Transcript: Housing Affordability Report Launch 2024

Eliza Owen: For those who don't know me, I'm Eliza Owen – I head up Core Logic's research segment for Australia, and I'm also the author of the Housing Affordability report with ANZ. This is a real pleasure to be able to showcase the research with ANZ, and it's a great partnership that we value a great deal, and it's critically important to our housing conversation. I wanted to start off by, just giving a bit of an overview of what the housing affordability measures look like form Core Logic. If you are familiar with Core Logic data, you would know that we update home value data and rent value data on a monthly basis. But, the value of housing and rents only really tells us part of the story when it comes to affordability. The other big component there is income. So, in order to get a more timely source of income, we developed this partnership, a while back, with the ANU Social Centre for Research and Methods. And they're able to model on quarterly basis, the gross household income level for the median segment of the market, but also for lower income, higher income segments, and by more detailed geographies as well. So, combining all of that data together, we can get a really rich understanding of variations in affordability and housing and rent values relative to income, which is incredibly important. So, in terms of what those metrics are in that we're able to deliver, we have four main metrics. So, there is the 'value to income ratio', at the national median level, we found that gross household income went into the median dwelling value 7.7 times. There is the 'years to save a twenty per cent deposit', which nationally, and this is based on a 15% annual savings rate, is sitting at about 10.3 years. We have the portion of income that would be required to service median rents, which is currently sitting at a record high 32%. And the portion of income required to service a new mortgage, so this is making assumptions around 20% deposit, median dwelling value and current average interest rates for owner occupiers – so working with 6.27%, and that hypothetical, is sitting at just under 50%. That's not actually what is probably happening, the median household is probably not spending 50% of their income on their mortgage, but what it does tell us is that the median household, in terms of income, is probably not purchasing the median dwelling either. So, the focus for this particular edition of the report really came down to those two last aspects, the serviceability of rents and mortgage costs, which over the past four years, sort of at our four-year anniversary from the onset of the pandemic, have shifted higher. For servicing rents, we've seen the portion of income required at the median level has shifted from the 20% range to now firmly in the 30%. And for mortgage serviceability, we've gone from the 30s to well into the 40% range. So that's sort of the overarching theme of the report. So, in terms of starting to look at rising rental costs, the portion of income to service rent nationally, median level sitting at 32%, so at a series high, it's also at a series high for the combined regions and combined capital cities of Australia as well. This comes off the back of a massive investment boom through the twenty-tens, and structurally lower interest rates throughout the twenty-tens in the wake of the GFC, which meant that we essentially had a lot of housing supply and pushed rental values down and pushed rental costs down as a part of our income. It's not to say that the rental market was perfect, but it was relatively affordable, at least for that median income level. So, in terms of how that rental cost has become elevated, I thought it would be worthwhile just going over, again, some of the charts from our report that look at the annual growth in rents for house and unit values across Australia over time. The graph on the right-hand side is showing the median indexed value. So that's basically applying that growth rate to the median house and unit rent over time. And you can see an extraordinary uplift in both house and unit rents, it really takes off from that pandemic period. Through the pandemic period, we got various shocks to supply and demand in our rental market in particular. We know a lot of share houses broke up, and people spread out across the rental market, which added to demand. Later on, as we saw more inflationary pressures across the market and a subsequent rise in the cash rate. We saw a period of investors dropping out of the market, and that disrupted supply. And of course, more recently, the opening of Australian borders to overseas arrivals, which has had a very acute impact on the rental market in particular, when most of your overseas arrivals are renting. More recently, we've seen a reacceleration in the growth rate in the orange line there. So that's your annual growth in house rents. And it's a bit concerning to see that after such a stark uplift in rent growth, we would actually be seeing house rents reaccelerating recently. And that's lifting the overall growth in rents across the country. We think it could be perhaps more sharehousing, perhaps people being priced out from inner city markets once again, with the return of overseas students for example, and people looking to outer suburban, more affordable markets, which tend to have more houses, increasing demand in the sector. Now, another really important aspect of the rental analysis from this report was looking at the different income tiers, because what we found, and especially when you're talking about a median income household, they might not actually be that likely to rent at that income level. They could be maybe more likely to own. And when we talk about broadly this housing crisis, the epicentre of the really critical stage of housing is, that very delicate balance between being in and out of the private rental market. And that is where lower income households tend to get a bit stuck. So what we've done in this analysis is looked at the portion of income required to service rents. And for income and rent, we've looked at the 25th percentile, the median, which is what we saw in the graph before, and that yellow line down the bottom is the 75th percentile, so the higher income segment. And there's a summary of the various income levels, rent levels and how the rent to income ratio has changed over time. It's very obvious that the biggest deterioration in rental affordability has been among that lower income segment of the market, that 25th percentile of income and rent. And we've seen a deterioration of 11 percentage points since the onset of Covid. And in the report, we talk about how in the last year alone and, ending March, that 25th percentile rent income increased $53 a week over the past year. And to put that in perspective, that's higher than what we saw in the Fair Work commissions increase to the minimum wage in in this financial year of $48 week. So, it becomes very difficult to support low-income households with higher income support or increases to the minimum wage when you've got such a tight rental market environment that is absorbing a lot of these growths in income. We also saw this at a market level. So this chart is showing the various SA3 markets across Australia, our rent markets. And the axis along the bottom is what the weekly rent was in March 2020. And the axis along the side is how much rent values have grown in these markets over time. And the trend of the graph is basically showing that the cheaper the market was at the onset of the pandemic, the higher the rate of growth it had in the past four years. So, examples that come to mind areas of regional Tasmania, for example, we've seen an increase in Bunbury in WA, rent values there have increased about 60%. And we’ve also seen increases in some of the mining markets as well, because the mining sector was more sort of in the doldrums at the onset of the pandemic, so a lot of rental markets in those segments were cheaper. So, the Pilbara East market, for example, has seen the largest increase in rent values over the past four years, up 67%. Now, part of the reason we think that there's been this cascading pressure to the lower end of the rental market is because the composition of the rental market has changed over time, as rates of home ownership have declined. It means that your rental market starts to look older and starts to look wealthier. This chart, which was featured in a recent AHURI report, showcases the share of different income groups, as part of the private rental market over time. So, you can see it's only 2021 dollars to account for inflation. But you can see at the very end there that grouping of incomes of 140,000 per year or more that went from making up 8% of the private rental market back in the mid-90s to almost a quarter of the rental market today. So basically, this data is reinforcing the idea that wealthier Australians are also relying on the private rental market over time if they missed out on home ownership. Now, as noted in the Productivity Commission's review of the Housing and Homelessness agreement in 2022, when you have higher income households facing an increase in rent, they can move to the next affordable market. But when you get down to the very low-income segment of the market, there are less options for them. And this is where we have been seeing an increase in insecure housing, overcrowded housing, reliance on homelessness services. And that's what we're really talking about when we refer to the housing crisis, the rental crisis and, and the epicentre of where that is. Moving on to mortgage serviceability. Also, at record highs. We see this sitting at just under 50% of the median household income nationally. And again, this is off the back of a long period of time where, again, the structural lowering of interest rates in the wake of the GFC actually kept mortgage serviceability at a relatively affordable level of around 34% for the median household income across Australia. Now that we've seen this kind of limiting in borrowing capacity from rising cash rate, rising interest rates, there's a squeeze on what people can actually afford versus what housing costs. And another piece of analysis that's featured in this report is looking at that over time. So the blue line in these charts represent the purchase price that would be affordable for the median income household at 30% of income on the left hand side and 40% of income on the right hand side. And then overlaid with that, the yellow line, the orange line, you've got the median house and unit value in Australia. So, to give us some perspective, the purchase value that would be affordable for a median income on 30% serviceability, prior to rate rises was sitting at about $725,000 when the cash rate was at that record. But since rates have shifted higher, that affordable purchase level has come down to $500,000. But the median house value in Australia, is $833,000. The median unit value is $640,000. So, this suggests that at least if you're doing it off your own back with a 20% despite, average owner occupier rates, that level that you're able to purchase at becomes really limited. So, we estimate that at 30% of serviceability, you can probably afford that that $500,000 level, represents about 17% of where CoreLogic would value housing stock right now. That increases to 37% of the stock. If you can extend your mortgage serviceability to 40% of income, which is not doable for all households, but for the median or higher end, might be feasible. So that represents kind of the squeeze on serviceability. And then also in this report we've talked about years to save the deposit. If we think about the increase in housing values, that's really what tends to drive up the amount of time taken to save a deposit. And in line with the fact that we've seen about a 33% increase in housing values since the onset of the pandemic, that has expanded to over ten years. So, let's go through a little bit about the Brisbane market just in these last couple of minutes. Zooming in a bit more around how Queensland compares. When we look at Brisbane in terms of the 8 capital city markets, the Brissy market is generally the third least affordable when it comes to your purchasing metrics. So, it sits behind Sydney, obviously, and then Adelaide is actually the second least affordable city by incomes and home values. And then behind that, years to save a deposit across Brisbane is sitting at 10.2 years, serviceability at 48% of income. Portion of income servicing rent is a little bit lower, about 31%. But when we get into some of the submarkets of Queensland as well. It's clear that, again, things are much more critical here on the Gold Coast and on the Sunshine Coast as well. These are truly the markets that have seen the biggest deterioration in affordability across Queensland in recent years. Expanding on what Shayne was saying earlier about the migration trends for Queensland that have pushed up housing values over time. We talk a lot about net overseas migration and the impact that that has on the market. That's very high for Queensland over the past year, sitting at a net addition of 90,000 people in the year to September last year. But look at that graph on the left-hand side, the interstate migration trend. You can see that increases in population to Queensland have been almost inverse to that loss across New South Wales, Victoria, and it's clear that during the pandemic there was a massive uplift in interstate migration. At its peak, it was sitting at about 50,000 people added from other states and territories in the 2021 calendar year, 50,000. That follows a historic pre-COVID average decade average of 12,000 people a year. So, you think about that in terms of the demand shock, the fact that your planners and councils and real estate agents would not have expected that level of demand by the longer-term history of migration. And then add to that more recently the surge in net overseas migration. So, you're looking at a situation where in the past year to September, it implies an increase from migration to Queensland of 120,000 people. If we consider the average, 2.5 people per dwelling, that suggests a need of about 48,000 additional dwellings in a year. In a year where we completed about 34,000 across the state. And that's not counting new household formation from people moving out of home. This is just from the migration position. That gives you an idea of where all this immense growth in rents and housing is coming from. So this is a set of charts looking at the median indexed value of weekly rents over time across the submarkets of Queensland. So, we've got Greater Brisbane there, but you can see how the Gold Coast and Sunshine Coast have taken off with the biggest increases since the onset of Covid. Gold Coast rents up about 48%. Sunshine coast rents up 43%. Wide Bay also had substantial increases at 47% in the past four years. And so, this is reflected in the affordability metrics of portion of income required to service rent. So, you can see Gold Coast, Sunshine Coast of Whitehaven kind of taking off. We also saw that, like with the national picture, the lower income and lower rental segment had the biggest deteriorations in rental affordability. Across Brisbane, the 25th percentile affordability metric has deteriorated about 11 percentage points, in the rest of Queensland it's 13 percentage points. Sorry, to rush through, just conscious of time. But again, to give you some perspective on the value increase across the Brisbane and rest of Queensland market since the onset of the pandemic, these accumulative growth rates in city and regional markets since March 2020. And again, it is that combination of all of the growth factors that we saw through Covid, record fiscal stimulus, the peace time and low interest rates and more recently, the strong return of overseas migration but added to that, the internal migration and the relative appeal, even for local incomes, Brisbane and Queensland is looking unaffordable, for the southern states it might actually still look quite viable. And then just again, to kind of illustrate this, this is the suburb map of 12-month growth in dwelling values over the past year. The darker the blue colour, the higher the rate of growth indicated for the past 12 months. So, you can see across the board a very strong growth rate there as well. We've also seen that that high value growth has added to the deposit total. So, we've seen about a three-year uplift to the deposit total in Gold Coast, in the Sunshine Coast. And to, sort of wrap it up as well, just the exorbitant increases to serviceability, across Brisbane, but also, Gold Coast and Sunshine Coast, which have seen 20 percentage points added to the cost of service the mortgage, relative to the decade average. Now, unfortunately, that's where my presentation ends, leaving us on a bit of a downer and also a data disclaimer, which I have to include, but, I'm really excited for our panel discussion today. I think that's going to, hopefully focus a little bit more on the challenges and tackling the challenges associated with prohibitive housing costs and how we can make our housing system better. Thank you so much.

Richard Yetsenga: People always want to talk about what's wrong. When people ask me what the biggest risks are, they want me to talk about things that are going to be really troublesome from a kind of lack of demand perspective, but actually, I think the world's in pretty good economic shape. Doesn't mean there are things that we shouldn't worry about. There obviously are, climate change is an enormous challenge, which we're all trying to work out. We're in an environment of, unfortunately, military conflicts – the economic reality of those so far is that, apart from some impacts on commodity prices, the broad transmission channel actually has been pretty modest. So, obviously fingers crossed that, while they persist, that remains the case. This is the year of elections. More of the world's population votes this year than apparently any other year history. So far, it hasn't been the year of elections surprises really. The transitions of power have been largely expected and largely orderly. Of course, we've got the US presidential election at the end of the year. But even there, if lightning does strike twice, and if forced to choose, I'd say that Biden gets re-elected, again. On that, if Trump does win, the reality is we've had Trump before. We've had populist leaders in places like the Philippines. And they're typically not actually that bad for the economy. I think they rub us up the wrong way sometimes, and they don't make us feel great. And if you're an exporter, sometimes they might be a challenge. If you're an immigrant, they're definitely going to be a challenge. But we shouldn't lose sight of the opportunity because in fact, the global economy this year will grow at about 3%. We call a global recession any global growth below population growth, population growth is about one, so 3% is pretty good. The pre-pandemic average, and in fact, the pre-GFC average for the global economy was about 3.7. So if this year is the weakest year of this mid-cycle slowdown and it’s 3, I think it's a pretty good outcome. The biggest challenge for most businesses that drops out of that is not a lack of demand. And I say that with a particular point of view that the retail sector does have some particular challenges, but for most sectors, this environment is not a challenge of a lack of demand, the challenge is making money given the availability and price of labour and the availability and price of inputs, and that has been the biggest risk and biggest challenge for the last three years. And for the next couple of years, I think it's going to stay the biggest risk and the biggest challenge.

Moderator: Richard has kindly jumped straight to challenges, which I feel is certainly a key topic in Queensland, both in SEQ as well as regional areas. What do you see in terms of heading into this next Queensland election cycle as to the major challenges that are going to need to be addressed when we look at the residential market?

Jess Caire: Yeah thanks Caryn. And can I just commend ANZ on leaning into this conversation and using your voice to try and solve the biggest challenge that Australia is facing at the moment, which is, obviously, boosting our residential supply housing. So yes, we are in an election year here. And as Eliza pointed out, the demand shock for Queensland from interstate migration and international migration, we've got unabating demand. But I think it really highlighted that, there's been a significant lack of investment in supply, particularly in social housing here in Queensland for the past decade and beyond. We’ve got a pretty fast paced regulatory environment leading into that election. We need to make sure that those settings are really certain, in particular for private sector because that's what they rely on in order to make those business confidence decisions. We've got a top-heavy infrastructure pipeline which we’ve borrowed the name from Victoria called the Big Build. People will have seen the impact that that's had in regards to absorbing the workforce, but also increasing the pay, quite substantially, of that workforce. And then that well-documented skills shortage. And I still think we can't underestimate the challenge of getting the community on board about development as well. Whilst that sort of, changing face of homelessness now with say women and children – and women in particular over the age of 55, that fastest growing bracket – there’s still well mobilised, well organised, very vocal groups that are anti-development. And that is a huge issue in particular for local governments when it comes to trying to get developments across the line. So that's just some of the challenges.

Moderator: And look, I might stick with that for a moment because I think we've seen a fascinating movement of both NIMBYs and YIMBYs across the country. Some terrible acronyms going on. But, you know, really this polarisation in the marketplace around whether or not people want more supply, more density, more housing in their backyards or not. How is that playing out in Queensland, especially when we start to think about some of the announcements about the typology of the housing that's anticipated to be delivered.

Jess Caire: There's another acronym, too. And I want to get this right, it’s YIGBY or YITHBY. Yes in faith’s backyard, or yes in God’s backyard, just to throw it out there. I think it's great that there's a growing conversation about the community’s role in this. The community does play a role in ensuring that we can get density. The recently refreshed regional plan had a focus on infill, which means that's going to be happening in people's backyards – 70%. So, some stats here for the Gold Coast, we need to build 7300 new homes every year for the next 22 years here in the Gold Coast to meet the projected population growth. And only 11% of that is going to be detached. So 89% is going to be infill or attached housing across the spectrum from what's called gentle density. I guess smaller infill developments through to your large-scale apartments. The community is going to need to get on board about that, because if we don't, we're not going to meet our targets, which means the situation that we're currently facing is going to be exacerbated. I don't know about you. I'm pretty sure, you're not, I'm not comfortable with people being homeless, in particular women and children.

Moderator: And I think I think to that point, having seen sort of the dramatic impact in terms of what we're seeing in terms of pressure across the system, right. Rental has appeared as a topic in a way it never has before, because we've seen that shift upward in terms of impact. Eliza, we often talk in terms of first home buyers and investors as sort of the dominant features of the health of the market. What do we see as the potential outlook in terms of that, in a situation where we need more density, we need more supply?

Eliza Owen: Yeah. Thanks, Caryn. A question that I often get asked is when does this end? Like, what is the end to this rental crisis? And I think unfortunately, so many of the solutions and just things that need to resolve themselves as well, like a normalisation in the net overseas migration, for example, they take time – when the rental crisis is happening now. And I think, it's just leading to more insecure housing, homelessness, it's also leading to a bit of rebellion. You may have seen more talk of occupied, abandoned homes and that sort of conversation rising as well. So it's almost like triaging the resources to homelessness services and the people that need that support the most – As the sort of short term resolution, or trying to address some of it.

Moderator: Quite significant investment required. I mean, really speaking of investment, Richard, we have seen, in terms of supply that we've seen in Queensland and multiple states falling behind them, and the idea of the rise of the granny flats as solving some part of this housing conundrum. But what are we seeing in terms of the construction numbers that came out last week. What are we seeing in terms of really delivering against this somewhat aspirational $1.2 million homes?

Richard Yetsenga: I mean, it is unfortunately quite depressing. And the response to the depressing kind of, actual delivery of homes is we need to work hard on new supply. We need to work harder on planning restrictions. And, they are useful, but I would say insufficient to resolve this challenge. We're not the only economy trying to build more dwellings. We're not the only economy trying to expand defence spending, trying to expand infrastructure we've got to do the Olympics. We've got a climate transition. Our forward pipeline of work in Australia, so we look at any investment projects with a total spend of over half a billion, Pre-pandemic, that was running at about $40 billion a year, on our numbers that's over $100 billion a year by 25, 26. In fact, when I give those numbers to people in the sector, they say uniformly, no chance. And of that increase from 40 to 100 and change, about half of that is due to the climate transition. And of course, we're still getting going. So I think we will, just my two cents, I don't think we will go anywhere close to genuinely being on the path to resolving this issue until we accept that town planning and new supply are insufficient. Australia has 11 million dwellings for 27 million people. It's not obviously a shortage of dwellings. If you think about crises, you know I'm a macro economist, I think about crises a lot. A) because you want to learn what caused the crisis so much to avoid it, but B) there was always policy experimentation in the crisis, in the pandemic, one of the policy experiments was let's pay firms to keep their workers so that you don't get the separation between workers and firms, which slows the recovery. We go in, we lock everything down, we hibernate, and then we come out. And it worked. In the tech bust in the US, the Fed did quantitative easing. People said you were crazy, but it turned out to be actually, now it's out of the toolkit. In the GFC, governments bought stakes in banks to stabilise the system. You go back to the Asian crisis. We need to label this a crisis. And when you label something, a crisis, then you can start to say rightio. Let's not start by ruling things out. Let's just say everything's on the table and let's actually work out where we can start to have some movement and where we can actually deliver.

Moderator: I think it's safe to say that Queensland has put everything on the table as a state with a series of announceables in the last, sort of three months. What are the elements in that toolkit that you think will unlock some of this challenge?

Jess Caire: Yeah. So, in October 2022, we had our housing summit which acknowledged that we were in the grips of a housing crisis. And so, 18 months into that, we have had a lot of headlines and there has been some traction – the regional plan has been reviewed. That said, the pressure hasn't been converting to the level of stock that we would like. So the housing plan, which was released in February, there's five headline components in that, and we're still working through what the policy looks like. So we're not moving fast enough. And I'd like to think that if everything's on the table, we need to look at how we actually unshackle the private sector to be able to actually deliver given all the things that are happening, including the well-documented skill shortage and the infrastructure pipeline that's being funded by government, how do we make sure that people like residential delivery property has to be a priority. If that's the priority, we can make sure we've got the workers to be able to deliver that. And looking at the tax settings that deter the foreign investment here in Queensland, it's an obvious start. You know, we charge an extra amount for the listed companies that have a portion of foreign investment. How can we attract them here to help deliver apartments on scale so we can get to the 89% infill that we need here in the Gold Coast, Brisbane is the same. We released a report yesterday which shows us that Brisbane's apartment pipeline, it hits a cliff at the end of 2025. These projects take a long time to get out of the ground and we need that institutional investment. So there's asset types like build to rent. So if everything is on the table, this is where we need to make sure governments is looking at policy. Obviously, the planning framework as well, making sure that local government isn't slowing things down, that the state's able to step in and fast track things. And to your point earlier, this is a crisis and we respond, Queenslanders respond, really well to crises. We come together, we're very resilient. We know how to come together. And unfortunately, I think that word it's almost been overused now, people go, oh, well we throw our hands up we're not quite sure what to do about it. Private sector plays an absolutely critical role in it. And we need to have that seat at the table and that voice to make sure that we are delivering. And for us it's about solutions. How can we go to government and say this will work. Whilst I understand the tax setting is not appealing, especially on the front end, to listed companies. The benefit far outweighs the budget in the long run. You're going to get rates in perpetuity, you're going to get land tax. You're going to get people with roofs over their heads. You're going to have the social and economic prosperity that Queensland needs.

Moderator: Most of that early unlocking, right. And being able to unlock infrastructure, land, being here with the pre investment in order to allow larger fraction of institutional investment. I mean, one of the big pieces that we're seeing and I might start with Eliza, is really this issue of having the skills and the capacity. Right. And the competition that we're seeing in the marketplace for those skills and also the ability to let them onshore. So what are some of the challenges that we see that impact the market, you know when we looked at to see immigration as a lever.

Eliza Owen: I guess part of the challenge with immigration is that a relatively small portion of our construction sector is made up of new migrant arrivals, and there are some barriers there when it comes to levies or reskilling that act as a barrier from getting people quickly, from qualified trades overseas, to working in Australia. You could, potentially, revisit those to see if there's something to streamline people into that. And I think as well, again, there's a lot of things where we're still kind of in the grip of Covid, from the material input prices, which for instance, roughly, we estimate the cost of a detached house, an increase of 26% since the start of the pandemic. It's more in, certain states and territories, if you look at the producer price index for the residential construction sector and the subcomponents of that, the only things that are falling are steel, which is down around 12% in the past year, and even that's still up 30% since the pandemic, and timber has started to fall. Everything else is kind of, it's lifted and it's just starting to go sideways. So I imagine time and one of the silver linings in falling approvals over the past year is that the construction sector can start to focus on the backlog of construction work to be done and maybe in a bit of capacity freed up from there. But yeah, there are some things I think that just tend to normalise the further we get from the pandemic.

Moderator: Jess, obviously we've seen some significant challenges here. I mean, one of the big ones is the fact that this is, everything Eliza just pointed out are national issues, right? All the things that are impacting each jurisdiction at the same time. Right. The competition. Where does Queensland differentiate themselves, as someone that is bringing in those net resources or skills.

Jess Caire: Yeah. We're all competing for the same, talent pool. And that is the challenge. And I think that there needs to be a concerted effort, around the skilled migration piece to make sure that we're focusing on the people who can be productive at the moment. When I say productive, as is in actually delivering new houses, and making sure that that is a really targeted federal component. I think what we're seeing at the moment, you know, Western Australia is actively targeting Queensland tradies, I guess as a country we are sabotaging our own success at a national level. But I think there’s a lot of prioritisation required. So we have to think about what that looks like. And I think here the Big Build in particular has really impacted the residential markets capacity because we don't have the depth of tier-two to three builders that perhaps other jurisdictions do. And that's a massive issue when we've got this huge infrastructure pipeline that's absorbing all of our skilled workers, but then also thinking about how do we change that into the future? We have to look at innovating the way that we deliver, and whether that's through modern methods of construction, making sure that we've got the next wave of talent coming through that's able to deliver, whether it's in a warehouse or what does that look like? Because the demand is not going to go away anytime soon. So we kind of all of the levers turned on at the same time.

Moderator: Richard how does this play out to you?

Richard Yetsenga There's obviously a few people involved in the sector in the room, there is a few nods and a few gnashing’s of teeth I’ve noticed as well. I think for those of you who aren't directly involved in the sector, this is a taste of what an ageing demographic looks like. You know, people think about demographics as things that typically move slowly. But we're right in a demographic phase shift in Australia, whether, to just use one stat, The overall 80s population in the last two decades has risen at about 25,000 people a year and starting from 2028, that demographic will be rising at about 65,000 people a year. So this ability to tap into kind of middle aged, mature workers with lots of experience in sectors that take significant skill. I think this talent shortage is quite structural. And you've seen it in the medical care system, specialists after the pandemic decide they don’t want to do five or six days. The garage is full of Porsches, they'll do two or three or four. This shortage of labour, I think, is going to be a permanent thing. And really, what resolves this challenge is the harder we can push on productivity, the less we have to prioritise what we do. And when we talk about productivity as economists and say it's the only sustainable driver of living standards, I think people's eyes kind of glaze over. But what we're talking about is exactly this right now. If we can't get productivity up, we have to choose what we're going to do. And the things we don't do are wages that aren't paid, activity that's not done, profits that aren't earned. And certainly

I think in the public policy debate, there's still so much debate on what a government is doing, defence or housing or infrastructure or something, or climate transition or something else, and not nearly enough discussion about how are we going to make it easier to get all the stuff done. And if we spent more time on that, I think ultimately we'd be wealthier, better off, and also more equal.

Jess Caire: Can I just jump in, you raised a good point about the ageing demographic. And to go back to the housing challenge, it's about making sure that we can make it as easy as possible to move people through the housing typology. So you've got people who are in a four bedroom home who want to downsize. We've got to remove all of those barriers. And I certainly know it's not appealing to give boomers incentives, but how do we make sure people will flow through that system really well, so that they're in the houses that are fit for purpose for them and free up that stock as quickly as possible. I think the whole continuum needs to looked at, at the same time. And I think the challenge that we have is, kind of to your point, we're looking at things in individual silos rather than this holistic ecosystem and in a more coordinated effort.

Moderator: And to that end, are we seeing some opportunities in terms of groups that haven't actively participated in the housing debate, really changing the way that they join in this space? I think of Eliza's presentation earlier in which people are renting for longer, they're making demographic decisions. So I think really focusing on some of that change and how that kind of plays out in a marketplace.

Eliza Owen: Yeah. They're becoming more of a voice, right. They're becoming a bigger part of the political conversation. Just because rates of ownership are declining and the number of renters are rising. So we saw that with the National Cabinet's better deal for renters, and it's good that it's highlighting some of the issues, that even when the rental market was cheap, we still have an issue with, relatively short leases, the quality of the rental housing provided. And these are things that build-to-rent can help to fill the gap on as well in terms of that quality and longevity for people who do not end up not owning a home.

Moderator: I might, conscious of time, what I might ask, in order to us not to have so much gnashing of teeth in this beautiful weather that we're seeing in the Gold Coast, which Richard and I don't get to experience very often. You know, is there one sort of, what I would say is positive outlook, or one silver lining opportunity that we see, sort of in how we start to navigate out of this economic system or through the housing market. Richard, finally, we start with you can try.

Richard Yetsenga No.

Moderator: No more sunlight for you.

Jess Caire: I don't think there's one thing, but I do think there has to be a commitment to boosting supply and removing the roadblocks and giving ourselves permission. When I say ourselves collectively, giving ourselves permission to remove the barriers and to try things that we haven't tried before in order to get supply to market faster.

Eliza Owen: Yeah, I think the recognition of that from government as well has been really uplifting. And the recognition of the affordability challenge, the rise of the voice of renters, those are silver linings. And as I say to some of the issues that might start to gradually unwind, over the next year – inflationary pressures, high interest rate environment, and some of the material costs for the construction sector.

Moderator: If you please, would thank the panel today for…

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