

Inquiry into South Australian Housing Availability

**Economic and Finance
Committee**

LGA Submission

February 2023

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Executive Summary

The contents of this submission respond to several selected points included in the Terms of Reference established for the House of Assembly Economic and Finance Committee's Inquiry into South Australian Housing Availability. However, the contents of this submission are arranged under thematic subheadings, rather than addressing the Terms of Reference point-by-point.

The subheadings included in this submission are as follows:

- **Policy Challenge** – availability of affordable housing in metropolitan and regional markets.
- **Impacts of Housing Shortages** – regional economic opportunities and risks.
- **Local Government Solutions** – partnerships, innovations and policy levers.
- **Policy Reforms** – LGA advocacy and State Government regional housing announcements.
- **Ongoing Opportunities** – SA leveraging Australian Government funding and programs.

Following the publication of the Inquiry's issues paper, the LGA plans to prepare another submission which responds to the key themes raised in the issues paper, the Inquiry's Terms of Reference, and provides updated information on housing affordability and availability from a South Australian local government perspective.

Local Government Association (LGA) commentary included in this submission is based on member council consultation, commissioned research on regional housing, previous council and LGA publications, and housing announcements made by the State Government in February 2023.

The submission's major points are summarised below.

Policy Challenge

The COVID-19 pandemic has had adverse impacts on housing availability and affordability across South Australia.

Evidence derived from analysis of changes in median dwelling values and rental vacancy rates illustrates both the rising costs of housing in metropolitan and regional housing markets, as well as the significant tightening in the supply of housing stock for rent.

Of note, the significant and ongoing increase experienced in metropolitan Adelaide's median dwelling value has underpinned the rising gulf between South Australian wage growth and accelerating residential real estate prices, including in relatively affordable suburbs (e.g., Port Adelaide, Elizabeth, Gawler, Salisbury, Christie Downs, Christies Beach, and Noarlunga).

In addition, when analysing rental vacancy rates for these suburbs, it is apparent that while almost all experienced a tightening in their rental markets, vacancy rates were already extremely low prior to the onset of the COVID-19 pandemic – well below the 3 per cent rate, below which landlords experience favourable bargaining power and are more likely to increase rents.

However, despite evidence of rising dwelling prices and a tightening of the residential real estate market in metropolitan Adelaide, there is little evidence that a lack of land supply for residential development is significantly contributing to this policy challenge.

The South Australian Government's Land Supply Report for Greater Adelaide (2021) establishes that even under a high-growth population scenario, in the period to 2030 and under existing planning and zoning policies, the Greater Adelaide Planning Region has more than sufficient supply of greenfield and urban infill land available to facilitate development of the estimated housing demand.

Across the state, regional housing markets also experienced a similar tightening in their rental stock – from already low levels – and many council areas continue to experience double-digit increases in house values, despite slowing growth in most inter-state regional housing markets.

Developer, building industry, and council consultation, conducted as part of a South Australian Regional Organisation of Councils (SAROC) research project, identified the following barriers to regional housing development:

- Trades and material shortages in regional areas – exacerbated by the COVID-19 pandemic.
- Difficulties in developers and mortgagors securing housing finance (including the application of high loan-to-value ratios).
- The absence of economies of scale in many regional housing markets adding to per dwelling building costs, including costs associated with the extension or establishment of essential services infrastructure.
- Insufficient resourcing and/or expertise in regional councils and amongst other stakeholders to:
 - a. conduct detailed regional housing supply and demand audits; and
 - b. connect this data with commercial partners capable of delivering residential housing projects.

Impacts of Housing Shortages

As part of the LGA's advocacy on regional housing – targeted at both State and Federal governments – the key emphasis has been on the opportunity cost for regional economic development if sufficient worker housing is not delivered.

Referencing the work of Regional Development South Australia (RDSA), published annually in *The Regional Blueprint*, the LGA emphasised that the state-wide regional investment pipeline (public and private sector) had significantly increased from \$27.8 billion (projected over 5 years) in September 2020 to \$44.6 billion in September 2022.

LGA advocacy emphasised that elements of this investment pipeline could be at risk if sufficient worker housing is not delivered.

Local Government Solutions

In both metropolitan and regional areas, councils have acted to increase the supply of affordable housing, including in partnership with the State Government, community housing providers and other stakeholders.

Solutions put forward by metropolitan councils include public-private partnerships with community housing providers, in which councils collaborate with the South Australian Government to provide land and essential services infrastructure, and community housing providers develop and manage the rental properties on behalf of councils.

In regional areas, councils have implemented various policy interventions to boost housing supply in their areas. Examples include rate rebates designed to reduce developer risk and encourage employer investment in housing; significant subsidies on the sale of surplus council-owned land and the underwriting of building contracts for new resident homebuyers; the direct provision of accommodation units and affordable rental housing; and the exploration of a joint housing cooperative model to increase the economies of scale involved in housing construction.

Policy Reforms

Based on LGA analysis of the key barriers to regional housing development, and the lessons learnt from previous council actions, the LGA's advocacy to State Government for policy reform consolidated around the following 4 key requests:

1. State and local government work to leverage existing Federal Government commitments for the benefit of regional SA, particularly access to the \$1 billion available in grant and loan funding through the National Housing Infrastructure Facility needed to subsidise the establishment or expansion of essential services infrastructure.
2. State and local government support the Federal Government's establishment of a rental investor subsidy scheme to incentivise investment in rental housing at below market rates.
3. The State Government establish and lead a Strategic Regional Housing Program that brings together government, industry, business, RDAs and councils to:
 - Unlock housing data and map the problem.
 - Recommend policy reform.
 - Develop a roadmap of housing projects to be piloted and implemented.
 - Release a statewide strategy on regional housing.
4. Further expand the role of Renewal SA to lead regional case management, identifying projects, partners and delivery models to complement their remit in affordable housing.

In this context, the LGA has welcomed the State Government's establishment of the Office for Regional Housing within Renewal SA – including its administration of a Regional Key Worker Housing Scheme and a process for councils and other stakeholders to have regional housing project proposals assessed and connected with commercial partners where they can contribute to strategic and economic objectives.

The LGA is working with the Office for Regional Housing to ensure that this latter process is well understood by councils to ensure that regional housing projects lodged for assessment have collated sufficient regional housing supply and demand data for their project proposals to be well understood and their viability and opportunities for commercial partnerships rigorously assessed.

Ongoing Opportunities

Beyond the State Government's regional housing announcements, the LGA looks forward to working with the State Government to ensure South Australia receives its fair share of funding from the Federal Government's various housing programs. These include:

- The \$1 billion available in grant and loan funding through the National Housing Infrastructure Facility.
- The \$10 billion Housing Australia Future Fund, used to build 30,000 social and affordable homes over its first 5 years.
- The Housing Accord, which will initially support the funding of an additional 10,000 affordable homes.
- The Regional First Home Buyers Guarantee, which supports regional residents to purchase their first home.

In addition, the LGA welcomes the appointment of David O'Loughlin to the six-member interim National Housing Supply and Affordability Council. Mr O'Loughlin is a former Mayor of the City of Prospect, a former President of both the LGA and Australian Local Government Association (ALGA), and has

extensive experience in various other roles associated with land-use planning, development, and construction.

His appointment secures a strong voice for the local government sector and South Australia to ensure that the barriers to regional housing construction – amongst other issues – are well understood and appropriate remedial policies canvassed.

Introduction

About the Local Government Association

The LGA is the voice of local government in South Australia, representing all 68 councils across the state and the Anangu Pitjantjatjara Yankunytjatjara.

The South Australian *Local Government Act 1999* recognises the LGA as a public authority for the purpose of promoting and advancing the interests of local government. The LGA is also recognised in and has prescribed functions in 29 other South Australian Acts of Parliament. The LGA provides leadership, support, representation, and advocacy relevant to the needs of our member councils.

The LGA is a strong advocate for policies that achieve better outcomes for councils and the communities they represent.

The LGA welcomes the opportunity to provide a submission to the House of Assembly Economic and Finance Committee's Inquiry into South Australian Housing Availability.

Inquiry Terms of Reference

The House of Assembly Economic and Finance Committee has established an Inquiry into South Australian Housing Availability with Terms of Reference which include the following points:

- The decreasing availability of affordable housing for both purchase and rental.
- Key market barriers – including land, labour, and materials – that are limiting the delivery of social and affordable housing even where funding is available.
- The necessary policy settings – at all levels of government – required to deliver suitable housing outcomes.
- The economic impacts arising from lack of social and affordable housing, including barriers to economic development in specific locations; and the additional costs on other sectors including but limited to health, disability, justice, and emergency relief.
- Innovations in housing that can lower costs, expedite new supply, and deliver a greater diversity of housing options to meet current and emerging trends.
- Leveraging of government assets – by all levels of government – to maximise the delivery of additional housing.
- Partnerships with social housing providers and the private market to deliver additional social and affordable housing.
- New approaches to financing and tenure options that increase supply and security of tenure.
- Any other matter that can deliver better housing outcomes for South Australians.

The contents of this submission are based on member council consultation, commissioned research on regional housing, previous council and LGA publications, and housing announcements made by the State Government in February 2023.

The submission responds to the selected points included in the Inquiry's Terms of Reference (listed above) under the following thematic subheadings:

- **Policy Challenge** – availability of affordable housing in metropolitan and regional markets.
- **Impacts of Housing Shortages** – regional economic opportunities and risks.
- **Local Government Solutions** – partnerships, innovations and policy levers.
- **Policy Reforms** – LGA advocacy and State Government regional housing announcements.
- **Ongoing Opportunities** – SA leveraging Australian Government funding and programs.

Policy Challenge – availability of affordable housing

Experience in metropolitan council areas

Housing affordability in Greater Adelaide

In the Adelaide metropolitan area, the median dwelling value increased by a significant 44.7 per cent during the COVID-19 pandemic, peaking in July 2022, and has since only declined by 2.1 per cent to sit at \$646,045 on 31 January 2023.

This growth in metropolitan Adelaide dwelling values compares with a more modest pandemic increase of 25.5 per cent in median dwelling values across Australia's combined capital cities, which peaked in April 2022, and has also experienced a more significant post-pandemic decline of 9.6 per cent.¹

Table 1: Median dwelling values metropolitan Adelaide and combined Australian capital cities.

Region	COVID through to peak growth	Month of recent peak	Decline from peak	Median dwelling value
Adelaide (metro)	44.7%	July 2022	-2.1%	\$646,045
Combined capital cities	25.5%	April 2022	-9.6%	N/A

Source: CoreLogic, 'Hedonic Home Value Index', National Media Release, 1 February 2023.

Further analysis also reveals that several relatively affordable suburban areas in the metropolitan area – such as Playford, Gawler–Two Wells, and Salisbury in Adelaide's north, Port Adelaide in Adelaide's northwest, and Onkaparinga in Adelaide's south – continue to experience significant annual growth in median dwelling values.

Table 2: Top 10 highest 12-month median value growth in metropolitan Adelaide.²

Rank	Suburban area	Median Value	Annual change
1	Playford	\$411,532	19.6%
2	Gawler – Two Wells	\$506,991	14.7%
3	Salisbury	\$509,059	13.0%
4	Onkaparinga	\$600,857	11.9%
5	Tea Tree Gully	\$626,677	10.9%
6	Holdfast Bay	\$743,426	10.6%
7	Port Adelaide – East	\$669,643	10.4%
8	Port Adelaide – West	\$616,134	8.6%
9	Adelaide Hills	\$748,941	7.7%
10	Campbelltown	\$785,593	5.9%

Source: CoreLogic, 'Hedonic Home Value Index', National Media Release, 1 February 2023.

¹ Corelogic, 'Hedonic Home Value Index', National Media Release, 1 February 2023, pp. 1-2.
https://www.corelogic.com.au/_data/assets/pdf_file/0019/13069/CoreLogic-home-value-index-FEB-23-FINAL.pdf

² Suburban areas are defined by Statistical Area Level 3 (Australian Bureau of Statistics). Data is correct in January 2023.

When compared against the Australian Bureau of Statistics measures of South Australian annual wage growth to the end of the December Quarter 2022 of 3.5 per cent,³ these significant and ongoing increases in suburban dwelling values provide an indication of the increasing gulf between house prices in relatively affordable suburbs and lower- and middle-income wage-earners ability to service new mortgage repayments.

Analysis of rental vacancy rates in these same suburban areas also reveals how the availability of rental properties has been declining. However, it is noteworthy that the data included in Table 3 reveals that even prior to the COVID-19 pandemic, vacancy rates in these suburbs were already significantly below the 3 per cent rate, below which it is understood that landlords' increased bargaining power will likely facilitate increased rents.⁴

Table 3: Rental vacancy rates in South Australia

Suburban region	Postcodes	Peak cyclical Vacancy Rate	Vacancy Rate (Feb. 2020) & (Jan. 2023)
Port Adelaide	5015	4.1% (May 2015)	0.9% ↓ 0.3%
Elizabeth	5112	1.7% (April 2012)	0.8% ↓ 0.1%
	5113	2.4% (Jan 2014)	1.1% ↓ 0.4%
Gawler	5116	3.9% (Dec 2013)	0.8% ↓ 0.4%
	5118	3.3% (May 2013)	0.7% ↓ 0.2%
Salisbury	5108	1.8% (Feb 2017)	0.6% ↓ 0.1%
	5109	2.3% (Dec 2016)	0.7% ↓ 0.2%
Christie Downs	5164	1.7% (Oct 2015)	0.1% - 0.1%
Christies Beach	5165	3.7% (April 2017)	1.0% ↓ 0.6%
Noarlunga	5167	4.0% (May 2016)	1.1% ↓ 0.0%
	5168	1.6% (July 2015)	0.4% ↓ 0.1%

Source: SQM Research, Residential Vacancy Rates by Postcode, https://sqmresearch.com.au/graph_vacancy.php

In addition, market estimates of demand for rental properties in metropolitan capital cities are also forecast to increase in light of the resurgence of both overseas students and immigrants moving to Australia, following the lifting of restrictions associated with the COVID-19 pandemic.⁵

Furthermore, real estate market analysts, CoreLogic, do not expect that this increase in housing demand will be met with an immediate corresponding increase in rental supply, resulting in rising rental costs and “a worsening of social issues associated with unaffordable accommodation costs.”⁶

³ Australian Bureau of Statistics, 'Wage Price Index, Australia', Reference period: December 2022, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release#:~:text=Annual%20growth%20lifts%20across%20private,rose%200.7%25%20over%20the%20quarter>.

⁴ See: <https://www.suburbsfinder.com.au/resources/vacancy-rate-explained-what-is-a-healthy-vacancy-rate/>; John Collett, 'Low vacancy rates mean rental crisis will last', *Sydney Morning Herald*, 14 June 2022, <https://www.smh.com.au/money/planning-and-budgeting/low-vacancy-rates-mean-rental-crisis-will-last-20220614-p5athe.html>

⁵ Net overseas migration is forecast to return to the pre-pandemic rate of 235,000 per year in 2022-23, having been at the rate of 150,000 in 2021-22. Australian Government, *Budget October 2022-23: Building a better future*, October 2022, p. 62, https://budget.gov.au/2022-23-october/content/overview/download/budget_overview.pdf

⁶ Corelogic, 'Hedonic Home Value Index', National Media Release, 1 February 2023, pp. 4-5.

Housing supply in Greater Adelaide

Despite evidence of rising dwelling prices and a tightening of the residential real estate market in metropolitan Adelaide, there is little evidence that a lack of land supply for residential development is significantly contributing to this policy challenge.

The South Australian Government's Planning and Land Use Services (PLUS) periodically conduct a Land Supply Report for Greater Adelaide, which: "provides a point in time analysis of residential and employment land development trends, projected demand and land supply in Greater Adelaide. This information ... [is] used as an evidence base to determine the capacity of the land use planning system to provide an adequate supply of appropriate land to meet market demand."⁷

The current Land Supply Report was published in June 2021 and is applied to the period 2020-2030. The Greater Adelaide Planning Region includes the Adelaide Hills, Fleurieu Peninsula, Murray Bridge, Northern Plains and Barossa areas.

Based upon analysis of previous urban residential development trends over the period 2010-2020 and likely population growth scenarios, the Land Supply Report estimates the likely future demand for residential dwellings in the Greater Adelaide Planning Region for both greenfield and urban infill dwellings. The Land Supply Report then compares these figures to the available land supply for each dwelling type.

When calculating the available land supply, greenfield land is separated into broadhectare land in existing residential zones, and broadhectare land identified for future urban growth in *The 30-Year Plan for Greater Adelaide - 2017 Update*.⁸ For urban infill developments the supply of available land is calculated by taking into consideration current zoning and planning policies, as well as the economic incentive to demolish existing dwellings and subdivide blocks for infill development.⁹

The Land Supply Report estimates that according to a medium-growth population scenario, the Greater Adelaide Planning Region will require 63,600 additional residential dwellings by 2030, rising to 88,800 under a high-growth scenario.¹⁰ This converts to an estimated demand for 20,400 greenfield dwellings under a medium-growth scenario and 28,400 under a high-growth scenario,¹¹ and 41,550 urban infill dwellings under a medium-growth scenario and 58,500 under a high-growth scenario.¹²

In meeting this demand, the Land Supply Report documents that there are 82,000 lots available for greenfield developments on residential zoned land (126,000 lots if future urban growth areas are included), more than enough to meet the high-growth demand for 28,400 greenfield dwellings by 2030.¹³ Similarly, the 68,200 dwellings which the Land Supply Report estimates are available to be developed through urban infill (supported by current planning and zoning policies) are more than adequate to meet the high-growth demand of 58,500 for urban infill dwellings by 2030.¹⁴

This analysis suggests that the planning policies affecting land use for residential development in the Greater Adelaide Planning Region are not likely to have an adverse effect on housing supply in the period to 2030.

⁷ PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Background and Context*, Attorney General's Department, Government of South Australia, June 2021, p. 1, https://plan.sa.gov.au/_data/assets/pdf_file/0003/830982/Land_Supply_Report_for_Greater_Adelaide_-_Background_and_Context.pdf

⁸ PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Part 1 Greenfield*, Attorney General's Department, Government of South Australia, June 2021, p. 1, https://plan.sa.gov.au/_data/assets/pdf_file/0005/830984/Land_Supply_Report_for_Greater_Adelaide_-_Greenfield.pdf

⁹ PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Part 2 Urban Infill*, Attorney General's Department, Government of South Australia, June 2021, p. 21, https://plan.sa.gov.au/_data/assets/pdf_file/0006/830985/Land_Supply_Report_for_Greater_Adelaide_-_Urban_Infill.pdf

¹⁰ PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Background and Context*, p. 22.

¹¹ PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Part 1 Greenfield*, p. 5.

¹² PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Part 2 Urban Infill*, p. 20.

¹³ PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Part 1 Greenfield*, p. 2.

¹⁴ PlanSA, *Growth Management Program – Land Supply Report for Greater Adelaide: Part 2 Urban Infill*, p. 21.

Experience in regional council areas

Across the state, regional housing markets have experienced a tightening in their rental stock – from already low levels – and many council areas continue to experience double-digit increases in house values, despite slowing growth in most other inter-state regional housing markets.

Corelogic's non-capital city regional index (Australia-wide) recorded a significant increase during the COVID-19 pandemic in median dwelling values of 41.6 per cent, followed by a decline in this measure of 7.4 per cent since its June 2022 peak.

As Table 4 illustrates, however, the recent reductions in dwelling values experienced in other jurisdictions have not been replicated in much of regional South Australia. Instead, many regional SA council areas have experienced double-digit increases in median housing values over the past 12 months to January 2023.

Evidence of increased regional housing demand is also evident from the extremely low (or non-existent) rental vacancy rates in key townships within these high-growth real estate markets. However, it is noteworthy that in many of these townships – although not all – rental vacancy rates were already below 3 per cent prior to the COVID-19 pandemic.

Key market analysts do not believe that housing supply in regional areas will keep pace with demand in the immediate future. For instance, CoreLogic Research Director, Tim Lawless, believes that figures such as those in Table 4 represent: “a structural shift in the underlying demand profile [for regional dwelling stock]. With more Australians willing to base themselves outside of the capital cities and remote working remaining a viable option across some sectors of the labour force, it's unlikely we'll see a mass exodus from regional markets.”¹⁵

Table 4: Regional SA council median housing value growth¹⁶ and rental vacancies

Legatus Region (Barossa, Light, Mid North & Yorke Peninsula)			
Council	Median Value	Annual change	Town (postcode): Rental Vacancy Rates (Feb 2020) & (Jan 2023)
Barossa (DC)	\$542,830	19.5%	Tanunda (5352): 1.7% ↓ 0.5% Angaston (5353): 1.2% ↓ 0.4% Nuriootpa (5355): 1.7% ↓ 0.3%
Light (RC)	\$539,013	17.3%	Freeling (5372): 1.6% ↓ 0.0% Kapunda (5373): 0.4% ↓ 0.0%
Yorke Peninsula (DC)	\$346,702	14.1%	Ardrossan (5571): 3.5% ↓ 0.0% Maitland (5573): 0.9% ↓ 0.0%
Copper Coast (DC)	\$373,740	11.1%	Kadina (5554): 2.0% ↓ 0.4% Wallaroo (5556): 2.7% ↓ 0.0% Moonta (5558): 3.3% ↓ 0.0%

¹⁵ Quoted in: Corelogic, 'Hedonic Home Value Index', National Media Release, 1 February 2023, p. 1.

¹⁶ Data is correct at January 2023.

Murraylands & Riverland			
Council	Median Value	Annual change	Town (postcode): Rental Vacancy Rates (Feb 2020) & (Jan 2023)
Murray Bridge (RC)	\$379,519	23.6%	Murray Bridge (5253): 1.9% ↓ 0.2% (5254): 0.9% ↓ 0.0%
Loxton Waikerie (DC)	\$317,187	18.1%	Waikerie (5330): 1.3% ↓ 0.2% Loxton (5333): 2.0% ↓ 0.5%
Mid Murray (DC)	\$350,502	16.0%	Mannum (5238): 4.6% ↓ 2.5%
Coorong (DC)	\$299,978	14.7%	Tailem Bend (5259): 0.8% ↓ 0.0% (5260): 0.5% ↑ 0.6% Meningie (5264): 0.6% ↓ 0.0%
Berri Barmera (DC)	\$295,823	13.2%	Berri (5343): 4.3% ↓ 0.1% Barmera (5345): 2.3% ↓ 0.3%
Renmark Paringa (DC)	\$320,048	10.9%	Paringa (5340): 0.6% ↓ 0.0% Renmark (5341): 0.8% ↓ 0.4%
Limestone Coast			
Council	Median Value	Annual change	Town (postcode): Rental Vacancy Rates (Feb 2020) & (Jan 2023)
Grant (DC)	\$557,929	20.3%	Port MacDonnell (5291): 2.7% ↓ 0.3%
Naracoorte Lucindale (DC)	\$304,987	18.1%	Naracoorte (5271): 0.5% ↓ 0.3% Lucindale (5272): 0.0% - 0.0%
Wattle Range (DC)	\$292,492	17.7%	Penola (5277): 0.3% ↓ 0.0% Millicent (5280): 0.9% ↓ 0.5%
Mount Gambier (C)	\$368,799	15.8%	Mount Gambier (5290): 1.6% ↓ 0.4% (5291): 2.7% ↓ 0.3%
Tatiara (DC)	\$233,694	14.2%	Keith (5267): 0.5% ↓ 0.0% Bordertown (5268): 0.3% ↓ 0.3%
Kingston (DC)	\$384,427	11.6%	Kingston SE (5275): 4.3% ↑ 6.3%

Southern & Hills			
Council	Median Value	Annual change	Town (postcode): Rental Vacancy Rates (Feb 2020) & (Jan 2023)
Yankalilla (DC)	\$588,818	15.7%	Yankalilla (5203): 3.7% ↓ 1.1% Normanville (5204): 4.4% ↓ 1.3%
Alexandrina (DC)	\$604,903	15.0%	Goolwa (5214): 3.4% - 3.4% Strathalbyn (5255): 0.8% ↓ 0.2%
Kangaroo Island (DC)	\$396,932	13.8%	Kingscote (5223): 0.9% ↓ 0.0%
Victor Harbor (C)	\$608,064	13.2%	Victor Harbor (5211): 3.4% ↓ 2.3%
Eyre Peninsula			
Council	Median Value	Annual change	Town (postcode): Rental Vacancy Rates (Feb 2020) & (Jan 2023)
Port Lincoln (C)	\$360,250	14.1%	Port Lincoln (5606): 1.8% ↓ 0.3% (5607): 1.9% ↓ 0.4%
Whyalla (C)	\$216,953	12.0%	Whyalla (5600): 3.0% ↓ 0.5% (5601): 0.0% - 0.0% (5608): 1.3% ↓ 0.2% (5609): 0.6% ↓ 0.3%

Source: CoreLogic, 'Regional Market Update', February 2023; SQM Research, Residential Vacancy Rates by Postcode, https://sqmresearch.com.au/graph_vacancy.php.

Causes of regional housing shortages

Recognising the adverse impact regional housing shortages were having on economic development opportunities, in 2021 the LGA's SAROC Committee commissioned Leonie Boothby & Associates to liaise with councils, State Government agencies, and key stakeholders in the developer and building sectors, to identify the key barriers to regional housing development, develop an advocacy agenda for policy reform, and provide advice to councils on the actions they can take to alleviate housing shortages.

Reporting to the SAROC Committee in May 2022,¹⁷ the industry/council consultation conducted as part of this process identified the following barriers to regional housing development:

- Trades and material shortages in regional areas – exacerbated by the COVID-19 pandemic.
- Difficulties in developers and mortgagors securing housing finance (including the application of high loan-to-value ratios).

¹⁷ The full report provided by Leonie Boothby & Associates can be located as part of the SAROC agenda for the meeting held on 26 May 2022. See: https://www.lga.sa.gov.au/data/assets/pdf_file/0018/1151631/SAROC-Committee-Agenda-26-May-2022.pdf

- The absence of economies of scale in many regional housing markets adding to per dwelling building costs, including costs associated with the extension or establishment of essential services infrastructure.
- Insufficient resourcing and/or expertise in regional councils and amongst other stakeholders to:
 - a. conduct detailed regional housing supply and demand audits; and
 - b. connect this data with commercial partners capable of delivering residential housing projects.

Impacts of Housing Shortages – regional economic opportunities and risks

As part of the LGA's advocacy on regional housing – targeted at both State and Federal governments – the key emphasis has been on the opportunity cost for regional economic development if sufficient worker housing is not delivered.

Referencing the work of Regional Development South Australia (RDSA), published annually in *The Regional Blueprint*, the LGA emphasised that the state-wide regional investment pipeline (public and private sector) had significantly increased from \$27.8 billion (projected over 5 years) in September 2020 to \$44.6 billion in September 2022.¹⁸

The LGA has emphasised that the regional investment pipeline was also widespread throughout SA's regions – from the hydrogen power plant / export facility investments and renewable energy projects on the Eyre Peninsula, to agri-business innovation in the Far North and Riverland regions, and growth in service-related occupations in the tourism, education, healthcare and social assistance sectors in the Limestone Coast, Adelaide Hills, Fleurieu and Kangaroo Island regions.

However, LGA advocacy emphasised that elements of this investment pipeline could be at risk if sufficient worker housing is not delivered.

Policy solutions designed to increase regional housing development – both implemented by councils and reforms advocated by the LGA – are addressed in later sections of this submission.

Local Government Solutions – partnerships, innovations and policy levers

In both metropolitan and regional areas, councils have acted to increase the supply of affordable housing,¹⁹ including in partnership with the State Government, community housing providers and other stakeholders.

Metropolitan councils

Solutions put forward by metropolitan councils include public-private partnerships with community housing providers, in which councils collaborate with the South Australian Government to provide land and essential services infrastructure, and community housing providers develop and manage the rental properties on behalf of councils. Initiatives taken by the City of Salisbury provide an instructive case study.

¹⁸ RDSA, *The Regional Blueprint*, 1 September 2020, <https://www.rdaep.org.au/wp-content/uploads/2020/09/RDSA-Blueprint-condensed-version.pdf>; RDSA, *The Regional Blueprint*, 3rd ed., September 2022, <https://regionaldevelopment.sa.gov.au/wp-content/uploads/2022/09/Regional-Blueprint-2022.pdf>

¹⁹ Housing is conventionally considered 'affordable' if the rent or repayment costs of the tenant/owner are less than 30% of the gross household income for low- and moderate-income earners. See explanation under 'What is affordable housing' at: <https://www.sa.gov.au/topics/business-and-trade/building-industry/planning-professionals/developer-responsibilities-for-affordable-housing#:~:text=Affordable%20housing%20is%20designed%20and,below%20the%20appropriate%20price%20point>

Case Study – City of Salisbury

The City of Salisbury's *Affordable Housing Implementation Plan 2020* notes that Council's "population experiences higher rates of socioeconomic disadvantage when compared to many other areas." This has meant:

- 48 per cent (23,900) of households across the city obtain a weekly income of less than \$1,250 and cannot afford a typical 3-bedroom house with a single garage in a new land division project.
- Housing stress is disproportionately experienced by those members of the community who are renting, with 34.3 per cent (4,974) of the City of Salisbury's renting households experiencing rental stress compared to 31.9 per cent in Greater Adelaide.²⁰

A critical part of Council's solution to this problem has been the 2012 implementation of its Affordable and Community Housing Policy – Development of Surplus Council Owned Land.

This policy effectively matches the South Australian Government's affordable housing policy and commits to a minimum of 15 per cent affordable housing options when surplus Council-owned land is developed for residential purposes and where the site is considered appropriate (i.e., those sites considered to have good access to public transport, activity centres and community services). Where a site is not considered appropriate for the provision of affordable housing, any shortfall may be provided in subsequent developments.²¹

The *Affordable Housing Implementation Plan 2020* documents that under this and other Council policies, every strategic development project seeks to deliver a broad set of objectives:

- Realise development profit returning a commercial return to pay down debt and increase Council's financial capacity to fund major capital projects.
- Delivery of a range of living options, including affordable housing that provides housing choice for the Salisbury community of all ages, backgrounds and budgets.
- Demonstrate best practice design with a high attention to detail setting an improved standard for infill development in Salisbury.
- Integration of projects with the existing community and provision of improved connection and open space areas for new and existing residents.
- Use of Council land holdings to build a pipeline of projects that support the region's economic growth and local construction industry, creating local jobs for local people.
- Partnering with appropriate agencies to deliver social outcomes in terms of access to services and affordable housing for target groups.²²

The Development of Surplus Council Owned Land policy and other initiatives undertaken by the City of Salisbury have delivered a range of low cost and affordable housing solutions including:

- 15 shared equity model affordable homes delivered including 11 homes at Brahma Green, Brahma Lodge where eligibility criteria were set to prospective purchasers and four homes at Greentree Walk, Paralowie.
- \$3.02 million secured from the Commonwealth Government's Housing Affordability Grant Funding program to assist people attain home ownership through \$10,000 - \$12,000 grants.
- Three Habitat for Humanity Homes constructed at Greentree Walk, Paralowie and The Reserve, Salisbury North through the Sweat Equity Model, where Council received full market value for

²⁰ City of Salisbury, *Affordable Housing Implementation Plan 2020*, p. 17, <https://www.salisbury.sa.gov.au/council/council-plans-and-documents/city-management-plans/affordable-housing-implementation-plan>. See also: ECM_4712013_v1_Affordable and Community Housing Policy - Surplus Council Owned Land ([salisbury.sa.gov.au](https://www.salisbury.sa.gov.au))

²¹ City of Salisbury, *Affordable Housing Implementation Plan 2020*, p. 12.

²² *Ibid.*, p. 20.

land but provided flexible settlement terms to support the delivery of housing, with construction commencing under license to occupy arrangements.

- Development of affordable housing products through partnership with building companies e.g., low-cost apartments at The Reserve, Salisbury North where Council sold a community title development site.
- A development partnership and associated development agreement between City of Salisbury and building companies to deliver custom-designed integrated small lot housing products. “Jewel Living” at Boardwalk at Greentree, Paralowie featured a starting house and land price of \$229,000 and was awarded the Urban Development Institute of Australia National Affordable Development Award 2019 for affordable housing product development through partnership.
- Delivery of a range of affordable housing packages and land advertised to eligible buyers through the South Australian Government’s Affordable Housing Program and via Homestart Finance.²³

Regional councils

To alleviate some of the regional housing barriers identified above, several regional South Australian councils have implemented various policy interventions to boost housing supply in their areas.

Examples include:

- Renmark Paringa Council have offered rate rebates to encourage subdivided land purchases, to reduce developer risk.
- Southern Mallee District Council have offered rate rebates to encourage employer investment in housing.
- District Council of Karoonda East Murray have significantly subsidised the sale of surplus council-owned land and underwritten building contracts for new resident homebuyers.
- Tatiara District Council have built accommodation units at Bordertown Caravan Park and partnered with Unity Housing to build affordable rental housing.

At a larger, cross-regional scale, the Coorong District Council, Naracoorte Lucindale Council, Southern Mallee District Council and Tatiara District Council are currently working collaboratively with Civitas Solutions on a Joint Cooperative Housing Project targeted at alleviating the identified housing shortages experienced in their council areas (see Table 5 below).

The Joint Cooperative Housing Project is exploring opportunities to coordinate housing projects across townships to achieve economies of scale and reduce building costs which might otherwise scuttle housing developments. Innovative construction methods, such as 3D printing of materials, are also being explored to avoid supply constraints.

Table 5: Identified worker housing shortages in Joint Cooperative Housing Project townships.

Town	Advertised Jobs	No. of properties for rent	No. of properties for sale
Tintinara / Coonalpyn (Coorong DC)	31	0	0
Keith (Tatiara DC)	43	2	8
Bordertown (Tatiara DC)	39	2	13

²³ *Ibid.*, pp. 20-1.

Lameroo & Pinnaroo (Southern Mallee DC)	18	0	9
Naracoorte (Naracoorte Lucindale Council)	49	4	19

Source: Data provided by participating councils was collated in June 2022.

A previous case study provides another example of how cross-regional action can make housing developments in small regional townships viable. However, this case study has also been used by the LGA in advocacy for reformed policy settings.

Unity Housing, a community housing provider, led a project to build affordable worker housing in various Mid North townships. The project cost approximately \$22 million and construction was completed in December 2014 on 102 new houses across 11 townships.

Through this project, Unity Housing worked in partnership with Mid North councils, RDA Yorke and Mid North, the South Australian Government, and local landowners to provide worker housing in relatively small townships such as Laura and Burra – home to iconic brands such as Golden North Ice Cream and tourist destinations which add significantly to the state's cultural and economic fabric.

This case study highlights how each stakeholder contributed assets, expertise, tax exemptions, and available grant funding to make the developments viable (see Table 7 below).

In doing so, the case study has been used by the LGA to emphasise that without the reinstatement of targeted investor subsidies – such the National Rental Affordability Scheme (NRAS) (curtailed for new projects in the Australian Government's 2014-15 Budget)²⁴ – projects like that led by Unity Housing may not prove economically viable in the future.

Table 6: Unity Housing Mid North worker housing project – stakeholder contributions

Organisation	Contribution
Unity Housing	Project lead. Able to access large quantities of finance capital with their extensive asset base. Community Housing Provider status entitles GST and Land Tax exemptions.
RDA Yorke and Mid North	Sourced grant funding of \$5 million from Regional Development Australia Fund (discontinued). Sourced 85% regional suppliers / tradespeople.
South Australian Government	Provided 1/3 of land used. Provided a disability access grant. Provided solar (PV) incentive subsidy.
Australian Government	Provided financial assistance through the National Rental Affordability Scheme.
Regional councils	5 regional councils released land for the project at no cost.
Private landholders	Sold land to the project.
HomeStart Finance	Financed 50% of the project's costs (principal and interest on a 25-year loan).

²⁴ The NRAS was designed to incentivise investment in affordable rental accommodation – defined as at least 20 per cent below market rates – through the provision of various investor subsidies. See: Department of Social Services, Australian Government, 'Management and compliance of NRAS dwellings', <https://www.dss.gov.au/housing-support-programs-services-housing-national-rental-affordability-scheme/management-and-compliance-of-nras-dwellings>

Policy Reforms – LGA advocacy and State Government regional housing announcements

LGA advocacy on regional housing

Based on LGA analysis of the key barriers to regional housing development, and the lessons learnt from previous council actions, the LGA's advocacy to State Government for policy reform consolidated around the following 4 key requests:

1. State and local government work to leverage existing Federal Government commitments for the benefit of regional SA, particularly access to the \$1 billion available in grant and loan funding through the National Housing Infrastructure Facility needed to subsidise the establishment or expansion of essential services infrastructure.
2. State and local government support the Federal Government's establishment of a rental investor subsidy scheme to incentivise investment in rental housing at below market rates.
3. The State Government establish and lead a Strategic Regional Housing Program that brings together government, industry, business, RDAs and councils to:
 - Unlock housing data and map the problem.
 - Recommend policy reform.
 - Develop a roadmap of housing projects to be piloted and implemented.
 - Release a statewide strategy on regional housing.
4. Further expand the role of Renewal SA to lead regional case management, identifying projects, partners and delivery models to complement their remit in affordable housing.

These advocacy requests have been presented to both the State and Federal governments through the LGA's 2022 State Election Platform, *Local Voices for a resilient South Australia*,²⁵ targeted correspondence to State and Federal government ministers (dated August 2022) from the former Chair of the SAROC Committee, Mayor Erika Vickery OAM, and an appearance before State Cabinet on 21 November 2022.

State Government regional housing announcements

In this context, the LGA has welcomed the State Government's establishment of the Office for Regional Housing within Renewal SA.

The office will administer a Regional Key Worker Housing Scheme, which will aim to create a continuous pipeline of homes and, in the first instance, facilitate the delivery of housing to attract and retain police, teachers and healthcare workers in key country areas.

A pilot program will be immediately rolled out to deliver approximately 30 homes across the Copper Coast and Riverland regions, as well as in Mount Gambier, Port Augusta and Ceduna.

Houses delivered under the scheme may be sold to private investors under long-term lease arrangements and the construction of these homes is expected to reduce pressure on the private rental market.

The learnings generated through the pilot will help the State Government understand how best to scale up and expand this scheme to other regions across the state.

²⁵ https://www.lga.sa.gov.au/data/assets/pdf_file/0020/1084241/LGA_State_Election_Platform_Web.pdf

The Office for Regional Housing will also open a process for councils, regional employers, developers, and other stakeholders to have regional housing project proposals assessed and connected with commercial partners where they can contribute to strategic and economic objectives.²⁶

This is an open pathway to State Government resourcing and expertise that was not previously available and answered a key advocacy request put forward by the LGA (see above).

The LGA has been advised that the Office for Regional Housing will operate as a “one-stop-shop” for key stakeholders interested in partnering to alleviate regional housing shortages, including enquiries about how regulatory impediments to regional housing can be amended or removed, where appropriate.

The Office for Regional Housing will expect councils and other stakeholders, which decide to lodge regional housing project proposals, to have collated sufficient regional housing supply and demand data for their proposals to be well understood and their viability and opportunities for commercial partnerships rigorously assessed.

The LGA is working with the Office for Regional Housing to ensure that this process is well understood by councils.

Ongoing Opportunities – SA leveraging Australian Government funding and programs

Beyond the State Government’s regional housing announcements, the LGA looks forward to working with the State Government to ensure South Australia receives its fair share of funding from the Federal Government’s various housing programs. These include:

- The \$1 billion available in grant and loan funding through the National Housing Infrastructure Facility, administered by the National Housing Finance and Investment Corporation (NHIFC), for the expansion or establishment of housing-enabling infrastructure.²⁷
- The \$10 billion Housing Australia Future Fund, used to build 30,000 social and affordable homes over its first 5 years.²⁸
- The Housing Accord, which will deliver \$350 million over 5 years from 2024–25 to support the funding of an additional 10,000 affordable homes.²⁹
- The Regional First Home Buyers Guarantee to support regional residents to purchase their first home with a minimum 5 per cent deposit, with 10,000 places per year to 30 June 2026.³⁰

In addition, the LGA welcomes the appointment of David O’Loughlin to the six-member interim National Housing Supply and Affordability Council.

Mr O’Loughlin is a former Mayor of the City of Prospect, a former President of both the LGA and ALGA, and has extensive experience in various other roles associated with land-use planning, development, and construction.

His appointment secures a strong voice for the local government sector and South Australia to ensure that the barriers to regional housing construction – amongst other issues – are well understood and appropriate remedial policies canvassed.

²⁶ Details of the programs administered by the Office for Regional Housing can be found at: <https://renewalsa.sa.gov.au/office-for-regional-housing/>

²⁷ See: <https://www.nhifc.gov.au/national-housing-infrastructure-facility-critical-infrastructure-nhif-ci>

²⁸ See: <https://ministers.treasury.gov.au/ministers/julie-collins-2022/media-releases/housing-australia-future-fund-draft-legislation>

²⁹ See: <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/national-housing-accord-working-together-help-tackle>

³⁰ See: <https://www.nhifc.gov.au/support-buy-home/regional-first-home-buyer-guarantee>

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