

EMBARGOED: FEBRUARY 27, 2019

Report finds fixing the housing crisis is a valuable multibillion-dollar infrastructure investment for NSW

The state's dysfunctional housing system is costing NSW billions in lost labour supply and lower productivity and at the same time workers are losing out on significant potential extra income, a new study by the UNSW City Futures Research Centre shows.

The *Strengthening Economic Cases for Housing* report models the economic impacts of a housing investment programme, an approach that's widely taken for other essential infrastructure such as roads and public transport.

The study modelled and compared the outcomes for an identical group of people living in Sydney neighbourhoods that were (1) far away or (2) close by to a range of jobs and services.

It also factored the cost to government of investing in 125,000 new affordable rented homes over ten years in well-located neighbourhoods. The results are great news for both the individuals and the NSW economy.

Key findings include:

- Individual workers could save the equivalent of **\$2,500 per year** in travel time through shorter commute times, and with half the saved time used for working this would lead to extra **\$1.13 billion** of labour supply for the growing NSW economy;
- Moving workers closer to a wider range of jobs will see their skills better used and **their incomes increased by between \$12,000 to \$41,000 more a year** (depending on their qualifications) by locating to neighbourhoods with job densities;
- These increased earnings should lead to a **\$17.57 billion boost to the economy over 40 years**. This represents a major productivity gain;
- Even after factoring in the \$7.8 billion it will cost to invest in 125,000 affordable rented homes over 10 years, **the economy would still be around \$12 billion better off**.

Lead researcher Professor Duncan Maclennan said the findings are clear evidence that governments must start treating housing as economic infrastructure, rather than simply a social or public good.

"It's clear that investing in housing provides far more economic benefit than it costs and it is clear that Sydney can not keep taking it's business as usual approach to pushing development out to the fringes of the city where there isn't the jobs or infrastructure to support it," Professor Maclennan said.

"When governments spend money on investments like roads, schools and affordable housing, the gains of these projects are not easy to identify.

"But when investment creates new and better ways of doing things it's described as increasing productivity – and that kind of investment helps not just individuals but lifts the whole economy.

"With so many Sydneysiders pushed further away from work, paying rents above 30 per cent of their incomes to the tune of just under \$6000 every year it would be difficult to understand a failure to act at State and Federal levels.

"Supporting affordable housing in the right places for Sydney households below median incomes has a large, lasting and plausible growth and productivity impact on at least a par with transport infrastructure and far outweighing the cost to government."

The study was jointly commissioned by organisations from the private sector, not for profits and government all with an interest in seeing the housing system recognised as of fundamental importance to a healthy economy.

It is an important step forward in the way that housing sectors, in Australia and elsewhere, makes cases for government support for housing.

Quotes attributable to Wendy Hayhurst, CEO CHIA NSW:

“We have always known that everybody needs secure and affordable housing – it is the foundation on which people can go on to do all the other important things in life including contributing to the country’s economic well being. What this work shows is that by failing to properly invest in affordable housing we are throwing away potentially billions in lost income. The good news is, we now have the evidence that should convince governments to treat housing as a priority for future infrastructure investment.”

Quotes attributable to Andrew Cairns, CEO Community Sector Banking

“The clear message from this challenging and thought-provoking report is this: housing policy can no longer be stand-alone – to better address the burgeoning issues of housing availability and affordability, housing must be fully integrated with infrastructure, employment and economic policy setting.”

Quotes attributable to Jane Fitzgerald, Property Council NSW Executive Director:

“This ground-breaking research provides clear new evidence that if you put housing in the right places and encourage good growth, then there will be better economic outcomes for residents, an increase in productivity and our economy grows – our policy makers would do well to sit up and take notice and refocus their approach to housing in NSW.”

Quotes attributable to Karen Walsh, Shelter NSW CEO:

“We sometimes hear about the property ‘wealth effect’ and how important that is for the economy. We expect that’s lost its meaning for the large number of people who will be renting long into their working lives, because home-ownership remains out of reach.

“Thinking instead about the ‘productivity effect’ of well-located and affordable housing opens up some very interesting and important conversations. We’re very pleased to have supported this research, which prompts us to consider how we might all be a little better off if we took a somewhat different approach to housing.”

The full report is at <https://cityfutures.be.unsw.edu.au/research/projects/strengthening-economic-cases-housing-productivity-gains-better-housing-outcomes/>

Media contacts: Jenny Stokes 0478 504 280; UNSW Diane Nazaroff 0424 479 199