

## National Shelter Submission to the Economic Reform Roundtable 2025

### Introduction

National Shelter welcomes the opportunity to contribute to the Economic Reform Roundtable 2025 and commends the Treasurer's leadership in convening this vital national conversation.

Australia's housing crisis is a major barrier to productivity and economic resilience. It disproportionately affects people living on low incomes, younger and older individuals, those with disabilities, women and children escaping domestic violence, and First Nations peoples.

While current housing policy commitments are recognised, the scale and complexity of the crisis demands bold cross-sector reforms — including attention to non-housing policy settings that shape affordability and supply. Secure, affordable housing must be understood not simply as a social policy outcome, but as an economic catalyst.

In light of Treasury's call for nationally significant, fiscally responsible reforms that are practical and forward-looking, we offer our targeted analysis across the three priority domains of productivity, resilience, and budget sustainability, within the mandate of National Shelter, and which advocate that secure, affordable housing is not simply a social policy outcome but an economic catalyst.

### About National Shelter

National Shelter is a non-government, non-partisan, independent and member-based organisation that has operated since 1975 as a national housing peak body. We represent the interests of low-income Australians across the whole housing system. Our vision is for a fair and healthy housing system.

We aim to improve housing access, affordability, appropriateness, and security of tenure for Australians living on low incomes. We lead on and amplify information about housing issues and support evidence-based solutions through engagement and collaboration with all levels of government, the private and not-for-profit sectors, industry bodies, academia, and people with lived experience to shape and influence government policy and action.

National Shelter is well-positioned to work with Government and other stakeholders to shape a fair, sustainable and healthy housing system for all Australians. Our policy priorities as outlined in our "2025 Policy Platform Priorities" are proactive, strategic, and nationally focussed, and informed by research, high-quality data and broad consultation underpinned by fifty years of national housing policy advocacy and influence.

## Priority Reforms & National Shelter's Response

### Priority 1: Improving Productivity

#### Our understanding and comments:

The housing sector is constrained by fragmented regulation, inefficient planning systems, and under-leveraged data. It is critical to take a systemic and whole of system approach to practical reforms, so there is a need to align Tax Reform with Planning and Productivity.

Productivity gains lie in unlocking land supply, streamlining approval processes, and investing in housing data systems to enable evidence-based delivery. Productivity gains are constrained by inefficient planning systems, fragmented regulation, and inadequate use of housing data. Unlocking land supply and integrating housing into infrastructure strategy offers measurable economic benefits. When government rezoning of infrastructure investment lifts land values, this value should be shared and not captured privately.

Workforce participation and mobility are undermined when housing is unaffordable or unstable, particularly for low to moderate income workers. ABS and The Grattan Institute data highlight housing stress as a barrier to relocating for employment or study.

Housing instability leads to absenteeism and lost productivity, as shown in AHURI research linking poor housing with mental health impacts and lower training engagement. Young adults facing prolonged rental stress and delayed homeownership experience intergenerational disadvantage, increasing future reliance on social services.

Homelessness and housing precarity generate significant system costs, with rough sleepers incurring healthcare expenses up to five times higher than the general population. A 2022 KPMG study found that every \$1 invested in long-term secure housing generates a \$2.70 return, primarily through avoided public system costs.

Further, the National Housing Supply and Affordability Council "*State of the Housing System 2025 Report*" and the *National Planning Reform Blueprint* identify key barriers to housing supply and delivery including:

- low construction productivity;
- outdated building methods;
- slow approvals;
- fragmented land use planning;
- misaligned financial incentives; and
- stamp duty as a drag on housing mobility and market efficiency.

#### Our recommendations:

- Reform planning and zoning laws to create nationally consistent benchmarks and introduce incentives to overcome land banking and unlock development-ready sites, and recognise that without reform, community housing providers and institutional investors face stalled projects and rising costs.

- Invest in social infrastructure that supports stable housing pathways, especially for low-income households and First Nations communities.
- Modernise Planning Systems including national benchmarks for development approvals, improve transparency, and embed housing affordability targets within zoning reform, including adopting a national inclusionary zoning framework.
- Invest in Social Infrastructure Integration and link housing investments to transport, education, and health infrastructure to reduce spatial inequality and support workforce access.
- Establish a National Housing Data Hub integrated with AI-driven policy simulation tools.
- Recognise housing as critical social and economic infrastructure in national policy, multi-agency planning and investment outcomes.
- Boost housing workforce capability by resourcing training and career pathways in housing and construction related industries.
- Recognise and adopt Tripartite collaboration across taxation, planning, and housing delivery.

## Priority 2. Building Economic Resilience

### Our understanding and comments:

Housing underpins economic resilience by enabling workforce mobility, supporting care economies, and attracting regional and international investment. Poor housing affordability and supply volatility threaten Australia's competitiveness. Secure, adequate, and affordable housing is the foundation of physical and mental wellbeing. Stable housing also underpins social and economic participation and contributes to thriving communities. In the last three decades, the proportion of people who rent their homes from private landlords has been rising steadily.

The private rental market has failed to deliver housing that is secure, affordable, and adapted to the diverse needs of many renters. A quarter of renter households live in housing stress, paying more than 30% of their income in housing costs, and for private renters, this proportion can be 60-70%. The proportion of households living in social housing has fallen to historical lows of 4.1% of all households, and public housing waiting lists are growing and not keeping pace with demand. Additional increases in Commonwealth Rent Assistance (CRA) are crucial to address decades of under-indexation and alleviate the financial strain caused by unaffordable rents, causing vulnerable tenants to fall into poverty or homelessness.

Case studies demonstrate that tech-enabled solutions support cost-effective service delivery and job creation. In the social and affordable housing context, this means smarter customer service, strategic asset planning, and reinvestment of savings into housing products and services.

Short-Term Rentals (STRs) are significantly constraining rental supply in high-demand markets across Australia. In areas such as Byron Bay, Noosa, and the Mornington Peninsula, STRs account for over 30% of rental listings, displacing long-term tenants and inflating rents. This distortion undermines housing affordability, workforce mobility, and regional productivity, particularly in sectors reliant on local staff such as tourism, aged care,

and hospitality. Local governments like Byron Shire have begun to respond through caps on non-hosted STRs (e.g., a 60-day annual limit) but lack a coordinated national framework. This is an international issue and whilst this may be considered a state/territory of local government policy responsibility, it affects productivity and housing security at a national level.

## **Our Recommendations**

- **Model Return on Investment for Housing Investment:** Conduct Treasury-led analysis on cost savings across health, justice, and welfare systems linked to secure housing. Publicly release investment scenarios for different tenures, including public housing and shared equity.
- There needs to be recognition that digital innovation and government enabled technology infrastructure are core components of housing strategy.
- **Leverage Technology for Economic Resilience:** Support and incentivise the use of data, new technologies, and AI systems and recognise these as essential drivers of productivity growth and global competitiveness. For AI use, Government support must be embedded in policy design processes and rigorously tested to manage unintended consequences, ensuring tech-driven approaches do not deepen inequality.
- **Maintain and Enhance Housing Subsidies including:**
  - Lifting the maximum threshold rate of Commonwealth Rent Assistance (CRA) rate by 60% to reflect rising rental costs and expand eligibility to support more lower income renters;
  - Review and redesign CRA, including levels of payment and eligibility rules, to ensure people living on low incomes who rent their homes, and those living in marginal accommodation receive the support that they need to eliminate housing rental stress.
- **Establish a national STR regulatory framework that includes:**
  - Mandatory registration and reporting standards.
  - Usage caps in regions experiencing acute rental stress.
  - Coordination between state planning systems and local government enforcement.

Such reform would reintroduce stock into the long-term rental market, support economic stability, and align housing regulation with national productivity goals.

National Shelter urges the Commonwealth Government to embed housing reform, including tax, planning, and workforce strategy into its core economic agenda. Secure, affordable housing is foundational to productivity, resilience, and fiscal sustainability.

## **Priority 3. Strengthening Budget Sustainability**

### **Our understanding and comments:**

Housing insecurity is a driver of economic inefficiency and fiscal fragility. Tax reform that unlocks investment for supply and affordability can directly address these structural

deficiencies. Long-term investments in affordable housing generate fiscal benefits across health, justice, welfare, and employment systems.

Australia's current tax settings commodify housing and fuel inequality. Capital gains tax concessions and negative gearing disproportionately benefit the wealthiest 10% of households. These concessions cost over \$11 billion annually, exceeding total federal housing assistance. They inflate home prices and suppress ownership rates, especially for first-time buyers and low-income households.

Tax reform proposals should address housing wealth concentration and incentivize affordable supply, and rebalance incentives toward affordable housing provision, such as land tax reform and Capital Gains Tax (CGT) discount adjustments.

The Commonwealth expends around \$1.5 billion on CGT discounts for investors alone and \$2.4 billion on negative gearing annually. Negative gearing and CGT discounts are not restricted to tenancies or properties, encouraging speculation on housing. Rather than increasing the overall number of homes available, they make it harder for people to transition from renting to home ownership. They also overwhelmingly flow to high-income earners.

Our tax system is contributing to housing "as an investment" rather than "housing as a home," in an environment where people have insecure housing and homelessness is on the rise. National Shelter urges the Government to implement a package of tax reforms and policies.

## **Our recommendations**

- Reduce the CGT discount to 25% for all investors, phased in over 5 years;
- Restrict deductions for passive investment in assets yielding capital gains to income from the same asset class (remove negative gearing);
- Restrict negative gearing to newly built properties, including limiting the types of properties eligible. I.e. units not houses, to ensure the policy rationale of supporting new private rental supply; and
- Reinvest the revenue raised and saved to fund quality, climate-resilient, energy-efficient social and affordable housing to meet the existing and projected unmet need.
- Embed housing tax reform as a central pillar of productivity strategy
- Treat housing, taxation, and workforce policy as interconnected levers

These tax policy reform recommendations seek to enhance housing affordability, ease housing stress, address homelessness and system inequity, boost home ownership, increase government revenue, and decrease market volatility. These reforms also aim to smooth out surges in housing demand while expanding overall supply of rental properties, which will assist in addressing homelessness.

If implemented gradually, any potential drop in private rental housing investment is expected to be offset by a transition of renters into more affordable home ownership or new social housing funded by the revenue from the tax reforms. This would restore housing to the long-term rental market and support community stability.

## Call to Action

We commend the Government's shift to embed housing and homelessness reform within Treasury and its vision for coordinated, strategic change. But successful reform requires sustained investment, cross-jurisdictional alignment, and collaboration across sectors not traditionally viewed as housing-related.

We urge Government to commit to:

- A coherent national housing strategy across planning, taxation, and workforce development;
- The inclusion of housing advocates and lived experience voices in Roundtables and reform design;
- Actionable reform to avoid falling short of the 1.2 million homes target by 2029.

Secure, affordable housing is not merely shelter — it's foundational to Australia's productivity, resilience, and fiscal sustainability