-Western Regional and Narromine.

7. PRIVATE SECTOR INVESTMENT

This chapter discusses the imbalance between the demand and supply of rental housing and the barriers to institutional investment in residential rental property.

7.1 RESIDENTIAL INVESTMENT

Residential investment has performed well in Australia over the long-term, providing similar returns to share markets (at 11% per annum) while also providing diversification from listed markets⁷⁰.

In Australia, housing as an investment is especially favoured because of historical fixation around owning your own home and the taxation benefits (negative gearing, capital gains tax discount and favourable concessions in self-managed superannuation funds). Despite our expectations for moderate capital and rental growth in housing nationally over the next few years, the favourable tax treatment of housing in Australia still makes it an attractive investment, especially while bond yields are so low.

There are two parts to the economic return from investment in private residential investment:

1. Rental yield — which is the annual return from the rent paid by tenants
2. Capital gain/loss — which is the real gain or loss in the value of the asset that is realised when the asset is sold.

7.2 AN IMBALANCE BETWEEN SUPPLY AND DEMAND

In Australia, housing supply was running well below demand in the mid 2000's as population growth took off which created some shortage of new dwellings. This housing supply shortage decreased national vacancy rates, caused a spike up in rental growth over 2006-09 and contributed to the fast increase in home prices over the past two decades.

The housing market is characterised by large chronic and increasing surplus demand in the low-cost rental sub-segment. Excess demand in this segment does not inevitably result in a corrective supply response, contrary to standard economic theory. Private investors have not

⁷⁰ Diana Mousina (2020) [*Econosights: Australian housing issues – the supply/demand balance, outlook for prices and the role for government*](#)

stepped in to fill the void, and no further investments have gone into fixing the looming shortfalls⁷¹.

Housing supply is usually inelastic. Prices can rise quickly as the demand curve shifts up (encouraged by tax incentives, population growth, lower interest rate etc.), while supply is hampered by lack of new funding commitments and deterioration of existing stock. The inelastic nature of supply means it responds to price increases much more slowly.

There is an increasing mismatch between the number of households requiring low-cost housing and the availability of such housing. Using the conventional affordability benchmark of 30%, we can estimate the shortfall of low-cost rental stock at almost 70,000 dwellings⁷². In short, the rental market in Australia has polarised on income grounds, narrowing the opportunities for low-income households to secure affordable housing, while enhancing the effective housing choices of higher income groups. Over-consumption by higher income earners directly contributes to significant and growing under-provision of affordable housing to low income households, exacerbating inefficiencies in housing markets overall.

The last home price boom (from 2012 to mid-2017) lifted dwelling prices by nearly 150%. The price boom also spurred on a big rise in housing supply which partly offset previous years of underbuilding, bringing housing demand and supply closer into balance⁷³.

7.3 HOUSING LENDING AND CREDIT

First home buyers are coming back as a share of the market, currently making up 20% of total new loans and the government's Housing credit has increased by 21% since its low point in mid-2019, with owner-occupiers benefiting more than investors.

Lower interest rates have increased house demand, therefore there's more potential for housing loans. However, because consumers are still focusing on debt repayment, housing credit growth is projected to remain in the range of 3-4 percent each year⁷⁴. For the time being, macroprudential regulation does not appear to be required to address financial stability concerns, although this could change if credit expansion accelerates.

General subsidies to owner occupiers include a capital gains tax exemption on the family home and the non taxation of imputed rent. Such subsidies reduce the cost of housing. For the

⁷¹ Yates, J. and Milligan, V. (2012) "Policies that Support Access and Affordability of Housing", in Smith, S. (ed) International Encyclopedia of Housing and Home, chapter 255, Oxford: Elsevier.

⁷² Yates, J. (2012) "Housing policies and wealth inequality" in Tomlinson, H. (ed) Australia's Unintended Cities: Housing Markets, Policies and their Urban Outcomes, Melbourne: CSIRO Publishing

⁷³ Diana Mousina (2020) "[Econosights: Australian housing issues – the supply/demand balance, outlook for prices and the role for government](#)"

⁷⁴ Diana Mousina (2020) "[Econosights: Australian housing issues – the supply/demand balance, outlook for prices and the role for government](#)"

investor, negative gearing is a key tax exemption. All expenses, including mortgage interest costs, can be deducted from rental income and any loss offset against other taxable income⁷⁵. With comparatively low rents in many parts of regional areas failing to cover expenses, negative gearing is seen as essential in attracting and retaining investors to supply property to the private rental market. Negative gearing, capital works deductions for buildings and the change to the regulations governing capital gains tax for assets held by individuals, has magnified the attractiveness of investing in residential property during upswing in prices.

The First Home Loan Deposit Scheme is helping (although it is only available to 10,000 applicants- 10% of annual first-home buyers) and is probably just adding to home price growth.

7.4 ARE EXISTING APPROACHES ENOUGH TO ENCOURAGE PRIVATE SECTOR INVESTMENT?

To understand the impact of the existing policies on private investment, we need to ask a few questions:

1. Are existing macro and micro policies widening the housing gap?
2. How well targeted are the policies?
3. Are there inefficiencies and duplications facing providers?
4. What are the structural barriers that are deterring greater equity investment in this sector?

Addressing these underlying policy issues is what is required to improve the efficiency of the sector and the return on equity.

- **Are existing macro and micro policies widening the housing gap?** From a supply and demand standpoint, the existing mix of federal and state measures is unlikely to close the housing gap (and some may even be detrimental). The current spending levels are sufficient, but they are poorly targeted. There are policies that increase housing demand rather than supply, which subtract from private sector equity participation. Policies listed below may be indirectly contributing to housing demand and worsening affordability in regional centres.
- Fiscal - tax policies are priming demand and worsening affordability. Existing tax concessions such as the capital gains tax (CGT) discount and negative gearing are encouraging investor demand in the housing space while doing nothing to directly boost new construction to improve housing affordability.

⁷⁵ Tually, S., et al. (2010), The drivers of supply and demand in Australia's rural and regional centres, AHURI Positioning Paper No.128. Melbourne: Australian Housing and Urban Research Institute.

- Budgetary policies that aim to raise home ownership may be contributing to demand - The state of NSW provides first home buyers with stamp duty relief and up to \$10,000 in grants to reduce their financial burden.
- Monetary and prudential policy - Monetary and prudential policy as practiced by major central banks drive global liquidity by relying more heavily on the pure wealth and collateral transmission mechanisms leading to global asset price growth⁷⁶. This disincentivises business lending (a risky proposition) relative to residential property lending (preferred collateral).

The supply of social and affordable housing has been constrained mainly by the lack of public new equity funding committed to increasing the housing stock. Inadequate public investment has virtually frozen the social housing stock since the 1990s⁷⁷.

- **How well targeted are the policies?** Despite the fact that resources have been dedicated to address the housing deficit, the industry's expansion is limited by a lack of a suitable combination of legislative measures to enhance equity investment in the social and affordable housing sector. Allocations to the most vulnerable households or households with the greatest needs comes at the expense of other households.
- **Are there inefficiencies and duplications facing providers?** Streamlining and reforming current regulatory arrangements is clearly needed to improve efficiency and bring confidence for greater investment into the sector. The current structure of national and state level community housing regulatory frameworks means some reporting and compliance requirements between NRSCH and other frameworks are duplicated which adds to the burden of their operation⁷⁸.

Areas of duplication with other regulatory systems and some contracting requirements need to be removed whilst adopting a consistent national framework. This would avoid the need to set up multiple housing entities across the states and territories.

- **What are the structural barriers that are deterring greater equity investment in the housing sector?** Whilst policies that help lower the cost of affordable housing development (e.g. cheaper debt via NHFIC) are clearly welcomed, impediments remain over greater institutional investments through equity in this sector.
- Complexity in planning, construction and tenancy management

⁷⁶ Rowley, S., James, A., Gilbert, C., Gurrin, N., Ong, R., Phibbs, P., Rosen, D. and Whitehead, C. 2016, '[Subsidised affordable rental housing: lessons from Australia and overseas](#)', AHURI Final Report

⁷⁷ Williams, P. 2015, 'The affordable housing conundrum: Shifting policy approaches in Australia', Town Planning Review.

⁷⁸ Sharam, A., Moran, M., Mason, C. Stone, W. and Findlay, S. (2017) Understanding opportunities for social impact investment in the development of affordable housing, AHURI Final Report No. 294, Australian Housing and Urban Research Institute Limited,

- Policy inconsistency and uncertainty
- Lack of incentives in tax policy- Current taxation laws mean institutional investors are less able to realise a profitable return from residential property, let alone affordable housing.
- Lack of scale- Typically, individual institutions in Australia expect investments to range between \$50 million to \$250 million, and at least \$500 million in aggregate per annum, to create liquidity and market sustainability.
- Illiquidity of assets- Like other property and infrastructure investments, entering and exiting such assets is a long process and is significantly more complex and riskier compared to market tradable assets such as bonds and equities.
- Lower returns- The risk-adjusted rate of return on affordable housing is viewed as too low by institutional investors.

The housing shortage is anticipated to worsen unless new equity funding sources emerge from the government or the private sector, and efforts are made to solve supply-side structural issues plaguing the current system.

7.5 POLICY OPTIONS FOR STIMULATING PRIVATE SECTOR INVESTMENT IN HOUSING

A report by the Australian Housing and Urban Research Institute (AHURI) identified 4 options for a private-public partnership to stimulate private investment in affordable housing⁷⁹. The report sought to identify issues and options to assist in the development of policies for stimulating private sector investment in affordable housing across Australia.

7.5.1 Supply-side

1. **A Commonwealth subsidy program** to encourage private sector investment in affordable housing- Commonwealth or State governments would raise finance for affordable housing through the issue of a bond with a 'guaranteed minimum' after-tax return. The funds would then be distributed to State housing authorities or other eligible housing providers (eg, community housing providers) on the condition that they are used for the construction of affordable rental dwellings. A Commonwealth subsidy would be provided to close the gap between the guaranteed minimum return and the expected net rental yields, taking into account the proceeds from the sale of the dwellings at the end

⁷⁹ (2017) [Policy options for stimulating private sector investment in affordable housing across Australia. Stage 3 Report: Options for a Private Public Partnership to Stimulate Private Investment in Affordable Housing](#), AHURI , Australian Housing and Urban Research Institute Limited, Melbourne,

of the transaction. The subsidy can be provided either via a tax concession or through an expenditure program,

2. Establishment of a **stock exchange-listed company** as a vehicle for private sector investment in affordable housing - the company would invest in affordable housing with its funds drawn from three sources: twenty percent Commonwealth Government equity; thirty percent private shareholder equity; and fifty percent borrowed funds⁸⁰. The Commonwealth's equity in the company would be in the form of 'subordinated' facility which could be drawn on to meet investors' returns up to a predetermined level necessary to encourage private investment.
3. A **prescribed ratio for affordable investment assets** - the Commonwealth would mandate through legislation that a minimum proportion of the assets of designated financial institutions, notably superannuation funds, be held in ownership of rental dwellings managed by State and Territory housing authorities (or agents in the community sector)

7.5.2 Demand-side

4. **Assisted home loans** — States and Territory governments would issue bonds in which institutions and others could invest and use the funds to provide subsidised home loans to low-income earners at market rates. A new Commonwealth assistance program would further subsidise repayments if necessary to remove households from housing stress.

⁸⁰ Australian Housing and Urban Research Institute (2001), [Policy options for stimulating private sector investment in affordable housing across Australia](#) AHURI , Australian Housing and Urban Research Institute Limited, Melbourne,

8. IMPACT SCENARIO

It is accepted in housing economics that the level of housing market activity demonstrated by individuals varies over their lifetime, and consequently, the age profile of the population in a housing market has a bearing on the level of housing market activity, and also on the level of house prices and private rents.

The housing need numbers are predicted partly through demographic projections, and partly through interaction of housing system variables (prices, rents) with labour market variables (labour market status, earnings). Assumptions about national and regional economic variables have a significant impact on predictions on labour market status and earnings.

8.1 HOUSING PROJECTIONS

Population projections in NSW indicate that the number of households in NSW will increase by 540,110, indicating an increase of 18.6% in the next five years. It is estimated that the average household size would decrease to 2.56 from 2.61, with implied dwellings projected to increase by 583,108 from the 2016 numbers.

NSW Household and Implied Dwelling Summary	2016	2021	2026
Number of households	2,903,518	3,189,931	3,443,628
% change since 2016	0	9.9%	18.6%
Persons in private households	7,587,781	8,252,802	8,830,370
Average household size	2.61	2.59	2.56
Implied dwelling projections	3,200,831	3,510,142	3,783,939

132,800 to 171,200 new homes are forecasted to be built over the next five years (2020-2021 to 2024-2025) in Sydney. The central base case scenario, which represents the most likely outcome based on market conditions and demand factors forecasts 154,550 new homes over

the five years from 2020-21 to 2024-25⁸¹. For regional NSW, it is estimated that the number of households will increase from 1.2M in 2016 to 1.3M in 2026, an increase of 129,707.

Greater Sydney Region or Regional NSW				
Counting households	2016	2021	2026	
Greater Sydney Region	1,669,774	1,886,432	2,080,177	
Regional NSW	1,233,744	1,303,499	1,363,451	
NSW Total	2,903,518	3,189,931	3,443,628	

Projections show that in regional NSW, couple only, lone person and non-family households will experience the greatest increase.

Regional NSW Household types	2016	2021	2026	Change
Couple only	338,147	368,638	393,785	0.16%
Couple with children	329,205	336,086	340,949	0.04%
Single parent	147,680	151,871	155,212	0.05%
Multiple and Other family households	30,141	31,373	32,407	0.08%
Total family households	845,172	887,968	922,354	0.09%
Lone person	345,420	371,559	396,969	0.15%
Group	43,152	43,972	44,128	0.02%

⁸¹ NSW Department of Planning, Industry and Environment (2021), [Sydney Housing Supply Forecast](#)

Total non-family households	388,572	415,531	441,097	0.14%
Total households	1,233,744	1,303,499	1,363,451	0.12%

Based on the population trends, the current housing markets and the labour market trends underpinned by projected infrastructure, it is estimated that in the next five years, there will be about 50 households in need of housing across the region. With an average household size of 2.3, 250 dwellings are projected over the next 5 years.

Projected population, household and dwellings

LGA	2021			2026			2036		
	Population	Total households	Implied dwelling projections	Population	Total households	Implied dwelling projections	Population	Total households	Implied dwelling projections
Bogan	2,500	1,047	1,271	2,288	937	1,139	1,826	747	910
Bourke	2,578	1,022	1,248	2,352	940	1,150	1,841	765	939
Brewarrina	1,522	629	776	1,391	614	759	1,095	543	673
Central Darling	1900	800	1100	1850	800	1100	1800	800	1100
Cobar	4,329	1,839	2,273	3,899	1,660	2,054	3,020	1,327	1,647
Coonamble	3,888	1,639	2,042	3,701	1,611	2,010	3,232	1,473	1,843
Gilgandra	4,187	1,724	1,980	3,973	1,659	1,907	3,567	1,541	1,777
Mid-Western	25,445	10,549	12,521	26,477	11,081	13,139	28,610	11,657	14,486
Narromine	6,304	2,598	2,983	5,919	2,518	2,895	5,123	2,256	2,602
Walgett	5,747	2,627	3,432	5,312	2,524	3,302	4,288	2,127	2,792
Warren	2,667	1,161	1,404	2,457	1,081	1,309	1,998	920	1,117
Warrumbungle	9,092	3,931	4,790	8,718	3,867	4,718	7,985	3,631	4,444

Source: ABS Population Projections (2021)

8.2 ASSUMPTIONS

Projections are not predictions or forecasts. They are an illustration of what would happen if certain assumptions about future living arrangements of the population were to persist over the projection period. These projections do not attempt to make predictions about future changes in behaviour or in non-demographic factors such as economic changes.

The LGA Population Projections estimate the future population based on assumptions for fertility, life expectancy and migration. They represent possible demographic futures based on the best assessment of how the population may change over time, including population size, age profile and residential location. These projections are based on assumptions known as of 2019. They are a tool used by the Government in the planning of services and infrastructure such as schools, hospitals, transport and community services.

It is important to note that the future decisions, such as infrastructure investments and land use plans, will change future population patterns including growth and distribution.

8.3 IMPACT SCENARIO

This impact scenario is based on a REMPLAN analysis on a projected net increase of 250 dwellings across the region.

Note that this scenario does not take into account temporary housing and is based on projected household needs and requirements.

Region:	Orana and Central Darling
Scenario Name:	Housing Provision
Scenario Type:	Housing Change
Scenario Details:	Net Increase of 250 dwellings
	+100 Separate house
	+50 Semi-detached, row or terrace house, townhouse etc with one storey

+50 Semi-detached, row or terrace house, townhouse etc with two or more storeys

+25 Flat, unit or apartment in a one or two storey block

+25 Flat, unit or apartment in a three storey block

8.4 IMPACT ON POPULATION

From a net increase of 250 dwellings in Orana and Central Darling, the additional housing capacity would support a population increase of an estimated 487 across the following dwelling types:

Dwelling Type	Persons	%
Separate house	254	52.16%
Semi-detached, row or terrace house, townhouse etc with one storey	83	17.04%
Semi-detached, row or terrace house, townhouse etc with two or more storeys	81	16.63%
Flat, unit or apartment in a one or two storey block	37	7.60%
Flat, unit or apartment in a three storey block	32	6.57%
Total	487	100.00%

8.5 EMPLOYMENT

Based on the typical employment profile for people residing in Orana and Central Darling in the specified age cohorts, it is estimated that 250 additional dwellings would house 487 residents, of which 204 people would be in the workforce across all industry sectors, with 198 being local workers.

From a direct net increase of 198 local workers and increased output of \$114.948 million flow-on supply-chain effects in terms of local purchases of goods and services are anticipated, and it is

estimated that these indirect impacts would result in the gain of a further 68 jobs. This represents a Type 1 Employment multiplier of 1.343.

The increase in direct and indirect output and the corresponding creation of jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to further boost employment by 52 jobs.

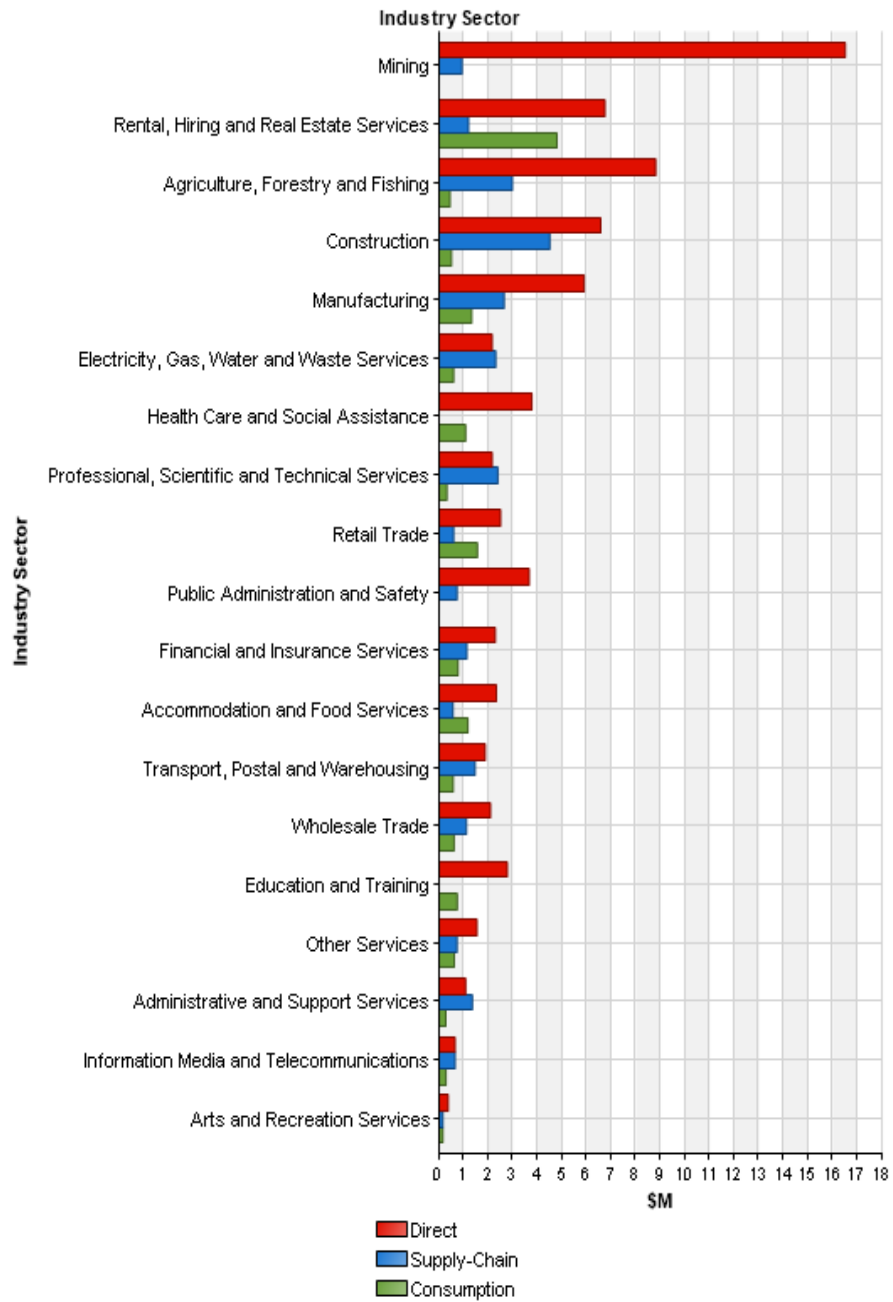
Total employment, including all direct, supply-chain and consumption effects is estimated to increase by up to 318 jobs. This represents a Type 2 Employment multiplier of 1.606. That is, for every 10 additional direct jobs, it is estimated that in the broader local economy a further 6 to 7 jobs would be generated once flow-on supply-chain and consumption effects are taken into consideration.

8.6 ECONOMIC IMPACT (OUTPUT)

A net increase of 198 workers in Orana RDA would provide additional economic capacity and generate increased direct output of up to \$73.655 million. From this direct boost to the local economy it is estimated that the demand for intermediate goods and services would rise by \$25.433 million. This represents a Type 1 Output multiplier of 1.345. These supply-chain effects include multiple rounds of flow-on effects, as servicing sectors increase their own output and demand for local goods and services in response to the direct change to the economy.

The increases in direct and indirect output would typically correspond to the creation of jobs in the economy. Corresponding to this change in employment would be an increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under this scenario are estimated to increase by \$15.859 million.

Total output, including all direct, supply-chain and consumption effects is estimated to increase by up to \$114.948 million. This represents a Type 2 Output multiplier of 1.561. That is, for each dollar of direct output generated by the additional local workers, it is estimated that the broader local economy would benefit by a further \$0.56 once flow-on supply-chain and consumption effects are taken into consideration.



8.7 ECONOMIC IMPACT (GRP)

Under this impact scenario, GRP is estimated to increase by \$55.607 million (0.57%)

GRP Expenditure Method	Before \$M	Impact \$M	Change %
Household Consumption	\$6,938.406	\$6,964.849	0.38%
Government Consumption	\$2,289.236	\$2,296.990	0.34%
Private Gross Fixed Capital Expenditure	\$1,945.713	\$1,950.990	0.27%
Public Gross Fixed Capital Expenditure	\$621.077	\$622.790	0.28%
Gross Regional Expenses	\$11,794.432	\$11,835.620	0.35%
plus Regional Exports	\$8,516.801	\$8,554.238	0.44%
minus Domestic Imports	-\$9,529.523	-\$9,554.898	0.27%
minus Overseas Imports	-\$994.607	-\$999.953	0.54%
balancing item	\$0.000	\$7.703	-
Gross Regional Product	\$9,787.103	\$9,842.710	0.57%
Population	118,590	-	-
Per Capita GRP	\$0.083	\$0.083	0.57%

Source: REMPLAN Community Population and Housing Impact Model based on data from the Australia Bureau of Statistics 2016 Census, as well as 2018 / 2019 National Accounts Input Output Tables and June 2020 Gross State Product estimates.

8.8 ECONOMIC IMPACT SUMMARY

Impact Summary	Direct Effect	Supply chain Flow-on Effect	Consumption Effect	Total	Type Multiplier 1	Type Multiplier 2
Output (\$M)	\$73.655	\$25.434	\$15.859	\$114.948	1.345	1.561
Employment (Jobs)	198	68	52	318	1.343	1.606
Wages and Salaries (\$M)	\$15.427	\$5.465	\$3.462	\$24.354	1.354	1.579
Value Added (\$M)	\$35.758	\$10.799	\$9.050	\$55.607	1.302	1.555

Gross Region Product is estimated to increase by \$55.607 million (0.57%) to \$9,842.710 million. Contributing to this is a direct increase in output of \$73.655 million, 198 additional jobs, \$15.427 million more in wages and salaries and a boost in value-added of \$35.758 million.

From this direct expansion in the economy, flow-on supply-chain effects in terms of local purchases of goods and services are anticipated, and it is estimated that these indirect impacts would result in a further increase to output valued at million, more jobs, million more paid in wages and salaries, and a gain of million in terms of value-added.

These supply-chain effects represent the following Type 1 economic multipliers:

Impact	Type 1 Multipliers
Output	1.345
Employment	1.343
Wages and Salaries	1.354
Value-added	1.302

The increase in direct and indirect output and the corresponding creation of jobs in the economy are expected to result in an increase in the wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. The consumption effects under the scenario are expected to further boost output by \$15.859 million, employment by 52 jobs, wages and salaries by \$3.462 million, and value-added by \$9.050 million.

Under this scenario, total output is expected to rise by \$114.948 million. Corresponding to this are anticipated increases in employment of 318 jobs, \$24.354 million wages and salaries, and \$55.607 million in terms of value-added.

The total changes to economic activity represent the following Type 2 economic multipliers:

Impact	Type 2 Multipliers
Output	1.561
Employment	1.606
Wages and Salaries	1.579
Value-added	1.555

8.9 WHAT HAPPENS IF WE DO NOT DELIVER PROPER HOUSING SOLUTIONS

A lack of responsiveness of housing supply will affect the economy through two major channels:

- I. It will have negative impacts on macroeconomic stability (a demand-side impact).*
- II. It will impede labour market flexibility (a supply-side impact).*

The overall consequence will be subdued economic growth, with the economy operating below its full capacity as housing markets fail to adjust swiftly to demand shocks.

The lack of housing opportunities near jobs creates costs for employers, as the local labor pool contracts, and as turnover, training and placement costs increase. Given that

the ability to attract and retain skilled labour has increasingly become a prime determinant in business growth, if there is insufficient housing, then businesses may choose to relocate elsewhere. Workers, in turn, face long commutes from where they can find affordable housing to where they work.

Low housing stock is contributing to a shortage of skilled workers and professionals in regional areas. Workforce shortage has been an ongoing concern across regional communities over the last few years. With many local communities recording very low unemployment rates, businesses are forced to rely on external labour to fill their skills needs. There has been an ongoing shortage of general practitioners and medical specialists including nurses, midwives and allied health professionals in regional and remote communities. If adequate housing is not provided, local businesses will be unable to fill essential positions and experience lost opportunities for economic development.

As the construction phase and higher level of investment and production continues, so too does the high demand for labour. The need for labour, which is already greater than the labour market is able to easily provide, is expected to continue to grow. Many industries often utilise FIFO arrangements to source workers, especially skilled workers, in the increasingly tight labour market. **The use of FIFO for non-remote, on-going resource operations may have the effect of blocking the development of other services delivered by residential providers by limiting the permanent population of affected towns.** It also results in a loss of up to 25% employment positions during the construction phase and up to 20% employment positions annually due to reduced worker spending.

This constraint on economic growth through loss in expenditure reinforces constraints being imposed by a lack of affordable housing. **The regional economy stands to lose up to \$300 million in gross regional product and the upward of 3,000 full time positions annually by contracting FIFO workers instead of using a permanent resident workforce.**

Short term letting platforms like Airbnb have an impact on the private rental market. Larger town areas are most affected as long term rental properties are taken out of the market in favour of short term letting. These STL platforms increase the fluidity of the housing market and they also likely reduce the market's ability to provide a steady and sufficient supply of affordable housing⁸².

Low housing stock pushes up demand, leading to an increase in prices. This was especially true for regional areas. In the last 12 months, many regional areas have seen property prices rise at more than four times the pace of price growth in major cities⁸³.

⁸² Crommelin, L., Troy, L., Martin, C. & Parkinson, S 2018, '[Technological disruption in private housing markets: the case of Airbnb](#)', AHURI Final Report No. 305, AHURI, Melbourne.

⁸³ CoreLogic. (2021). [Demand for regional housing continues](#). shows the latest CoreLogic Regional Market Update.

The imbalance between demand and supply will continue to create urgency amongst buyers, contributing to the upwards pressure on housing prices⁸⁴.

A basic **lack of available housing will push prices beyond the reach of many workers and make regional towns an unattractive option for new residents**. The primary cause of the current housing crisis in regional communities is a lack of adequate planning and appropriate land release. FIFO/DIDO is just a temporary solution to labour shortage in regional communities. The continued failure to address this issue simply has a flow-on effect for 'source' communities.

Low housing stock in regional areas is also affecting the availability of rental properties. Many prospective tenants are offering 10% to 20% more than the asking price, with some offering months' rent upfront, just to be considered for tenancy⁸⁵. **The lack of available rental properties combined with the increase in rent prices will cause locals to look for housing elsewhere**. Additionally, the competitiveness of the rental market is exacerbating the disparity between people of higher and lower socio-economic status, with the rigorous application process forcing many people out of the market.

Whether built around agriculture, tourism or mining, our regional towns have a strong sense of identity and community. **A large influx of non-resident workers is a permanent disruption to the social fabric and feeling of a town** and this 'shadow population' has a serious and negative impact on the safety, image and amenity of communities. Industry needs to be concerned about the decline in supporting communities, particularly in areas with long project lives and untapped resources.

⁸⁴ Lawless, T. (2020). Australia's housing boom rolls on with national home values lifting another 2.2% in May. CoreLogic. <https://www.corelogic.com.au/news/australias-housingboom-rolls-national-home-values-lifting-another-22-ma>

⁸⁵ Farrer, M. (2020). [Getting out of town: Australians rush to rent in the regions](#). The Guardian.

9. CONCLUSIONS

Many institutions, organisations, peak bodies, and service providers have highlighted the issues their respective groups face in the housing system. Our research has brought that diverse body of civic opinion together in one location and reached a consensus on the key issues that these organisations face in terms of housing provision, as well as some of the possible solutions to the region's housing crisis.

There is a strong case, based on overseas experience and previous research studies, for integrating housing support within regional development programs. This allows support to be more precisely targeted to specific needs, and assures that local assistance is reinforced by regional assistance like employment programs, industry location, infrastructure development etc.

The housing industry is extremely diverse and policy-makers need to recognise that policy settings will not have a uniform impact across the industry. There remains a need to better understand how particular obstacles in the development process affect different sectors of the industry and to pay more attention to how and where new infrastructure is being provided so as to maximise opportunities for development in areas of high demand.

State and local governments could do more to ensure the provision of land for housing and through that mechanism ensure the supply of affordable accommodation. For example, a greater variety of lot size would enhance the diversity of regional housing allowing a more affordable product to be offered to end consumers.

There is a need to provide diverse housing types to address social and affordable requirements of today and into the future. Diverse housing typologies and approaches are required which are affordable (reduce upfront costs), appropriate (respond to current and emerging demographics), ensure affordable living (i.e. energy, water and transport), and are resilient (address climate adaptation). This includes the need for consideration of more environmentally, culturally and spiritually responsive housing for remote and very remote Indigenous communities.

The case studies show that there is no 'one size fits all' approach to regional housing development. Every Shire has different challenges and strengths. This suggests the need for targeted research, planning and local participation to make regional development programs work well.

9.1 RESEARCH QUESTIONS ANSWERED

This research project set out to answer six key questions:

1. What are the significant housing market drivers in rural and regional areas?
2. How have these drivers affected the supply of affordable housing in both the rental and home purchase sectors?
3. What are some of the barriers to housing investment in the region?
4. What is the likely impact of the measures being used by local, state and Australian governments to boost the supply of housing?
5. What is the most effective model to deliver required housing outcomes in regional Australia?
6. What will happen if we do not deliver housing solutions for our regional communities?

Each of these key research questions underpinning this research has been addressed in turn with reference to the primary and secondary data collected during the research.

1. What are the significant housing market drivers in rural and regional areas?

The study identified key drivers of housing markets in rural and regional Australia as:

- Demographic changes
- Population growth
- Ageing population
- Changing migration patterns
- Nature and structure of the labour market
- Nature of the economy in the region.
- Government policy
- Adequacy of land and housing supply

Each of these processes exerts an important influence on the evolution and development of the local housing market and many can take a number of dimensions.

2. How have these drivers affected the supply of affordable housing in both the rental and home purchase sectors?

The housing market drivers above have affected the supply of affordable housing in multiple ways:

- Population and demographic changes have added to the demand for housing in some regional areas, increasing competition for accommodation that has subsequently pushed up prices.
- Population ageing results in a changing population composition, with older age cohorts growing relative to young age cohorts.
- More people choosing to move and stay in their regional communities increases the demand for housing, putting pressure on rental and property prices, and reducing vacancy rates
- Regional towns with burgeoning labour markets have been affected by higher rates of house price rises and a much greater housing affordability challenge.
- There are significant numbers of households with low and insecure incomes across the region- Central Darling for instance ranks top in the NSW State as the lowest income socioeconomic area. Other LGAs reported having a significant population reliant upon statutory incomes, with many households recording low income according to ABS data. This creates an issue of affordability.
- Government policies affect the housing markets of rural and regional centres at many levels. Macro-economic policy settings impact finance while policies for economic stimulation and development directly shape demand.

3. What are some of the barriers to housing investment in the region?

Barriers to new housing supply across the region include:-

- The complexity of the planning system which is predicated on population predictions which are often not accurate. Most regional areas do not plan for growth and are therefore very unprepared for sudden changes.
- Most regional areas show signs of market failure and are considered high risk by investors, leading to underinvestment and lower valuation. This is exacerbated by the slow increase of housing prices that have kept regional areas at a relatively low market level.
- Regional areas have minimal access to materials and labour, making it expensive to construct a new dwelling. Even though the cost of land tends to be lower, the cost of construction in many cases is high, discouraging new investment.

- Many LGAs reported having no access to the required labour to construct or renovate existing houses, creating a disincentive for potential investors,
- There are no active developers in the region and many of these rural towns don't have real estate agents or property managers and rely on word-of-mouth advertisement for available vacancies, which is a great disincentive for big investors who predominantly use these services.
- The development approval process in some cases tends to be too long (between 8-12 months in some areas). By the time a developer has secured the land and the necessary development approvals, the market may have changed, and the development may no longer be profitable.
- Most rural and regional areas experience a longer lead time in construction materials, making the construction process longer than it is in metro areas.
- Most regions only allow for a certain size of land, which limits the type of housing being provided, and in turn discourages big investors.
- Many councils do not have the financial resources to hire a strategic land use planner for proper land use planning. Furthermore, financial constraints on councils' revenue-raising capacity, like rate caps and expenditure burdens, frequently put councils under financial strain, limiting their ability to engage strategic land use planners and facilitate housing and infrastructure delivery
- Some landowners who own undeveloped residential land are either unwilling or unable to do anything with it due to planning-related expenses and other expenditures associated with development

4. What is the likely impact of the measures being used by local, state and Australian governments to boost the supply of housing?

Despite Government efforts, the level of the existing supply gap indicates that the housing needs of many regional communities aren't being effectively met. Current policies may be directly and indirectly hindering the supply and demand of housing.

- Federal Government tax policies such as negative gearing and capital gains tax discount, fuel investor demand for established properties, putting upward pressure on prices and drive down rental yields.
- National policy has effectively promoted residential property ownership over home ownership as the top policy priority.
- Financial deregulation has inadvertently prioritised mum and dad property investors relative to the goal of stable family formation and economic participation in vibrant communities.

- There's a shortfall of necessary equity investment by governments and the private sector to deliver new housing in sizable volumes to alleviate the housing shortages.

5. What is the most effective model to deliver required housing outcomes in regional Australia?

The study proposed 5 possible housing models to be implemented in the region:

- I. **Employer Assisted Housing (EAH)**-This model offers an innovative mechanism for leveraging public and private funds to make housing affordable for working families. EAH programs have been shown to help attract and retain workers, and, ultimately, enhance the economic stability of communities. EAH can be provided through consortiums, partnerships, public funding and housing trust funds. Local government entities can use this model to provide housing solutions for key workers and public servants, potentially freeing up houses being occupied by them for other workers. Other employers can also employ this model through either demand side or supply side mechanisms.
- II. **Live-Work Model**- This model is closely aligned with the way in which 'villages' operated in the past. In this arrangement the building operates as modern "dorms for grown-ups' ". Traditionally, people like to live where they work, and this model provides flexible, community-driven housing and is attractive to a young, urban, professional and mobile population. The implementation of this model should consider four main principles: Walkability – the ability for residents to walk to most services/facilities; Self-reliance – the extent to which residents can meet their daily needs locally; Active democracy – participation in the local community and Distinctive image – the things that differentiate one village/settlement from another.
- III. **Co-operative Housing Model**- Co-operative housing is an intentional community of private homes clustered around shared space. It seeks to plan for a very specific need to promote sustainability and ensures there isn't redundant/ poorly used land or interior spaces within the home. There are three models to Co-operative housing:
 - **Non-equity model**- No capital gain accrues to the resident members. Housing co-operatives operating under this model supply "at-cost" shelter to their members. This is the most prominent model in the Australia
 - **Limited-equity cooperatives**- This model allows for a limited amount of asset acquisition. The formulas by which this gain is calculated vary.
 - **Full-equity housing co-operatives** - The free market determines the value of the dwelling and the owner both benefits from any capital gain and runs the risk of a capital loss. This model is not considered to be "affordable housing."

Co-operative housing has a good track record in delivering long-term, affordable housing solutions for people on low to moderate incomes. There are international precedents that

further highlight the growth potential of co-operative housing Sweden. Projects would typically be developed on public land, and financed through a combination of member equity, low-interest loans, and commercial mortgages.

- IV. **DHA Sales and Lease Back Model-** A good example of how the public and private sector can work collaboratively is the Defence Housing Model. DHA has developed a sustainable model in the sales leaseback space that has created a product that provides advantages for both the DHA and investors. While applying this concept to the affordable housing sector is likely to necessitate some form of government guarantee, the government may not incur significant costs in doing so.

A potential way to implement this model is to establish a regional housing authority through a public private partnership, where Local and State Government contribute land and a private investor e.g. local project developer builds homes to meet the local needs of the working community. This model can be successful if some type of government guarantee was available.

- V. **Temporary/ Alternative Housing Models-** In some cases, temporary housing might be the quickest way to alleviate the housing pressures especially for seasonal or temporary workers. Temporary housing plays a critical role in housing by providing temporary or transitional homes before they return or move to their permanent residence. It is usually in the form of low-cost hotels, motels, caravan parks, boarding houses, AirBNB, mining camps, and similar accommodation for people who are experiencing a housing crisis or workers who are in the region for a short period of time.

A possible way to deliver temporary housing to regional areas is through the implementation of the tiny houses- relocatable dwellings that may be entirely off-grid or connected to only some reticulated services. This model has been applied successfully by Mitchell Shire Council in Victoria, being the site of "Transition Village Wallan ", an off grid tiny house community for homeless people that is to be built on land leased from the state government.

Another way to provide appropriate short term housing for workers especially in mining would be by renovating old housing facilities and infrastructure, and turning them into appropriate accommodation facilities for workers. For alternative housing, prefab houses will be a great fit for regional communities, especially in mining towns like Cobar and Nyngan, and bushfire impacted regions. It is a cheaper option for employers, is faster to deliver, usually portable if need be and offers proper living for extended periods of time.

6. What will happen if we do not deliver housing solutions for our regional communities?

A lack of responsiveness of housing supply will affect the economy through two major channels:

- I. It will impede labour market flexibility (a supply-side impact).
- II. It will have negative impacts on macroeconomic stability (a demand-side impact).

Supply side impact

- The lack of housing opportunities near jobs creates costs for employers, as the local labour pool contracts, and as turnover, training and placement costs increase. Given that the ability to attract and retain skilled labour has increasingly become a prime determinant in business growth, if there is insufficient housing, then businesses may choose to relocate elsewhere.
- Low housing stock is contributing to a shortage of skilled workers and professionals in regional areas. With many local communities recording very low unemployment rates, businesses are forced to rely on external labour to fill their skills needs. If adequate housing is not provided, local businesses will be unable to fill essential positions and the region will continue falling short of key workers like healthcare and allied health workers.
- The use of FIFO for non-remote, on-going operations may have the effect of blocking the development of other services delivered by residential providers by limiting the permanent population of affected towns. It also results in a loss of up to 25% employment positions during the construction phase and up to 20% employment positions annually due to reduced worker spending.
- This constraint on economic growth through loss in expenditure reinforces constraints being imposed by a lack of affordable housing. The regional economy stands to lose up to \$300 million in gross regional product and the upward of 3,000 full time positions annually by contracting FIFO workers instead of using a permanent resident workforce.

Demand side impact

- Low housing stock pushes up demand, leading to an increase in prices. In the last 12 months, many regional areas have seen property prices rise at more than four times the pace of price growth in major cities. The imbalance between demand and supply will continue to create urgency amongst buyers, contributing to the upwards pressure on housing prices.
- A basic lack of available housing will push prices beyond the reach of many workers and make regional towns an unattractive option for new residents. The primary cause of the current housing crisis in regional communities is a lack of adequate planning and appropriate land release. FIFO/DIDO is just a temporary solution to labour shortage in

regional communities. The continued failure to address this issue simply has a flow-on effect for non-resource, or 'source' communities.

- Low housing stock in regional areas is affecting the availability of rental properties. Many prospective tenants are offering month's rent upfront, just to be considered for tenancy. The lack of available rental properties combined with the increase in rent prices will cause locals to look for housing elsewhere. Additionally, the competitiveness of the rental market is exacerbating the disparity between people of higher and lower socio-economic status, with the rigorous application process forcing many people out of the market.
- Short term letting platforms like Airbnb have an impact on the private rental market. Larger town areas are most affected as long term rental properties are taken out of the market in favour of short term letting. These STL platforms increase the fluidity of the housing market and they also likely reduce the market's ability to provide a steady and sufficient supply of affordable housing.
- Whether built around agriculture, tourism or mining, our regional towns have a strong sense of identity and community. A large influx of non-resident workers is a permanent disruption to the social fabric and feeling of a town and this 'shadow population' has a serious and negative impact on the safety, image and amenity of communities. Industry needs to be concerned about the decline in supporting communities, particularly in areas with long project lives and untapped resources.

The overall consequence will be subdued economic growth, with the economy operating below its full capacity as housing markets fail to adjust swiftly to demand shocks.

9.2 IMPLICATIONS AND RECOMMENDATIONS

As some regions' populations and economies grow, others face different dynamics in terms of population decline, economic change and distance. Based on these population patterns, it is expected that regional NSW will require an additional 290,000 homes by 2041. Demand varies across regions, broadly in line with the scale of population growth.

The responsiveness of housing supply to changes in demand varies significantly across types of dwellings. The supply of detached housing is much quicker to respond to changes in market demand than multi-unit supply providing there is an available supply of lots for sale. Multi-unit development has a long development timeline and is slow to respond to changes in demand⁸⁶. By the time a developer has secured the land and the necessary development approvals, the market may have changed, and the development may no longer be profitable. Hence, a more

⁸⁶ Ong, R., Dalton, T., Gurran, N., Phelps, C., Rowley, S. and Wood, G. (2017) Housing supply responsiveness in Australia: distribution, drivers and institutional settings, AHURI Final Report No. 281, Australian Housing and Urban Research Institute Limited, Melbourne,

efficient land assembly and approval process may help make this type of development more responsive.

Across the region, average lot sizes have decreased as average land prices have increased. However, these trends have not been matched by a similar decrease in dwelling sizes – dwellings have actually increased in size over time. Governments can support the operation of the housing market by ensuring that planning regimes do not constrain the capacity of the market to respond to changes in demand for land and dwelling types, and by supporting innovative design in new developments, while ensuring that consumer rights are protected and individuals are not being forced into substandard housing options. State and local governments could do more to ensure the provision of land for housing and through that mechanism ensure the supply of affordable accommodation. For example, a greater variety of lot size would enhance the diversity of regional housing allowing a more affordable product to be offered to end consumers.

There is potentially a role for the government to support and promote innovative housing design that includes smaller affordable housing options for small and single households, with the potential for life cycle adaptability, including ageing in place. Dwelling mix policies could also cover not only dwelling size, but a broader range of variables including different tenure types.

The key recommendations from this study are:

Recommendation 1: Setting housing supply targets

Based on current household projections over the next 20–30 years, an immediate target should be set to ensure the annual supply of affordable rental dwellings increases enough to sustain the current share of rental dwellings and to prevent the current shortage in the private rental market from increasing any further.

We estimate an initial target of 250 affordable rental dwellings in the first five years across the region will limit the extent to which the current supply shortage will increase and the extent to which increasing supply shortages put pressure on rents in the private rental market. It will not reduce the current shortage, and will not sufficiently accommodate the projected workforce numbers.

To ensure this is achieved, we recommend:

- Regular auditing of housing demand and supply to identify gaps and opportunities in development
- Developing a register of both public and private housing to track what is available and where the gaps are in terms of housing supply and demand
- Investigating housing trends to identify appropriate strategies in order to accommodate housing needs for the emerging industries.

- Ensuring enforceable arrangements are in place to meet the set targets

Recommendation 2: Initiating a holistic approach which includes a Regional Worker Housing Strategy

Government needs to take a more strategic approach to housing in regional areas by recognising its interrelationship with other sectors. Government should adopt a coordinated approach to housing with both public and private sectors. It can do so by; taking a comprehensive approach to the planning and delivery of housing; considering the roles and contributions of all sectors (government, private, financial and community) and including a range of strategies for improving housing stability.

Future employment across the region is reasonably positive with many projects in the pipeline. These projects will provide employment for construction workers and employment continuity once projects cease construction.

From our research, the known construction workforce associated with the concurrent projects across the region is an expected minimum of 4,500 employees. This demand will be filled by both local and non-local residents.

Many State Significant Projects under construction at once may adversely impact local accommodation through an increase in demand. Considering that a large number of the anticipated opportunities will be short-term construction jobs, we expect that the demand will be highest during the peak period and drop once the projects go into their operation phases. As State Significant Projects, many projects are required to include an “accommodation strategy”, which reflects short term arrangements. We recommend to Government that the requirement should be a housing strategy, rather than an accommodation strategy, with a view to developing and contributing housing to our communities that can cater to longer term needs. The strategy should take into account:

- The project life, and their workforce and accommodation requirements
- The cumulative impacts of the other project's operating concurrently
- Available accommodation options and projections
- Long term accommodation needs, i.e. worker accommodation that might easily convert into aged care units
- Prioritisation of local workforce

Recommendation 3: Building stronger partnerships

The delivery of adequate housing relies heavily on partnerships between government and the private sector. It is important to capitalise on the strengths of the different sectors to ensure that the objectives are met. Rather than expecting any one sector to carry the bulk of responsibility,

we need to engage more effectively to draw on the skills and expertise of community organisations, government agencies and private enterprise for solutions to housing challenges.

We recommend a range of ideas for strengthening partnerships, including:

- Innovative partnership models that allow for shared risk, openness and transparency and information sharing like the DHA model, shared equity models etc.
- Taking an economic infrastructure approach to policy development and funding social and affordable housing.
- Leveraging private finance and investment to create more stock and provide social benefits for instance through the sales and lease back model.

The recent MOU signed between the National Housing Finance and Investment Corporation (NHFIC) and Landcom is a good example of a partnership that can accelerate the rollout of new housing supply in regional NSW. This collaboration will be significant in developing the terms of a pilot program for social and affordable housing in the state. The prospect of deeper collaboration to achieve joint aims is an exciting opportunity which will advance the supply and diversity of housing and the delivery of housing infrastructure throughout regional NSW.

Recommendation 4: Building capacity within the existing housing stock

A lack of knowledge about latent capacity within the existing housing stock, and of the potential for design innovations, tenure, and financial arrangements to better utilise this potential capacity, is a major limiting factor to housing supply in the region. Technological innovations and forms of collaborative consumption, such as those associated with the 'sharing economy', may present new opportunities to utilize latent housing capacity .

This study recommends to:

- Initiate and support the renovation of old existing houses that have been left or abandoned bringing them to appropriate standards
- Explore affordable short term housing solutions for seasonal workers and individual workers like tiny homes, motels, working villages etc.
- Support for worker housing by increasing investment in housing by Government for Government and essential workers to free up private rentals
- Support private sector employer funded housing to attract skilled workers into the region
- An agency to purchase housing and provide head-lease to facilitate short-term/bridging accommodation for professionals and workers moving into the region
- Encourage a mix of housing types to create more socially diverse communities.

Recommendation 5: Support for private investment

Taxation and legislative reforms should aim to reset the market to support the provision of more affordable housing in the private rental as well as home ownership markets. Specific strategies that can be recommended include:

- Introducing incentives to reward investors and employers for investing in rural and regional housing
- Providing land tax exemptions to private landlords
- Legislating to allow new hybrid tenure models (such as cooperative ownership, shared equity/ownership, sales and lease back etc).
- Implementing a tax credit to replace the existing benefits available to real estate investors through negative gearing and capital gains to build a new pool of capital or housing investment.

Recommendation 6: Adjusting planning systems and policy settings

Despite more than a decade of planning system reforms, development industry sectors continue to emphasise the role of planning system constraints in undermining supply responsiveness, implying a need to review and quantify the impacts of key reforms on blockages in new housing production.

Policy attention and interventions need to focus on factors reducing the responsiveness of new supply to changing demand, acknowledging that these may play out differently in different market settings. We recommend:

- Revisit Local government plans to identify where affordable housing can be provided and implement any changes needed in planning and approval processes and/or changes in taxes and charges to ensure that targets can and will be met
- Government policy that supports investment in housing by significant/major projects
- Develop strategies that can support housing supply during periods of price stagnation and overcoming problems associated with speculative planning applications, which result in volatile flows of new housing supply
- Take advantage of COVID-19 trends pushing more people out of metro areas into regional areas to create a reliable workforce and grow regional population

Councils often lack expertise and ability to source strategic planning skills. A suggested priority recommendation would be for the NSW Government to support local Council to update their local land use strategies and LEPs, many of which were completed over 10 years ago. Additionally, assistance is required for Councils to use the NSW Government Local Housing

Strategy guideline as a tool to identify their own housing baseline data, develop local responses to the issues and funding support to assist implementation of the priority actions.

Recommendation 7: Increased public and private funding

Further, it is important to work on ensuring wider financial interventions with direct or indirect effects on demand can support, rather than distort housing choices and supply across the market. This can be done by:

- Providing cheaper and longer-term finance for the community housing sector
- Funding to small Councils to construct housing which can then be leased or sold to generate income for councils
- Government guarantees to permit debt financing and negate the need for substantial equity contribution for community providers
- Revolving funds to provide equity to development projects. The equity would be returned once mortgage loans are issued.
- The Commonwealth government should coordinate funding requirements to provide financial incentives for state and territory governments to meet the annual targets for affordable housing provision as well as to meet any remaining financing shortfall through direct subsidies in the form of tax incentives to housing producers.

The recently announced NSW Regional Housing Fund provides an incentive for Councils to address the recommendations of the Regional Housing Taskforce by offering funding to deliver infrastructure and open space projects that directly support the delivery of new affordable and market housing supply. This \$30 million grant program will provide funding to eligible large regional Councils. The Mid-Western Regional Council has been identified as an eligible council, with the remaining 11 Councils not eligible for this funding. Other programs like the NSW Public Spaces Legacy Program also exclude smaller Local Governments. **The State Government should develop similar incentives for smaller councils to support housing development as the effect of severe housing pressures are felt across the board.**

9.3 POLICY OPTIONS

From the supply and demand perspective, the current mix of Commonwealth and state policies are likely to be insufficient (with some even being counterproductive) to close the housing gap. Current funding levels are measures that boost housing demand rather than supply, which detract from greater equity participation by the private sector.

Some policy development options are likely to boost developers' supply responsiveness. First, although monetary policy does not have a specific housing goal, policymakers should be cognisant of the effects of interest rate changes on housing supply because financing can be a significant barrier to construction, particularly for smaller developers.

Second, all other things being equal, the more assurance the government can provide in the development process, the better the supply responsiveness is likely to be. It's also worth noting that developers are profit-maximising agents. As a result, continuous government intervention will almost certainly be required to cross-subsidize.

States and local governments that have various regulatory tools available such as improving approvals processes, facilitating land release and rezoning and changing planning requirements to reduce costs directly or indirectly by reducing uncertainty and holding costs. They can employ inclusionary zoning and reassess the current mix and structure of taxes and charges. Inclusionary zoning is a planning system intervention that can be used to enhance housing and neighbourhood diversity, as well as the availability of affordable housing for low-to-middle-income households. The status of the housing market will determine whether the accompanying expenses are borne by developers or passed on to consumers. The best way for governments pursuing inclusionary zoning regulations will ultimately be determined by the intervention's goals, the jurisdiction's larger housing policy and planning settings, and the health of the market in question.

For these reasons, housing policy should take a place-based approach. This includes consideration of the following:

- Policy makers need to identify and respond to housing needs and pressures specific to local industries and sub-markets and the needs of the local resident population
- Strategies should be targeted strategically and scaled appropriately. Policies can act as significant levers to improve affordability and availability of housing across regional areas
- Economic responses should not be limited to larger infrastructure projects. There should be funding and support for a range of responses, including employment creation that focuses on local job opportunities
- Responses should deliver longer-term, sustainable and intergenerational benefits to regional areas
- Policies should build on the interconnections between employment, income and housing to deliver clear social and economic benefits beyond design and implementation phases.

The policy options in the table below focus on improving housing supply and affordability.

Issues	Policy Options
2. Housing demand	
Reduce demand for housing	<ul style="list-style-type: none"> D. Facilitate downsizing (eg by reducing stamp duties for households moving to a cheaper dwelling and/or removing owner-occupied housing exemption from assets test) to allow older people to move to smaller housing E. Reduce incentives for speculative investment in housing (eg by reducing asymmetric treatment of capital gains and interest deductions) F. Demand side assistance for disadvantaged households, targeted in a way that will not create undue pressure on prices or rents.
2. Lack of investment housing	
Increase investment in housing	<ul style="list-style-type: none"> E. Reduce burden of land tax on residential investment (eg by broadening base to include owner-occupied housing and lowering rate) F. Remove disincentive for large scale investment in rental housing G. Initiate and/or support establishment of a financial intermediary and products to encourage institutional investment and ensure housing providers have access to finance to initiate new stock and to protect stock from sale
Increase supply	<ul style="list-style-type: none"> E. Provide subsidised access to well-located public land for Not for Profit (NFP) providers F. Encourage appropriate planning regulations G. Private and public sector partnership to encourage the implementation of different models across the region H. Facilitate increased supply of affordable housing (eg planning regulations such as inclusionary zoning)
3. Access to appropriate housing	
Increase access and supply of appropriate	<ul style="list-style-type: none"> D. Facilitating a variety of housing options and sizes for different needs E. Increase choice and mobility within housing system F. Regulatory and planning changes to facilitate the provision and delivery

housing to meet demand needs	of mixed and diverse housing models
Reduce upward pressure on rent and house prices	B. Reduce cost pressures on new dwellings
4. Problem of access for FHBs	
Increase access for marginal FHBs	<p>C. Assist access for marginal purchasers (eg targeting FHOG by income and price point and limiting to new dwellings and providing transitional access to mortgage finance)</p> <p>D. Expand role of hybrid tenures (eg such as shared equity programs as in WA, land rent scheme in ACT, indigenous co-ownership models or community land trust models)</p>

9.4 FURTHER RESEARCH

Arising from this study, there are a number of areas for more detailed research to further develop and test the findings and housing models identified in this report.

There are a range of drivers that influence the responsiveness of housing supply to demand shocks including price and cost shifters, population and demographic shifts, and planning and land use policies among other things. A key finding that emerged from this report, which warrants further investigation, is that the housing industry is extremely diverse. This implies that policy settings will not have a uniform impact across the development industry.

Building on RDA Orana's previous research, we have identified these areas of further work that would help to address how the housing pressures within the region and how the private sector can work with government and the not for profit sectors to close the widening housing gap across the region.

- Further research needs to be done on the feasibility of providing short term housing solutions like boarding houses, tiny houses, prefab houses etc. and the socio-economic implications on local communities
- We need to further investigate the feasibility of each of the proposed housing models and what level of investment would be required.
- Investigate the establishment of employer funded housing models that can facilitate investment in housing for workers and lower income earners.

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APPENDICES

APPENDIX 1: REMPLAN IMPACT ANALYSIS

Economic Impact (Summary)

Region:	Orana RDA
Scenario Name:	Housing Project
Scenario Type:	Housing Change
Scenario Details:	Net Increase of 250 dwellings
	+100 Separate house
	+50 Semi-detached, row or terrace house, townhouse etc with one storey
	+50 Semi-detached, row or terrace house, townhouse etc with two or more storeys
	+25 Flat, unit or apartment in a one or two storey block
	+25 Flat, unit or apartment in a three storey block
Economic Region:	Orana RDA (2020 Release 2)

Economic Impact (Output)

Industry Sector	Direct		Supply-Chain		Consumption		Total	
	\$M	%	\$M	%	\$M	%	\$M	%
Mining	\$16.504	14.36%	\$0.926	0.81%	\$0.024	0.02%	\$17.454	15.18%
Rental, Hiring and Real Estate Services	\$6.739	5.86%	\$1.192	1.04%	\$4.783	4.16%	\$12.714	11.06%
Agriculture, Forestry and Fishing	\$8.796	7.65%	\$2.973	2.59%	\$0.439	0.38%	\$12.207	10.62%
Construction	\$6.570	5.72%	\$4.500	3.91%	\$0.499	0.43%	\$11.569	10.06%
Manufacturing	\$5.891	5.13%	\$2.640	2.30%	\$1.326	1.15%	\$9.857	8.58%
Electricity, Gas, Water and Waste Services	\$2.151	1.87%	\$2.301	2.00%	\$0.585	0.51%	\$5.036	4.38%
Health Care and Social Assistance	\$3.768	3.28%	\$0.065	0.06%	\$1.074	0.93%	\$4.907	4.27%
Professional, Scientific and Technical Services	\$2.149	1.87%	\$2.383	2.07%	\$0.316	0.27%	\$4.847	4.22%
Retail Trade	\$2.494	2.17%	\$0.588	0.51%	\$1.554	1.35%	\$4.636	4.03%
Public Administration and Safety	\$3.657	3.18%	\$0.720	0.63%	\$0.102	0.09%	\$4.478	3.90%
Financial and Insurance Services	\$2.276	1.98%	\$1.125	0.98%	\$0.766	0.67%	\$4.167	3.63%
Accommodation and Food Services	\$2.325	2.02%	\$0.565	0.49%	\$1.172	1.02%	\$4.062	3.53%
Transport, Postal and Warehousing	\$1.866	1.62%	\$1.455	1.27%	\$0.570	0.50%	\$3.891	3.38%

Wholesale Trade	\$2.082	1.81%	\$1.107	0.96%	\$0.607	0.53%	\$3.796	3.30%
Education and Training	\$2.766	2.41%	\$0.038	0.03%	\$0.734	0.64%	\$3.539	3.08%
Other Services	\$1.536	1.34%	\$0.722	0.63%	\$0.609	0.53%	\$2.867	2.49%
Administrative and Support Services	\$1.070	0.93%	\$1.344	1.17%	\$0.270	0.23%	\$2.685	2.34%
Information Media and Telecommunications	\$0.650	0.57%	\$0.642	0.56%	\$0.280	0.24%	\$1.572	1.37%
Arts and Recreation Services	\$0.366	0.32%	\$0.148	0.13%	\$0.151	0.13%	\$0.664	0.58%
Total	\$73.655	64.08%	\$25.433	22.13%	\$15.859	13.80%	\$114.948	100.00%

Economic Impact (Employment)

Industry Sector	Direct		Supply-Chain		Consumption		Total	
	\$M	%	\$M	%	\$M	%	\$M	%
Retail Trade	21	6.60%	5	1.56%	13	4.11%	39	12.27%
Health Care and Social Assistance	28	8.81%	0	0.15%	8	2.50%	36	11.45%
Agriculture, Forestry and Fishing	26	8.18%	9	2.69%	1	0.40%	36	11.26%
Accommodation and Food Services	14	4.40%	3	1.08%	8	2.60%	26	8.08%
Education and Training	20	6.29%	0	0.08%	5	1.70%	26	8.07%
Construction	13	4.09%	10	3.26%	1	0.36%	25	7.71%
Public Administration and Safety	15	4.72%	3	0.94%	0	0.13%	18	5.79%
Other Services	9	2.83%	4	1.16%	4	1.26%	17	5.25%
Professional, Scientific and Technical Services	7	2.20%	8	2.44%	1	0.32%	16	4.97%
Manufacturing	8	2.52%	4	1.11%	2	0.67%	14	4.30%
Transport, Postal and Warehousing	6	1.89%	5	1.55%	2	0.56%	13	3.99%
Administrative and Support Services	5	1.57%	6	1.92%	1	0.42%	12	3.92%
Mining	11	3.46%	1	0.30%	0	0.01%	12	3.77%

Wholesale Trade	5	1.57%	3	0.84%	1	0.46%	9	2.87%
Financial and Insurance Services	3	0.94%	2	0.49%	1	0.30%	6	1.73%
Electricity, Gas, Water and Waste Services	2	0.63%	2	0.65%	1	0.18%	5	1.46%
Rental, Hiring and Real Estate Services	2	0.63%	2	0.67%	0	0.15%	5	1.44%
Arts and Recreation Services	2	0.63%	1	0.26%	1	0.24%	4	1.13%
Information Media and Telecommunications	1	0.31%	1	0.28%	0	0.13%	2	0.73%
Total	198	62.26%	68	21.38%	52	16.35%	318	100.00%

Source: REMPLAN Community Population and Housing Impact Model based on data from the Australia Bureau of Statistics 2016 Census, as well as 2018 / 2019 National Accounts Input Output Tables and June 2020 Gross State Product estimates