

Australia  
Britain  
Canada

SF  
21



▲ Salta Developments, Richmond, Melbourne  
– build to rent project design

# Shaping Futures Changing the Housing Story Summary report

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## Key Messages

- ▶ Despite visible and worsening housing problems apparent in all three ABC countries – Australia, Britain and Canada – housing policy has been downgraded and housing policymaking capacity badly eroded.
- ▶ There is increasing recognition that post-1980s housing policy orthodoxies and their underlying narratives are no longer fit for purpose.
- ▶ System-wide analysis of complex housing markets is essential in formulating evidence-informed policy solutions.
- ▶ We need to construct a new story that places economic productivity and the effective management of pressured metropolitan markets at the heart of a re-energised housing policy.
- ▶ This summary report helps make this case. Join the debate (see p19).



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## Preface

The Shaping Futures programme was a knowledge exchange and policy analysis initiative spanning Australia, Britain and Canada (the ABC countries).

The academic team are grateful for the support of our industry partners and for the inputs and insights of all stakeholders attending the many meetings held between 2016 and 2018 across the three countries.

We also thank the many organisations who helped organise SF events, as well as those additional authors who contributed to individual papers and the chapters of our main report. This was a genuine international academic/industry collaboration, drawing on high quality research, both completed and underway over the period and learning from the direct experience of communities, city halls, boardrooms and governments.

Each of the SF nations faces unique housing challenges but also share common problems:

- ▶ volatile housing markets where long-run price inflation has contributed to unusually high levels of private debt
- ▶ falling home ownership rates among younger adult cohorts
- ▶ rising rates of homelessness and housing stress exacerbated by inadequate public investment in affordable housing

Our policy proposals that attempt to address these challenges also reflect the need for an enduring framework of consensual approaches that form a path towards better performing housing systems in all of the ABC countries. Ignoring this progressive path would risk unacceptable costs in lost productivity, increased inequality and environmental degradation.



◀ Unity Housing, South Australia  
– St Clair affordable rental housing

## Beyond convention: the purpose of Shaping Futures



▲ Boyce Housing Group, Camperdown, Sydney  
– New Generation Boarding House

The Shaping Futures project explored the conventional housing policy narratives that have dominated government thinking in Australia, Britain and Canada (the ABC countries) over the past 20-30 years. It sought to construct more effective, progressive policy narratives robust enough to thrive within the tough competitive environments that prevail within public policy-making and budgetary processes.

In shaping a better-performing housing system, it is the 'big policy settings' - ideas about public sector roles, finance, regulation and taxation - that must be addressed. A starting point in our discussions was the recognition that - despite its continuing relevance - the conventional 'social welfare' case for housing, has lost traction with policymakers. Likewise common to the three countries is the tendency for governments to preference investment in other infrastructure sectors. This reflects not only the overriding priority attached to economic development goals, but also the (mistaken) belief that housing is of little relevance in this context.

The operation of the housing system can pose particular challenges for efforts to increase government attention to housing. Responsible housing policy often calls for substantial, long-term commitments of scarce public capital or the reining in of tax benefits that have become expected as of right. Governments therefore fear discovering 'housing problems', especially if they imply a need for high cost programmes or politically challenging reforms.

Housing has a weak record on research and evidence that support necessary policy reforms or new interventions. And if the Ministries responsible for housing fail to argue the case for themselves then the key central agencies within government tend to be reluctant to do so on their behalf. Indeed, within Treasuries, there is often an instinctively hostile view to housing proposals.



The operation of the housing system can pose particular challenges for efforts to evoke increased government attention to this policy area.

“The vast majority of households in the ABC countries find their housing solutions in market sectors.”

For decades now, the conventional wisdom framing housing policy decisions in the ABC countries has been strongly influenced by governmental meta-judgements that have included:

- ▶ The view that public, or state action, should be generally reduced or minimised wherever possible
- ▶ An unqualified aspiration to reduce public debt and borrowing
- ▶ A belief that markets are usually effective as well as efficient and that deregulation intrinsically enhances these qualities
- ▶ The notion that housing markets are essentially well-functioning systems, with few inherent market failures
- ▶ An understanding that housing policy expenditures are essentially re-distributional and have no (evidenced) productivity effects

As well as challenging such beliefs, the Shaping Futures collaboration also recognised that government economists must improve their empirical understanding of the housing system and, their approach to modelling it. The vast majority of households in the ABC countries find their housing solutions in market sectors. Thus, a much more proactive approach to developing housing market policies is needed to address inadequacies in these systems.

Seriously tackling the current sub-optimal performance of ABC country housing systems demands the reappraisal of established policy ‘stories’ by all of the various actors who shape official thinking: researchers, industry leaders and government bureaucrats, as well as ministers themselves.

But things may be changing. The triple crises of ‘housing affordability’, ‘affordable housing’ and market volatility pervade national popular media and debate on a daily basis. Some signs of ABC governments beginning to search for new housing narratives have emerged post-2016. Not yet seen, however, is any proper recognition that merely tinkering within the status quo will prove an utterly inadequate response.

In the last few years, what is ‘possible’ in housing policy has broadened dramatically, at least in the UK and Australia. Land value capture to fund affordable housing, and tenancy reforms in the private rental sector, for instance, are now constructively discussed by diverse party politicians in the UK. Meanwhile taxation of rental housing investment is a major area of debate in Australia.

We believe these are the harbingers of more progressive policy thinking, struggling towards a new synthesis. The ideas developed by Shaping Futures can contribute to this worthwhile end.

In the last few years, what is ‘possible’ in housing policy has broadened dramatically, at least in the UK and Australia.



▲ Brisbane Housing Company, Lutwyche, Brisbane – affordable rental housing

# Housing system challenges: commonalities and contrasts



The ABC countries are often grouped together with other (mainly Anglophone) nations classed as 'liberal welfare regimes'. These are states which favour market provision of goods and services, alongside relatively light regulation of economic actors and low rates of personal taxation. In housing policy terms, this implies a strong preference for home ownership and private rental frameworks which, generally, advantage landlords over tenants.

As shown in Figure 1, nevertheless, there is a significant contrast in housing system structures between Australia and Canada, on the one hand, and the UK, on the other. The UK's relatively sizeable social rental sector (still accounting for 18% of all housing) is mainly explained by historical factors. But it also reflects the fact that – unlike Australia and Canada where construction largely ceased in the mid-1990s – UK governments have continued to invest in new social housing on a moderate scale. UK local authorities and not-for-profit housing associations have completed more than half a million homes since 2000.

In all three countries home ownership rates have been recently falling (see Figure 2), albeit much more rapidly in the UK than in the other two nations. Underlying these population-wide trends in all three countries – although in a less pronounced way in Canada – home ownership rates among younger adults have been in decline for more than 20 years (see Figure 3).

This pattern is likely to be mainly the result of declining house purchase affordability as house price rises have outpaced income growth – even allowing for the effect of interest rates nowadays at historically low levels. However, while these issues are, to some extent, a global phenomenon, the ABC countries have experienced falling home ownership affordability of an unusually high order (see Figure 4).

Figure 1: Housing tenure % breakdown, 2016

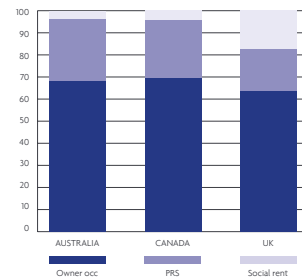
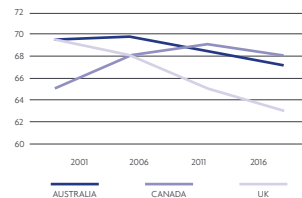


Figure 2: Changing homeownership rates (% of total households)



Within each of the three countries, recent years have seen growing spatial polarisation of housing markets as the largest and most economically successful cities have begun to detach from national norms

Figure 3: Homeownership rates (% for younger adult cohorts)

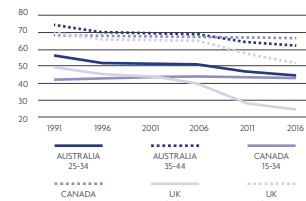


Figure 4: Change in house price/income ratio, 1985-2015

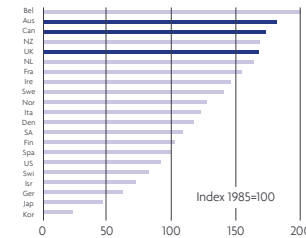


Figure 5: Household debt as % of net disposable income

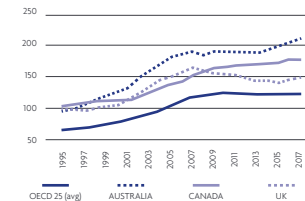
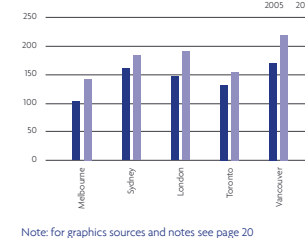


Figure 6: House prices as % of national norms



A wider consequence of the rampant house price inflation in all three ABC countries has been growth of mortgage liabilities. And, as a result, their internationally high and recently rising levels of household debt. Though not at record levels, these rates are well above the OECD norm (Figure 5). Moreover, 4 in 5 first time buyers receive family transfers, while limited access to home loans increases credit card and other unsecured debts.

In all three countries, recent pressures have been associated with higher post-millennial rates of population growth. Growing flows of overseas students have been a common factor compounding rental market stress, particularly at the lower end. With non-market housing stock additions failing to parallel population growth, demand pressures on rental housing affordable to low income earners has been further ramped up. As also exacerbated by welfare benefit cuts, rising rates of homelessness – seen in Australia and the UK – have been one result.

Within each of the three countries, recent years have seen growing spatial polarisation of housing markets as the largest and most economically successful cities have begun to detach from national norms. All of the cities featured in Figure 6 saw disproportionate house price growth in the period 2005-2018. And while price inflation has recently seen a short-term pause in some of these locations the underlying fundamentals remain. For policymakers, this secular trend poses acute challenges for the management of pressured metropolitan housing markets.

## Our approach: the stylised facts of pressured metropolitan markets



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Our approach is founded on a recognition that housing market policies and adjustment processes function at metropolitan scales. Unfortunately, for policymakers, housing market geographies rarely mesh with administrative boundaries. Given this mismatch, and considering the growing need for more effective responses to housing market failure in our major cities, there is a growing sense that strategic metropolitan authorities might be the logical locus of future housing policy.

The Shaping Futures discussions highlighted that housing analysts' concerns about the impairment of urban productivity by housing system dysfunction are widely shared by business and housing industry sectors in growth cities such as London, Toronto and Vancouver. While understanding of these issues remains patchy and incomplete, there is growing evidence that housing affordability stress exerts significant influence on economic productivity.

A key focus for Shaping Futures was to better understand how economic change impacts, both positively and negatively, on housing outcomes in the major metropolitan areas of the ABC countries. Here we are especially referring to recently booming ABC cities including Sydney, Melbourne, London, Toronto and Vancouver.

Most of the housing system factors that impair productivity are likely to have been compounded by post-millennial metropolitan growth. Housing practitioners are aware of these issues and in all the metropolitan areas in the study business leaders reported that rising housing costs impeded the attraction and retention of essential skilled labour. Equally, excessive housing costs were placing particular stress on creative sector workers in the culture sector (most of whom are low-waged). These pressures also adversely affected newly forming households causing concern around the greying of city centres and on essential public (and private) service workers to meet the 24-hour demands of the modern metropolis.



▲ St George Community Housing, Sydney – affordable rental housing

These intensifying problems of pressured metropolitan housing markets demonstrate flaws in the way housing policies are framed and developed, and how housing has tended to remain comparatively unprioritized by policymakers. These challenges are closely connected to the faulty economic narrative about housing identified earlier in this summary. Recognising housing's role in supporting productivity and building the analytical capacity to better model and measure the potential and actual impacts of housing is therefore essential.

Analysis of recent market performance in pressured metropolitan housing markets in the ABC countries yields a number of broad generalisations:

1. Post-GFC economic growth has driven significant population growth, generating housing demand pressures.
2. Metropolitan housing supply is unresponsive to higher prices, especially in the short term.
3. House price inflation has run ahead of other cities, towns and rural areas for sustained periods, sparking concern that such cities may now be more driven by globalisation, and partially 'de-linked' from national economies (see Figure 6).
4. Primarily due to increased mortgage borrowing, gross debt to household income ratios in the ABC countries have risen to near record levels.
5. Rental affordability stress has markedly increased for low income-earners. This has contributed to rising homelessness and lengthening queues for social housing.
6. Growing barriers to home ownership entry experienced over the past 10-20 years have resulted from increases in non-housing debt (e.g. credit card and car debt has increased in all three countries) held by younger adults, as well as from the cost of accessing and repaying larger mortgages.
7. A downward shift in young adult home-ownership rates has been seen for age groups from 25 to 50, with correspondingly increased rates of renting (see Figure 3).
8. For more than a decade, a feedback loop resulting from investor landlord housing demand has contributed to rising prices which, by raising the threshold for entry to owner occupation, has expanded tenant demand for investor-acquired homes.
9. Rising property demand has been largely driven by domestic factors: mortgage systems, tax settings and perceived advantage over pension alternatives. However, while property booms have been essentially domestic, growing interest from overseas investors has meant that domestic factors no longer constrain expansion.
10. Housing assets account for a growing share of household wealth in the ABC countries, exacerbating inter-generational and inter-regional wealth inequalities.
11. Housing market pressures have reshaped the residential geographies of metropolitan areas over the last three decades, weakening the association of low-income households with the inner city and the more affluent with the outer suburbs.
12. Evidence accumulates of increasing segregation as poorer households are increasingly concentrated in the most deprived neighbourhoods.



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Most of the housing system factors that impair productivity are likely to have been compounded by post-millennial metropolitan growth.

## Lessons: a new economic story for housing



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The thread running through the Shaping Futures project is that arguments for stepped-up government housing investment based on traditional notions of unmet need no longer work.

A standard response to this problem is to develop more refined 'investment multiplier' estimates, and to marshal more credible evidence on social returns and the saved expenditure on other public services that results from reducing homelessness and other extreme housing stress.

But these improvements are only the equivalent to improving the performance of a diesel truck in an era of driverless, electric cars. More ambitiously, housing sector cases need to highlight the ways that housing system performance influences not only distributional outcomes, but also all the major goals of modern governments, including growth and competitiveness and carbon reductions.

The challenges we face in mounting this case include:

- ▶ The hybrid (market/non-market) nature of housing systems that has left them exposed to the pro-market turn in policy thinking (cut public spending, promote markets and de-regulate provision).
- ▶ Housing investment appraisals have been undermined by the 'leave it to the market' mindset and also the cumulative erosion of analytical capacity and coherent system-wide approaches to housing.
- ▶ As a consequence, Treasury decision-makers have faced neither evidence-based champions for housing, nor a rigorous technical case for housing akin to the way transport ministries argue for social productivity and infrastructure.

Housing markets have been allowed to evolve in destabilising, inequality-increasing and unsustainable ways, most clearly evident in the pressures visible in our open metropolitan housing systems. But dawning official recognition of these consequences largely reflects housing crisis narratives and political responses, rather than any deeper engagement with the fundamental arguments made here.

Why do we believe that housing is essential economic infrastructure and has become wrongly neglected in terms of its potential macro-stabilisation, competitiveness and productivity-enhancing roles?

**First**, it is well known that housing and mortgage markets were an important trigger of the GFC and this was, in part, because economists failed to grasp the special asset market nature of housing. It is not a big leap to suggest that more recent metropolitan and national housing market 'crises' have at their root a continuing failure to understand the reality of housing systems.

**Second**, there is now considerable empirical evidence that housing outcomes (and, hence, the policy frameworks underlying the outcomes) can and do impact on productivity and growth. The job is now to fit this more intelligently into a framework that recognises the complexity and the stickiness of these markets.

**Third**, we need to look at housing outcomes sensibly measured and ask policymakers whether their programmes are: redistributing income and wealth; increasing social mobility; enhancing economic productivity; and, lessening our environmental footprint?

What we need is an evidence-based systemic approach grounded in analysis of real housing systems.

There is a growing but disparate body of evidence (see box) that housing outcomes play key roles in making households, and the cities and economies they reside in, more productive. The strong cases for supporting better housing outcomes that have been made on grounds of fairness in periods of economic downturn and for stability-inducing employment effects, need to be augmented by the growth benefits that flow from housing as an essential economic infrastructure. These effects are complex, long-term and often difficult to identify, not least as governments have widely failed to attempt to do so, thus placing housing investment cases at a disadvantage in relation to, for example, transport investment.

What we need is an evidence-based systemic approach grounded in analysis of real housing systems, not questionable theory and assumptions about idealised housing markets. We should demand to see the emperor's clothes of assumption, faith and casual empiricism so that these can be replaced with something credible, widely acceptable and rigorously based on how housing markets actually work.

Recently published economic modelling research<sup>1</sup> that grew out of the Shaping Futures project, indicates that the strategic provision of affordable rental housing for middle and lower income households within metropolitan Sydney could yield substantial economic productivity benefits. The provision of such homes, close to employment opportunities, would improve workers' job and training choices and reduce their travel times. Consequent gains in real incomes would yield further employment and income gains. With benefit/policy cost ratios in the range of 3 to 4 the case for public policy support is strong. Doubly so, because these estimates did not factor in other potential productivity effects, such as the impacts on the growth and use of human capital from living in healthy homes with space to learn and work, or the reduction of negative peer-group effects on teen school performance and school-work transitions that can arise in concentrated areas of low-income housing.



▲ Mirvac Pavilions, Olympic Park, Sydney – design for 'build to rent' project

The housing sector must enhance its understanding of the economic consequences of housing system performance to develop a policy narrative with greater potency when productivity has become a key policy concern. But in the realpolitik of policymaking, better evidence is neither a necessary nor sufficient condition for housing policy change. Equally crucial will be to develop and champion a new economic story for housing that will alter the way that public policy frames, evidences and evaluates housing policy cases.

## Lessons: diversification, finance and institutions



At two workshop events in 2016 and 2017, the Shaping Futures team met to diagnose the faulty housing narratives in each country, to distil common lessons and also to work on more specific questions essential to the construction of a new narrative for housing. Here, we drill down into these debates as they relate to four key housing system components.

### Business diversification and not-for-profit housing providers

If social housing has a twenty-first century future it will likely be 'third sector' or not-for-profit (NFP) housing associations (to use the UK terminology) who will be the key players. These entities, while generally reliant on some form of government support, are formally autonomous, and positioned somewhere between the three poles of state, market and community. Exactly where will vary from organisation to organisation, from country to country, and over time.

In practice, this may involve branching out into profit-making activities to cross-subsidise the core business of providing affordable housing. Or, alternatively, 'diversification' may involve prioritising neighbourhood services and community development activities that grow community capacities rather than confining business scope exclusively to activities narrowly aligned with regulatory obligations and corporate objectives.

Among UK housing associations, divergence from an exclusive focus on social housing services has been evident for at least 20 years. The pressures underlying this trajectory have greatly intensified under the much less benign public policy climate experienced under the post-2010 'austerity' regime. In part accelerated in this operating environment, 'diverse activities' by 2017/18 accounted for more than fifth of gross turnover among England's HAs.

In Australia and Canada, partly reflecting the smaller and less well-endowed provider organisations that typify NFP housing sectors in those countries, the scale and sophistication of business diversification is, as yet, far more limited. Nevertheless, such activity has recently been expanding.

The Shaping Futures team discussed 'business diversification' developments among NFP housing provider organisations, drawing on contacts with NFP housing executives participating in the SF collaboration. We also explored practitioner perspectives on broadening business activity away from an exclusive focus on developing and/or managing social housing.

While the development of market products and services not directly related to traditional 'core functions' may reflect the wish to cross-subsidise social housing activities, this may raise 'mission drift' questions as an organisation expands its geographical and/or business remit.

A second related question is whether NFP organisational culture is inevitably altered by a more business-oriented stance? As posed by the earlier 'New Times, New Businesses' report, 'the key question is whether [divergence from a prime focus on social housing] damages the non-profit performance and ethos of the overall non-profit'. These tensions are also emergent in the different contexts of Canada and Australia.

### Finance

Our analysis of financing and funding of affordable housing reached a number of important conclusions for the wider project:

- ▶ The housing sector is best understood as a connected system and we should locate the reform of housing finance in such a context.
- ▶ Housing affordability stress is a real and widespread problem, especially as embodied by the excessive financial burden faced by lowest quintile renters, but also many owners. This underlies the need for more, smart financial programmes to support affordable or low-cost housing.
- ▶ Analysis by Derek Ballantyne for Shaping Futures highlights (a) the universal or irreducible components of affordable housing development and operational housing finance; (b) that innovations in this field are often institutionally 'sticky' and therefore hard to transfer across national boundaries; and (c) that innovation is increasingly scarce and not a silver bullet (essentially, we are using different, finite combinations of the same components: land, equity, finance and construction costs). Critical to supply interventions is the political will to commit significant scarce resources to housing programmes in preference to competing policy areas.
- ▶ Subsidy mechanisms for housing are problematic in an era of austerity and competition for scarce public funds. Hence, the shift to guarantees, to more creative use of land and to new forms of private sector participation – although finance sector appetite for private-led investment stubbornly remains less than policymakers desire.



Affordable housing industry priorities, therefore, should not be dominated by aspirations to build innovative new financial mechanisms. Most of the instruments required are out there already. Perhaps the key dimension is what we have elsewhere called the housing story. In our view a tipping point has arisen that – in the interests of the economy, society and the sustainability of our metropolitan regions – calls for channelling of scarce resources into affordable housing investment. To this end, industry advocates should marshal four specific arguments.



1. The **prevention** argument – the case that targeted housing investment can reduce future social policy costs through savings via reduced homelessness, addiction treatment, criminal justice system spending, health and social care costs, education outcomes and welfare spending?
2. The **costs of inequality** argument. Housing is an important store of wealth and is a key driver, and outcome of, greater wealth inequality. The long-term corrosive effect of wide swathes of outsiders being unable to benefit from the security and control that come with home ownership raises the wider concern of declining social capital and unfulfilled housing (and household) careers.
3. A **macroeconomic** argument. The tax-privileged status of home ownership in the ABC countries may help to explain the crowding-out of more productive, diversified forms of investment and savings. Investable resources tied up in second-hand housing are being lost to the capital markets. While this is controversial, it is an argument in need of evidence.
4. Within government, the case for additional housing resources is essentially a **cost-benefit analysis** question. Sectors like transport investment, have evolved a clear set of parameters and variables for this purpose. These conditions do not yet apply to social housing and this serves to undermine housing investment prospects in public spending decision-making. The sector as a whole must build such a consensus around established principles and evidence as a matter of urgency.

◀ Castle Rock Capital, Newtown, Sydney – New Generation Boarding House

Grocon – Parklands, Gold Coast, Queensland. Australia's first 'mainstream market' build to rent project (re-purposed from its initial use as Commonwealth Games). ▶



## Modern institutions

The Shaping Futures team concluded that there is no pat answer to the question *'what kind of governance or housing institution is required to achieve our housing policy reforms?'* Indeed, reasonable cost benefit or policy appraisal analysis may conclude that status quo arrangements are functioning adequately and should therefore be left undisturbed.

Good governance of housing institutions – and within it, housing regulation – should be balanced. That is, it should trade-off leanness, flexibility and responsiveness with appropriate analysis of performance and new risks. But it also needs to be incentive-compatible – to build capacity, improve performance, educate about risk, finance, other parties, etc.

Institutions and regulation should go with the grain of the housing system (e.g. in terms of market influence). Where regulatory intervention is needed to enhance system outcomes, this should also be planned, organised and implemented given existing framework constraints (i.e. what is feasible and possible, rather than what might be desired in a context-free vacuum). Institutions and the governance of the housing system should be consistent with long-term policy objectives. This suggests that institutions should be designed and strategies constructed compatible with broader policy objectives.

Good governance, agencies and institutions need to be both robust and resilient to shocks. Funding for these institutions (particularly in the public sector) needs also to be incentive-compatible with rewards for good performance but also predictability over the economic cycle.

Despite the desirability of enduring institutions and related to longer term policy objectives, there needs to be sufficient flexibility in arrangements to allow space for initiated innovation and experimentation in delivery models, finance, land interventions, etc. This may be led by those more flexible institutions like the Scottish Futures Trust, but just as easily could be a partnership with policy entrepreneurs and providers as they come forward with new ideas - as is proposed in the recent Canadian housing strategy.

The Shaping Futures work also recognised that as major players and stakeholders, modern housing institutions need to invest in and promote well-evidenced research and analysis, premised on reliable and current information. As is the case for providers and governments, this is especially important for thinking through the system-wide consequences of possible actions and non-actions, that impact on the wider housing sector.

## The private rental sector

All of the ABC countries have recently experienced significant and unplanned private rental sector (PRS) expansion. In part, this reflects the growing attraction of 'bricks and mortar' residential investment in the context of declining yields from other asset classes in the 2000s. But it also results from rising rental demand due to constrained access to home ownership and social housing, as well as strong growth in renter populations such as overseas students.

However, sector growth, often especially rapid in parts of the UK, has also triggered a common set of concerns across the ABC countries on rental market regulation as it affects tenant security and rents, as well as property and management standards.

The preference for largely de-regulated systems which generally favour landlord interests remains dominant across ABC countries. However, as recently shown in both Scotland and the Australian state of Victoria, progressive reforms that begin to re-balance the situation can be politically tenable. Moreover, many continental European frameworks demonstrate the feasibility of rules that (by comparison with ABC country norms) materially benefit tenants without deterring investors.

All of the ABC countries have recently experienced significant and unplanned private rental sector (PRS) expansion.

Especially in the UK, recent years have seen the emergence of a new 'build to rent' (BTR) industry that promises to deliver a purpose-designed, professionally-managed rental product (akin to Canadian experience in the 1960s and 70s). Fulfilling a long-held policymaker aspiration, this has begun to engage institutional investment in market rental housing provision. It also has the potential to enhance build quality and to offer longer-term tenant security. If claims to deliver against these desirable policy aims are judged credible it would be logical for governments to equalise tax and policy settings previously impeding progress (as in Australia).

As yet, new BTR output remains relatively small in scale in the UK and Canada and, so far, only prospective in Australia. However, if fostered by policymakers in what have been benign investment conditions, the sector may well become much more important over time.



St George Community Housing, Sydney  
– affordable rental housing ▼



## Ten principles for housing policy and tax reform

The Shaping Futures team agreed the following principles to provide a coherent framework for reforming housing policies.

- 01** Future housing policies should be intelligent, apply appropriate instruments to real (not ideal) housing systems that are empirically understood by policymakers, and possess well-developed logic chains connecting policy actions to chosen goals.
- 02** The housing sector has to be seen as a connected, dynamic system where the aims, design, and resources for housing policies need to be set in that systemic context.
- 03** In contrast to current experience, governments at national and sub-national levels must move beyond the important, but overly-narrow focus on financial stability, and should have an explicit 'housing market' strategy to support productivity growth and fairness.
- 04** Governments should jettison the uncritical pro-market stance adopted after the 1980s and rethink the positive roles of non-market housing and non-market housing providers. That case is about more than simply providing shelter for the poor; it also recognises their reputation as providers of quality customer care and practitioners of 'patient capital'.
- 05** Housing policy decisions require spatial awareness; they need to have regard to the places that housing investment shapes and must recognise the geography of economic connections that shapes supply and demand in the local housing system.
- 06** The strategic and economic roles of housing require a metropolitan (or rural region) level focus so that governance is aligned to the key scales at which housing systems operate.
- 07** Housing policies, investment and other actions should be designed and delivered to contribute effectively to wider government goals in terms of, for example, economic development, greenhouse gas reduction and social inclusion.
- 08** Given the renewed emphasis on the economic consequences of housing outcomes, housing must be recognised as essential economic, as well as social, infrastructure.
- 09** Governments should reassess their core policy thinking frameworks to reconsider the essential qualities of decision-making frameworks that generate effective policy decisions.
- 10** Governments, like housing providers, should be judged not by what they promise but by what they deliver. Where governments fail to reduce housing needs and excessive rent burdens over prolonged periods then housing rights arguments may be required to bring systematically neglectful governments to account.

"Governments should jettison the uncritical pro-market stance adopted after the 1980s"

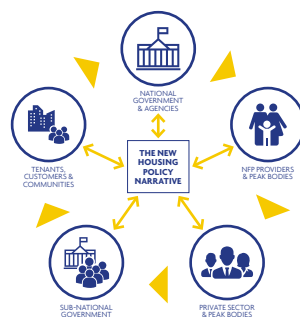
## Multiple stakeholders can reinforce the new policy narrative



The 'new housing policy narrative' emerges from the ten principles of reform discussed earlier. Giving these principles traction will call for an active commitment to collaboration, scrutiny and accountability from across the key housing system stakeholders.

This will help sustain and reinforce the new model of policymaking, the evidence base and the system thinking mode so urgently needed.

- ▶ National governments and their agencies are ultimately accountable and need to set consistent approaches at sub-national level and work credibly with private sector and NFP providers. They must develop the institutional frameworks to embed evidenced systems-thinking on housing.
- ▶ Together with their peak bodies, both NFP providers and private sector players will need appropriate incentives and up-to-date information enabling them to deliver the requirements of the new narrative.
- ▶ Sub-national government tiers are most suitably tasked with leading and implementing local housing strategies, including evidence assembling and reporting.
- ▶ Tenant groups, consumers groups and communities need to have sufficient trust in the implementation of the new narrative and the space to work with and also challenge provider and governments working on their behalf, if not actually co-producing housing solutions.



We recommend the annual staging of national and/or regional conferences to involve the lead representatives of all five stakeholder groups indicated in the diagram. This should monitor progress towards development of the new narrative, and the effectiveness of stakeholder inputs.

Supporting this interaction should be incorporated within the role of dedicated housing strategy and analysis personnel within the relevant government department or agency.

## Joining the debate

It is essential that local communities, non-profits, housing association boards and other key stakeholders reflect on and debate the ideas, the evidence and the call for reform contained here.

Interested parties are invited to draw on the materials we use in the main report<sup>1</sup>, in particular, the national housing stories for the UK, Canada and Australia and use these to frame discussions of:

1. Thinking of current and longer term problems in your housing market, can you list and prioritise the most serious facing your community?
2. The current state of housing policies and practice in your jurisdiction. How much of a priority is housing and is this changing?
3. What is your community's consensus vision for future housing policies, what needs to be done to achieve this and what should be done first?
4. How far do you agree with our proposed ten principles for reform? What would you change?

In this report we cover several relevant topics that speak to consumers and communities on the one hand and to the providers, peak bodies and policymakers on the other. Below, we suggest a few key questions that add to the first four. You can debate these in short focused sessions you could run yourself – test the assumptions that we and others have about our current housing policies, and propose new housing stories.

### Communities

- ▶ What is your community's housing story?
- ▶ Which parts of your housing system work? What parts need improvement?
- ▶ What are the three most pressing housing-related issues currently faced by your community?
- ▶ How do national, state or municipal housing policy and practice support these priorities?
- ▶ Are inclusionary zoning (or affordable housing quotas) and housing first policies on the disposition of land used by your municipality? What difference do they make?
- ▶ How can local communities become more directly involved in shaping housing policies that affect you?

### Policymakers and Practitioners

- ▶ What do housing policies do well and less well to help housing providers deliver market and affordable housing?
- ▶ What are the main barriers and blockages and how might they be overcome?
- ▶ What would you do to make housing markets work better?
- ▶ What would a functional housing system look like?
- ▶ How do we convince governments to re-prioritise housing?



Summary report

We would be delighted if you could summarise the discussions you have and send us the results at [admin@policyscotland.co.uk](mailto:admin@policyscotland.co.uk). We will post them on our website <https://shapingfutures.gla.ac.uk>. We would be happy to maintain the discussion network, so please let us know if you would like to continue to participate.



▲ Regent Park, Toronto



# About this report

Duncan Maclennan and Kenneth Gibb are professors at the University of Glasgow where Sharon Chisholm is an honorary fellow; Hal Pawson is a professor at the University of New South Wales, Sydney; and David Hulchanski is a professor at the University of Toronto.

Australian partners were Housing Choices Australia, Community Housing Ltd, Brisbane Housing Company and Bridge Housing. Britain's partners were Places for People, Sanctuary, Aldwych, Northern Ireland Housing Executive, Shelter, Scottish Futures Trust and Broadland Housing. The partners in Canada were the Maytree Foundation and the City of Vancouver.



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## Sources and notes

<sup>1</sup> Maclennan, D. *et al.* (2019) Shaping Futures: Changing the Housing Story – full report; Glasgow: Policy Scotland. <https://shapingfutures.gla.ac.uk/index.php/changing-the-housing-story>

<sup>2</sup> Maclennan, D. *et al.* (2019) Strengthening Economic Cases for Housing Policies. UNSW City Futures Research Centre. Sydney

### Figure 1: Housing tenure % breakdown, 2016

Sources: Australia – ABS Census 2016 (disregarding 'housing tenure not specified'); Canada – Census 2016; UK – Stephens *et al.* (2018) UK Housing Review; Coventry: CIH

### Figure 2: Changing homeownership rates (% of total households)

Sources: ABS Census 2016 (disregarding 'housing tenure not specified'); Canada – Census 2016; UK – Stephens *et al.* (2018) UK Housing Review; Coventry: CIH

### Figure 3: Homeownership rates (%) for younger adult cohorts

Sources: Australia – Daley *et al.* (2018) Housing affordability: re-imagining the Australian dream; Melbourne: Grattan Institute; Canada – Census Public Use Microdata 1981, 1991, 2006, Census 2016 Data Table 98-400-X2016226; UK – Resolution Foundation <https://www.resolutionfoundation.org/data/housing/>

### Figure 4: Change in house price/income ratio, 1985-2015

Source: Derived from: Yates, J. (2016) Why Does Australia Have an Affordable Housing Problem and What Can Be Done About It? Australian Economic Review, 49(3) pp328-339 (republished with permission)

### Figure 5: Household debt as % of net disposable income

Source: OECD statistics - [https://stats.oecd.org/Index.aspx?DataSetCode=HH\\_DASH](https://stats.oecd.org/Index.aspx?DataSetCode=HH_DASH). Note: 'OECD 25' refers to the 25 OECD members for which there are annual data entries for the entire time period 1995-2016

### Figure 6: House prices as % of national norms

Sources: Australia – ABS Cat 6416.0 Tables 4 and 5; Canada – Canadian Real Estate Association; UK ONS <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/june2018> Note: Australian figures relate to median prices for established houses; national benchmark statistics are medians of all capital city median prices in 2005 and 2018.

