



**REGIONAL
AUSTRALIA
INSTITUTE**

REGIONAL AUSTRALIA INSTITUTE SUBMISSION

Housing Australia Future Fund Investment Mandate Direction

November 2023

Photo: Kalgoorlie (WA)



About the RAI (REGIONAL AUSTRALIA INSTITUTE)

The Regional Australia Institute (RAI) is the only think tank dedicated to pursuing research, data, policy, and activation to build robust regional economies and a better quality of life for the benefit of regional Australia.

The RAI exists so that decision-makers at all levels of government, industry and community have the information they need to ensure the best outcomes for regional Australia.

The RAI’s purpose is to empower regions to thrive.

Our Members

The RAI has an extensive network of businesses and organisations through its membership programs – The Regional Australia Council and the Regional Activators Alliance. The following organisation make up the membership organisations associated with RAI through both the Regional Australia Council and the Regional Activators Alliance.

Regional Australia Council



Regional Activators Alliance



The Regionalisation Ambition

In September 2022, the RAI launched the Regionalisation Ambition 2032 – A Framework to Rebalance the Nation, to help direct the actions of government, industry, and the community to achieve more ambitious and balanced growth across our nation’s regions.

By setting the ambition to Rebalance the Nation and see more Australians calling regional Australia home, the RAI is seeking to lead a shift in mindset in how we plan for the nation’s future.

The Framework outlines cross-cutting themes, and five pillars with key targets, actions and benefits that will each contribute to building stronger regional communities, and a stronger Australia. The five pillars are:



8 November 2023

Director

Housing Australia Future Fund Unit

Via Email: housing@treasury.gov.au

The Hon. Dr. Jim Chalmers MP

Treasurer

House of Representatives

PO Box 6022

Parliament House

CANBERRA ACT 2600

The Hon. Julie Collins MP

Minister for Housing

House of Representatives

PO Box 6022

Parliament House

CANBERRA ACT 2600

Dear Treasurer, Minister, and the Director of the Housing Australia Future Fund,

Re: *The Housing Australia Investment Mandate Direction*

Thank you for the opportunity to contribute to the direction of investment in affordable housing in Australia through the Housing Australia Future Fund. Thank you for the opportunity to contribute to the direction of investment in affordable housing in Australia through the Housing Australia Future Fund. We hope to provide an evidence-based perspective on the nuanced housing requirements of regional Australia.

The Regional Australia Institute seeks to facilitate and inspire the population growth of our regions. To achieve the RAI's goal of 11 million Australians living prosperously in our regions by 2032¹, investing structures must exist to provide the infrastructure and housing needs to expand the region's population. Housing is a catalyst of growth in our regions; therefore, the lack of housing investment is a handbrake on regional growth.

In the decade to 2020, regional Australia experienced an average population growth of 76,500 people per annum. In that same period, the number of homes approved for construction declined five out of the ten years². Additionally, the RAI's quarterly Regional Mover's Index (RMI) an initiative in partnership with the Commonwealth Bank of Australia, that tracks internal migration between capital cities and regions, has consistently shown an average

¹ Regional Australia Institute. (2022) *Regionalisation Ambition 2032 – A Framework to Rebalance the Nation*, Regional Australia Institute, Canberra

² Hopkins, D., and Houghton, K. 2021, *Building the Good Life: Meeting the Demand for Regional Housing*, RAI Discussion Paper, The Regional Australia Institute, Canberra

increase in internal migration towards regional Australia. The RMI for the September 2023 quarter confirmed regional migration remained 11.7% above the pre-COVID average³.

During the COVID-19 pandemic, the RMI recorded large inflows of migrants from capital cities with a decline in outflows from the regions to capital cities. In turn, this caused demand-induced pressures on destination housing markets, affecting the price and availability of the housing supply. Regional housing availability and infrastructure could not accommodate for the surge in migration and is still struggling to. As the resulting aftermath of the pandemic-imposed housing shock on regional markets is still being felt, we must avoid the economic mistakes that lead to the conditions of the pandemic and post-pandemic regional housing market. Therefore, to prepare for future growth, we must create a sustainable and consistent investment mechanism that will provide affordable housing in regions, endorse all forms of migration, and grow the regional economy.

We note the provisions of the *Housing Australia Investment Mandate Amendment (Social Housing, Affordable Housing and Acute Housing Needs) Direction 2023* exposure draft, includes direct reference to regional Australia only four times. This is inadequate and indicates a blindness to the nuances of the housing challenges before urban and regional Australia.

To affect change and provide equity between capital cities and regional, rural, and remote Australia; clear, concise, and enforced guidelines for equitable investment and reporting must be embedded into the Mandate Direction. As a basis for regional investment, we strongly urge the Government to adopt the following recommendations in line with the Government's commitment to 'holding no one back and leaving no one behind'.

Recommendation 1: A minimum of 40% of HAFF funds must be invested into regional areas.

To meet future regional housing requirements, the RAI recommends that 40% of HAFF finance be disbursed into the regions. The RAI also endorses the positions for 30% or one-third of all HAFF investments be disbursed in regional areas and commends the *National Housing Finance and Investment Corporation Amendment (Unlocking Regional Housing) Bill 2023* of Dr Helen Haines MP. While we will outline further recommendations as to how regional investment of the HAFF should be conducted, fair and equitable investment between major cities and regions is our primary recommendation. An investment target of 40%, is not arbitrary, rather it reflects the proportion of the Australian population not living in a major city, being 37.08% as of 2022⁴. With our expectations of regional growth to continue, we believe the 40% proportion will be a sustainable minimum for investment. However, the RAI does not endorse the limitation of regional investment to 40%. We expect the population ratio to vary in the future, and the investment of the HAFF should equitably reflect such changes.

Recommendation 2: Housing to support a burgeoning regional workforce.

Regional labour markets are varied, each with unique challenges and strengths. However, the benefits of a permanent, skill-diverse workforce can be applied to all regional contexts. Currently, the regional workforce suffers shortcomings in both the skilling of workers and retention of labour. Regional job vacancies in September of 2023 rose to 91,400 jobs, just shy of the 94,000 high point of 2022. In the year to December 2022, the number of

³ Regional Australia Institute. (2023) *Regional Movers Index: September 2023 Quarter Report*, Regional Australia Institute, Canberra

⁴ Regional Australia Institute (2023), *Regionalisation Ambition 2032: 2023 Progress Report*, Regional Australia Institute, Canberra

advertised job vacancies in regional Australia grew at three times the rate of metropolitan job vacancies. Medical practitioners and nurses, and carers and aides were ranked first and third respectively for the highest regional job vacancies in December 2022. In the North Coast area, job vacancies for medical practitioners and nurses grew 430% compared to the five years before December 2022⁵.

These jobs with other essential roles are critical for the survival of regional communities and will be aided by the increased stock of affordable housing. The most recent annual inflation and Wage Price Index, recorded a respective 5.4% and 3.6% increase, illustrating the pressures on real wage and the need for affordable housing⁶. Furthermore, the feedback the RAI have received from regional leaders, is that the lack of housing is currently the major constraint on regional job growth. This notion is coupled by the low rental vacancy rates, and the surge in regional median house prices and rents. It is critical that a more diverse and affordable mix of housing is built in regions so that residents and the needed workers can find somewhere suitable to live.

Recommendation 3: Local businesses must be prioritised in regional HAFF projects.

The use of local manufacturers and suppliers must be prioritised in the facilitation of HAFF projects. As a principle, the Government must introduce a local business and workforce first approach, which will support the Mandate in increasing opportunities for local apprentices including further opportunities for female participation. Furthermore, the regional HAFF projects must seek to maximise the contribution they will bring to regional economies. Harnessing local businesses and workers will provide long term skill building and economic stimulus in regional economies, whilst supporting the overall objectives of the HAFF.

Recommendation 4: Funding within regional areas must be directed equitably, targeting 'stalled' regions in both housing stock and economic growth.

Regarding how funding should be disbursed throughout the regions, the RAI does not support a 'one-size fits all' approach. A *uniform* distribution of HAFF finance does not measure up to an *equitable* distribution, as the impact of additional housing financing will be far greater in some regions than others. We recommend, in line with the equity provisions of the Draft Mandate, that regions that have not experienced growth in housing stock and are limited by a lack of housing supply and financial barriers, should be prioritised in investment decisions. These are the 'stalled' and 'volatile' markets identified in the RAI's 2022 Report *Foundations of Regional Housing*⁷. Regions that have or are maintaining higher levels of economic growth and development, are more likely to attract private sector investment and should not be the priority of HAFF investment. This provision should not exclude regions from HAFF investment completely. A nuanced approach to regional investment will ensure the most efficient and effective use of public sector investment, providing two-fold benefits through affordable housing and economic boosts to stalled regional areas.

⁵ Houghton, K., Barwick, A., and Pregellio, S. (2023) *Regional Jobs 2022: The Big Skills Challenge*, Regional Australia Institute, Canberra

⁶ Regional Australia Institute (2023), *Regional Labour Markets Update – September Quarter 2023*, Regional Australia Institute, Canberra

⁷ Hopkins, D., 2022, *Building the Good Life: Foundations of Regional Housing*, The Regional Australia Institute, Canberra

Recommendation 5: HAFF should use the SA3 level for all geographic reporting.

In relation to the reporting of HAFF operations, for the purposes of monitoring equitable investment across regions and further analysis of the effect the HAFF will have on specific regions, reporting on geographical information should be presented at the Statistical Area 3 (SA3) level. We believe this will provide invaluable case studies on the effect public investment has in differing regional contexts, whereas the proposed SA4 level will limit the depth of analysis possible.

Recommendation 6: All quarterly reporting to the Minister be made publicly available.

Simply, the RAI requests that all reporting be made publicly available with associated data. The operations of Housing Australia are of high public importance and as such transparency must be a priority. Furthermore, reporting on the regional aspects is recommended to ensure that equitable investment is being conducted.

Recommendation 7: HAFF projects must diversify regional housing stock, prioritising affordable medium-density housing options.

Direct public investment into regional housing provides an opportunity to redefine housing supply availability and composition in the regions. The regional housing supply is comprised of disproportionately detached, often low-density housing when compared to their relative capital city. In our past findings⁸, the need for medium-density and housing diversity was evident, and in the context of a cost-of-living and affordability crisis, the demand is only set to increase. In particular, young, single, professionals, and skilled tradespeople seek smaller dwellings⁹. The attraction of this demographic is an imperative of regional development, with skilled-worker shortages stunting economic growth across regional Australia. Developing medium-density affordable housing options in regions will attract and retain skilled workers of these demographics.

To conclude, the RAI endorses the Government's HAFF and directive of increasing affordable housing stock across Australia. We encourage the HAFF to be used to revitalise and aid the sustainable growth of our regional communities. We thank you for your dedication and consideration of our proposal amongst others. We look forward to the benefits and opportunities the HAFF will provide our regional Australia.

Kind regards,



Liz Ritchie,

CEO Regional Australia Institute

⁸ Hopkins, D., and Houghton, K. 2021, *Building the Good Life: Meeting the Demand for Regional Housing*, RAI Discussion Paper, The Regional Australia Institute, Canberra

⁹ Hopkins, D., and Houghton, K. 2021, *Building the Good Life: Meeting the Demand for Regional Housing*, RAI Discussion Paper, The Regional Australia Institute, Canberra