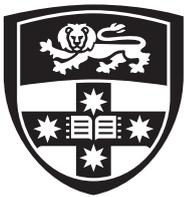




HOUSEMATE

A PROPOSED NATIONAL INSTITUTION
TO BUILD NEW HOMES AND SELL THEM
CHEAP TO ANY CITIZEN WHO DOES NOT
OWN A HOME



THE UNIVERSITY OF
SYDNEY

**The Henry
Halloran Trust**

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Discussion paper



SUMMARY

- In a world of unequal wealth and incomes, market provision of housing usually fails to provide quality housing options to young and low-income households. Like other necessary goods characterised by monopoly, such as healthcare and pharmaceuticals, access to them via pricing creates inherent social challenges.
- Historically, the social challenge of unequal access to housing was solved with public intervention to offer non-market housing at a low regulated price to first time buyers and renters.
- The proposed HouseMate program is a 21st century housing supplier, copying the best features of Singapore's successful public homeownership system, which boosted homeownership from 20% in the 1960s to nearly 90% today.
- HouseMate will sell new homes to eligible Australian citizens at construction cost price, offering them a discounted mortgage, with purchasers able to pay deposit and repayments using their compulsory superannuation contributions.
- This new housing alternative will operate in parallel with the private purchase and rental markets. HouseMate owners will have similar rights and obligations of private homeowners. They will have the right to sell to other HouseMate-eligible buyers after a mandatory occupancy period, and the obligation to maintain the dwelling and pay outgoings.
- The design of HouseMate addresses many housing policy challenges in Australia, including
 - high deposit hurdles for first homebuyers,
 - uncertainty and high rents for low-income households,
 - younger households tying up income in super when homeownership is a higher priority for retirement,
 - price effects and budget costs of subsidies to homebuyers (like FHB grants) and renters (NRAS payments), and
 - limited innovation of design and construction in private housing markets.
- If secure, low-cost housing via homeownership is a policy priority, there is no reason not to try the proposed HouseMate system.



ABOUT THE AUTHOR

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DISCLAIMER

The views and ideas in this report are those of the author and may not in any circumstances be regarded as an official position of any related parties.

COVER ART

AI-generated art from prompt “housemate free dwelling Australia” from <https://app.wombo.art>

TABLE OF CONTENTS

What’s the problem?	3
What’s the solution?	3
Financial breakdown of HouseMate purchase	5
Government budget summary	7
Inspiration	9
Implementation	10
What to expect?	12
FAQ	14
Final note	15
Summary of HouseMate system	16
Appendix	17

REVIEW AND THANKS

A special thanks to the attendees of the HouseMate Expert Policy Workshop on 3 May 2022 who contributed to reviewing the ideas on the initial draft of this discussion paper and added valuable insights, some of which are now incorporated into this final version.



WHAT'S THE PROBLEM?

Housing is one of the biggest worries for Australians, especially renters and new buyers. Yet any policy that significantly reduces the market price of housing—rents or prices—will wipe billions in revenue from landlords and trillions in asset value from all homeowners (currently 65% of Australian households).

Australian homeownership rates declined from 2006 to 2016 (though may have risen recently). Over the longer term, there has been a disproportionate decline in homeownership for younger and poorer households. Households headed by a person aged 25-34 saw homeownership decline from 60% in 1981 to 45% in 2016, while for the households aged 35-44, homeownership declined from 71% to 62% over that period. Households aged over 65 had no declines.¹ The bottom 20% of households by income are spending more on housing rents than ever.²

Young Australian adults, especially parents, face the uncertainty and rising cost of renting that undermines quality of life. Homeownership early in life provides security and stability, which is why it has traditionally been a public policy goal.

WHAT'S THE SOLUTION?

A parallel public homeownership system called HouseMate.

Currently, private rental and housing asset markets are the only two options for Australian households. A parallel housing system can be created to provide another homeownership choice for Australian citizens.

HOUSEMATE OBJECTIVES

1. PROVIDE A DISCOUNTED HOMEOWNERSHIP OPTION TO AUSTRALIAN CITIZENS
2. BUILD NEW HOUSING AND PROMOTE DESIGN AND CONSTRUCTION INNOVATION

All citizens with one household member aged over 24 in a de facto or married relationship, and age 28 for singles, where no household member owns property, are eligible to purchase a new home from HouseMate at construction cost price. This is expected to be \$350,000 on average, nationwide, but more for larger or better dwellings and less for smaller or more remote dwellings.

HouseMate buyers can use their superannuation for both the deposit and ongoing repayment. HouseMate will offer loans to buyers up to a 95% loan-

¹ Hall, A. and M. Thomas. 2019. Declining home ownership rates in Australia. Parliamentary Library Briefing Book 49.

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p/HomeOwnership

² ABS. 2019. Housing Occupancy and Costs. 2017-18. Australian Bureau of Statistics. <https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/latest-release>



to-price ratio, with interest charged at the cash rate plus 1% point. As at June 2022, that would be a mortgage interest rate of 2%, much lower than the prevailing homeowner mortgage rates of 3%.³ This can help buyers repay a mortgage faster.

HouseMate buyers would be required to occupy the home, with limits on leasing and re-sale for seven years. They will own the home freehold just like any other property, paying council rates, insurances, and having responsibility for maintenance and body corporate representation.

Re-sale is possible to the private market after seven years, but this triggers both a waiting period of seven years before that household becomes eligible to access another HouseMate home, and a sell-out fee of 15% of the sale price. Re-sale to another eligible HouseMate buyer can be done after seven years at a negotiated price and maintains eligibility to purchase another HouseMate dwelling immediately.⁴

To gauge the likely size of the HouseMate program, between 80,000 and 170,000 Australian households buy their first home in any given year. Many households will still want to purchase existing homes from the private market rather than buy a dwelling from HouseMate. They certainly can do that.

A share of first home buyers will decide to take up the new HouseMate option, perhaps a third of them. So that makes the expected size of the HouseMate program to be 25,000-35,000 new homes per year. Australia builds about 200,000 new homes per year, so this is about 15% of new homes expected to be supplied by the HouseMate program.⁵ This is roughly the proportion of new homes funded by governments through Commonwealth State Housing Agreements (CSHAs) during the 1950s and 1960s, which took Australian homeownership rates from 53% in 1947 to 71% in 1966.⁶

Across locations some value-equalisation will be required to avoid queuing for preferred HouseMate dwellings. This might mean offering apartments in inner-urban locations, townhouses in middle suburbs, and detached homes in outer suburbs. However, a variety of dwelling sizes and designs can be made available to accommodate different household sizes and types, including for multi-generational households. Variation in development cost for different housing sizes and designs will be reflected in prices offered to

³ RBA. 2021. Indicator Lending Rates – Table F6. Reserve Bank of Australia. <https://www.rba.gov.au/statistics/tables/>

⁴ In practice, buyers can purchase their next HouseMate dwelling before selling their previous one, to allow for relocation time and for repairs and maintenance to be conducted before selling. Buyers are expected to sell their previous dwelling within six months after a second dwelling purchase.

⁵ This will not all be additional construction and many HouseMate buyers will substitute away from buying a privately-developed new home.

⁶ Murray, C., and J. Ryan-Collins. 2020. When homes earn more than jobs: the rentierization of the Australian housing market. <https://doi.org/10.31219/osf.io/8f67h>



buyers. HouseMate can also sell vacant land for housing for an administrative fee only (perhaps less than \$1,000) and offer discounted construction loans to eligible buyers.

On balance, HouseMate provides the land, or location, for free (or nearly free) to eligible citizen buyers, charging only for construction and development cost. This provides a valuable windfall over time to HouseMate buyers (they buy at a heavy discount but can sell at market prices after seven years),⁷ but also represents an economic transfer inherent to the program.

One way to minimise that budget cost of this transfer is to get sites into the program without paying private owners the full market price. A variety of methods are proposed in this report to demonstrate how land input costs can be minimised, reducing the ongoing budgetary expenses of the program.

By creating a finite pool of eligible buyers that do not need to compete with investor buyers, and by operating on the supply-side of the market, HouseMate is able avoid the pitfalls of many housing subsidies that quickly are captured in higher housing prices.

With all large public investment programs there are a variety of risks around competency, incentives, and corruption. Private housing developers will be able to offer projects for tender to HouseMate to provision homes at a set acquisition price if they meet design hurdles. The intention is that construction and design innovation can flow both ways as private developers and the public agency learn how to develop new housing at a large scale. Further details on implementation and institutional design are explained in later sections.

The proposed HouseMate system offers a parallel housing choice for Australians. Like Australia's prized Medicare system offers a parallel choice for essential health services, housing security via access to homeownership for young Australian families can be improved by the HouseMate system.

FINANCIAL BREAKDOWN OF HOUSEMATE PURCHASE

In Table 1 is an indicative financial comparison of a HouseMate purchase compared to a private property purchase for two property types, one suburban (say, a townhouse) and one urban fringe or regional (say a detached house). It shows how different size, type and locations of HouseMate dwellings will be priced differently, but in each case offer massive gains to HouseMate buyers compared to private market alternatives.

⁷ This is a major positive of the HouseMate system—it provides all citizens a share of the property value of the nation through this program. If HouseMate buyers want to sell after a decade, they can then choose to use that windfall financial gain to purchase or rent in the private property market.



There are numerous ways that the HouseMate system benefits buyers. First, the deposit requirement is low and can come from superannuation. This solves a major hurdle for buyers. Most households can save \$10,000 to \$20,000 in superannuation while still in their 20s but may find it near impossible to save a \$100,000 deposit, or more, outside of superannuation.⁸

Since compulsory superannuation payments can be used to repay a HouseMate mortgage, this further reduces the cost of housing. For example, if a household with \$90,000 per year in combined income pays their \$8,500 of compulsory superannuation towards repaying a HouseMate loan, this vastly increases their disposable income after housing costs. In the two examples in Table 1, this household reduces “after super” housing costs by 55% and 95% respectively, increasing their disposable income by a little over \$24,000 pa in both cases.

Second, the low interest rate offered by HouseMate reduces repayments and allows households to repay a mortgage much faster. As a public agency, HouseMate can still make a margin on the interest rate above the cash rate, which contributes to subsidising the HouseMate system. Buyers are of course free to choose to use a mortgage from a private lender.

Together, this financial design means that many more Australian households will be able to purchase homes while maintaining a high standard of living, especially during their 20s and 30s while raising families.

TABLE 1: COMPARISON OF PRICE AND MORTGAGE REPAYMENTS FOR HOUSEMATE AND PRIVATE PURCHASE

	<i>HouseMate</i> <i>(capital city</i> <i>suburban)</i>	<i>Private</i> <i>Purchase</i> <i>(capital city</i> <i>suburban)</i>	<i>HouseMate</i> <i>(urban</i> <i>fringe)</i>	<i>Private</i> <i>Purchase</i> <i>(urban</i> <i>fringe)</i>
Price	\$550,000	\$750,000	\$200,000	\$400,000
Deposit	\$27,500	\$150,000	\$10,000	\$80,000
Loan amount	\$522,500	\$600,000	\$190,000	\$320,000
Interest rate	2.50%	3.50%	2.50%	3.50%
Mortgage repayments from	Super and	Income after	Super and	Income
	income	super	income	after super
Weekly repayment (20yr mortgage)	\$572	\$872	\$208	\$465
Annual repayment	\$29,852	\$45,506	\$10,855	\$24,270
Interest component	\$13,063	\$21,000	\$4,750	\$11,200
Principle component	\$16,789	\$24,506	\$6,105	\$13,070
“After super” cost to household (pa)⁹	\$20,352	\$45,506	\$1,355	\$24,270
HouseMate “after super” cost % saved	55%		95%	

⁸ Since homeownership is a key part of Australia’s retirement system, using super to fund homebuying upfront is a desirable public policy goal. Indeed, it functionally already occurs, with super being used to repay outstanding home loan balances with a lump sum at retirement age.

⁹ Assuming a \$90,000 household income and \$8,550 in super contributions.



If purchasers of HouseMate dwellings decide to sell after the required seven-year mandatory occupancy period, they can receive the market price. However, they are liable for a sell-out fee of 15% of that price payable to HouseMate. They pocket any remaining value difference tax free, just as private property owners can. They can use this money in any way, including putting towards the purchase of a dwelling in the private market. However, they must wait another seven years to be eligible to purchase a HouseMate home again.

If HouseMate owners want to relocate to another HouseMate location, they are eligible to purchase a different HouseMate dwelling if they sell their previous dwelling to an eligible HouseMate buyer. For example, a single person at aged 28 might buy a one- or two-bedroom apartment, but later with a partner and family want to move to a larger HouseMate townhouse in a nearby suburb when in their 30s. Selling to an eligible HouseMate buyer will the price they receive will be lower than selling on the private market. This is because all eligible HouseMate buyers have the option to buy new at a very discounted regulated price.

GOVERNMENT BUDGET SUMMARY

In short, the non-land cost of developing dwellings in the HouseMate system is covered by the purchase price. Only additional land/site costs and further management costs must be funded from other sources. Predominantly this will be from the interest margin on the mortgage business, but it could also be from ongoing federal subsidies to the HouseMate system.

For example, a dwelling with a \$285,000 loan will generate \$34,000 of interest over 20 years, of which \$30,000 will be a margin that goes towards the HouseMate program. As the program expands, so too will outstanding loan balances that generate this revenue.

HouseMate can utilise Australia's existing public bank, the Reserve Bank of Australia, to operate their financing system.

The budgetary costs of HouseMate are further reduced with revenue from the sell-out fee on sales of HouseMate dwellings to the private market. It is proposed that this fee is set at 15% of sale value. On a HouseMate home purchased for \$300,000 and sold after seven years for \$600,000, this amount would be a \$90,000 fee. Initial modelling suggests that if just 2% of dwellings owned longer than seven years are sold to private markets, then it would shave over \$2.7 billion per year in net budgetary cost for the program and as the stock of HouseMate dwellings accumulates after 20 years, lead towards budget neutrality in the long run.

Modelling in Table 2 in the Appendix (p17) shows that the peak *budget gap* for a HouseMate program that ramps up to 30,000 new dwellings per year within six years, is about \$2.7 billion per year when it reaches the maximum rate of new supply. However, the accumulation of loan interest and sell-out fees (even if just 2% of the stock is re-sold to the private



market) means that the budget cost falls as the system matures, with modelling showing less than a one billion annual cost by year twenty.¹⁰

This is an extremely cheap but enormously high value public investment program.

For comparison, public spending on healthcare in Australia is over \$125 billion per year, over ninety times larger than the expected budgetary cost of HouseMate (i.e. HouseMate budget subsidies will be 1.1% of health spending).

Compared to the \$100 billion COVID JobKeeper scheme, HouseMate is a budgetary rounding error. Had just 20% of that money been set aside for a HouseMate-style program, that fund could have sustained HouseMate indefinitely.

For perspective, the New South Wales Government sold WestConnex motorways for about \$20 billion.¹¹ In other words, a national parallel housing system that provides cheap homeownership for Australians in perpetuity costs about as much as one major toll road.

Each year, \$11 billion of value is given to private landowners through rezoning decisions – a value that could be recouped by pricing those development rights. Taxing those value gains could fund the budget cost of the HouseMate program each year... ten times over.¹²

The National Rental Affordability Scheme (NRAS) that began in 2008 has cost around \$3 billion to provide at best a 20% below market rent for 30,000 households for a little over a decade.¹³ For a similar budget expense, HouseMate could provide about 50,000 dwellings at much more discounted prices, with the security of homeownership, for a lifetime to each buyer.

¹⁰ For reference, Singapore's HDB has an annual budgetary cost of \$2.5 billion with no sell-out fee or interest margin, supplying 20,000-35,000 new dwellings per year. HDB. 2021. Audited Financial Statements. Housing Development Board. <https://www.hdb.gov.sg/-/media/doc/CCG/HDB-Financial-Statements-for-the-year-ended-31st-March-2021.pdf> and

HDB. 2021. Flats constructed by Housing and Development Board. Data.gov.sg. <https://data.gov.sg/dataset/flats-constructed>

¹¹ 51% was sold for \$9.3 billion in 2018, and the remaining 49% for \$11 billion in 2021.

Perrottet, D. 2021. WestConnex sale generates more than \$11 billion for New South Wales. Media Release. Dominic Perrottet, Treasurer. NSW Government. <https://www.treasury.nsw.gov.au/sites/default/files/2021-09/Dominic%20Perrottet%20med%20rel%20-%20WestConnex%20sale%20generates%20more%20than%20%2411%20billion%20for%20NSW.pdf>

¹² Murray, C. K. and P. Frijters. 2017. Game of Mates: How favours bleed the nation. Publicious: Brisbane.

¹³ ANAO. 2016. National Rental Affordability Scheme - Administration of Allocations and Incentives. Australian National Audit Office <https://www.anao.gov.au/work/performance-audit/national-rental-affordability-scheme-administration-allocations>



Regarding existing public assets and the scope for amalgamating public agencies, the New South Wales Land and Housing Corporation has four times the net assets of Singapore's HDB (at \$54 billion), and an enormous stock of land that can be redeveloped. Other states have similar programs with vast land assets and institutional knowledge that can be rolled into a nation HouseMate program. Queensland Housing and Public Works has \$10 billion in land assets,¹⁴ and Victoria's Department of Families, Fairness and Housing has \$17 billion of housing assets.¹⁵ There is no reason not to start the program with existing public housing organisations, focussing on the allocation of the property ownership to current tenants. These lazy public assets need to be worked harder to achieve major public policy goals.

Even if it costs twice, three times, or even five times, the figures estimated here, HouseMate is an extraordinarily affordable program with enormous social benefits.

INSPIRATION

This HouseMate system borrows the best features of Singapore's Housing Development Board (HDB) system. So good is Singapore's system that it has functioned for half a century, ensuring the country has the highest quality and largest dwellings in the region, as well as the highest homeownership.

Similar programs have been successfully implemented elsewhere, like Brazil's Minha Casa Minha Vida, which began in 2009 and built over 4.3 million dwellings in its first decade.¹⁶

Many proposals exist to copy Singapore's system, such as the ALOHA homes proposal by Hawaiian Senator Stanley Chang which formed the SB400 Bill that was introduced into the State Legislature in 2019 (though currently deferred).¹⁷

One of the reasons to intervene in the supply side of the housing market in this way is because demand side subsidies (like first home buyers grants and rental subsidies) go in part to property sellers and landlords via higher rents and prices through buyer and tenant competition. Intervention in the provision of housing without market pricing overcomes these issues.

¹⁴ HPW. 2029. Financial Statements 2018-19. Department of Housing and Public Works. Queensland Government, https://www.hpw.qld.gov.au/_data/assets/pdf_file/0013/6160/15financialstatements.pdf

¹⁵ DFFH. 2021. Annual report 202-12. Department of Families, Fairness and Housing. Victorian Government. <https://www.dffh.vic.gov.au/sites/default/files/documents/202110/DFFH%20annual%20report%202020-21.pdf>

¹⁶ Antunes, L. 2019. Minha Casa perto do fim?. UOL Economia. 24 November 2019. <https://economia.uol.com.br/reportagens-especiais/minha-casa-minha-vida-dez-anos/#cover>

¹⁷ Chang, S. 2019. SB400 – Relating to Housing. Hawaii State Legislature. https://www.capitol.hawaii.gov/Archives/measure_indiv_Archives.aspx?billtype=SB&billnumber=400&year=2019



Indeed, Australia's historical public housing programs and current world-class Medicare system are also inspiration for a parallel non-market system for providing essential services.

In the Australian Capital Territory there is a monopoly public land developer that has functioned similarly. These days, however, it acts like a private developer; maximising revenue rather than fulfilling housing policy aims. This experience provides a lesson about ensuring that incentives are built into a new HouseMate organisation to deliver forcefully on their housing policy objectives when they conflict with financial incentives.

IMPLEMENTATION

SOURCING SITES FOR DEVELOPMENT

The HouseMate program can use a variety of methods to source sites to build dwellings, such as

1. compulsory acquisition of land,
2. purchase of land or dwellings at market prices,
3. allocation of underutilised crown, council, and federal lands, or
4. tendering of projects to HouseMate from private developers.

When acquiring sites from the private market, a main goal will be to reduce land or site costs by purchasing land (compulsorily or voluntarily) prior to future upzoning, minimising land costs per housing unit. It may be possible for councils to notify HouseMate of future locations targeted for densification or urban development. By quickly utilising the land after rezoning for its new use, HouseMate may attract complementary private residential, retail, and commercial activities in planned areas.

Further to this goal of diluting land costs will be to maximise use of existing public lands. While this approach has identical economic costs of land inputs, since the opportunity cost is the sale of the site at market prices, it hides the subsidy by the absence of a transaction. For politicians or a public concerned about budgets more than economics, this may be useful.

The inclusion of private developers can allow for potentially innovative solutions. For example, private developers of large projects may find that selling a small portion of new housing to HouseMate at a discount on the market price provides a kick start to a project by attracting many new young people to the area, adding value to their later development. HouseMate can capitalise on economic downturns to purchase discounted development projects to smooth construction programs; a win-win.

On average, it is expected that sites could enter the program at a cost of less than \$50,000 budget cost per dwelling across different methods. While minimisation of budget costs of site acquisition should be encouraged, even if dwelling sites ultimately have a much higher budgetary cost than this on average, it changes nothing about the economics of the program. Instead of hiding the necessary subsidy in the land, it must enter the system some other way. In fact, since the market price for the land inputs will be close



to \$150,000 on average, this sets an upper limit to the budget cost of land inputs. Even at this budgetary cost the HouseMate system is extremely cost effective for the enormous welfare gains it offers.

CASE STUDY SITE SHOWS \$50,000 PER DWELLING COST IS PLAUSIBLE

A 7.5HA RIVERFRONT SITE IN SOUTH BRISBANE WAS ACQUIRED IN 2022 FOR \$165 MILLION TO BE CONVERTED INTO A BROADCAST CENTRE FOR THE 2032 OLYMPICS.

THIS SITE IS A GREAT EXAMPLE OF THE WORST-CASE SCENARIO FOR HOW TO GET SITES INTO THE HOUSEMATE SYSTEM, BY PURCHASING A LARGE INNER-CITY RIVERFRONT SITE IN AN EXPENSIVE SUBURB.

BUT HOW BAD IS IT REALLY?

IF 2,500 DWELLINGS ARE BUILT ON THE SITE THE LAND COST IS ONLY \$66,000 PER DWELLING.

IF THE SITE HAS OTHER RETAIL AND COMMERCIAL USES, AND PUBLIC PARKS, THAT REPRESENT A QUARTER OF THE USE, THEN THE COST FOR THE RESIDENTIAL USE IS ONLY \$125 MILLION, OR \$50,000 PER DWELLING.

IN TERMS OF BEING REFLECTIVE OF THE TYPE OF DEVELOPMENT THAT COULD OCCUR, A NEARBY 2.6HA SITE HAS BEEN UNDER DEVELOPMENT FOR THE PAST 5 YEARS CALLED WEST VILLAGE. IT HAS 1,250 APARTMENTS AND 18,500SQM OF RETAIL AND COMMERCIAL USES ON A SITE A THIRD AS LARGE.

SO THIS 7.5HA SITE COULD EASILY BE DEVELOPED INTO "TWO WEST VILLAGES" WHILE LEAVING 2.4HA FOR PARKS, ROADS AND OPEN SPACES AT A LAND COST OF \$50,000 PER DWELLING. THIS IS THE BUDGET USED FOR THE NATIONAL AVERAGE SITE COST PER DWELLING, THOUGH EVEN IN A WORST-CASE SCENARIO IT SEEMS POSSIBLE TO GET SITES AROUND THAT PRICE.

PERFORMANCE INCENTIVES

To ensure that the HouseMate institution remains laser focussed on building new homes fast, bonuses to key personnel will be tied to

1. shorter waiting lists
2. design excellence by purchaser feedback and design jury, and
3. the rate of new dwelling development.

QUEUING

Initially the agency will see very high demand from eligible buyers relative to their ability to build or acquire housing. While it is expected that queuing will become less of a problem (given it is tied to performance bonuses) clear guidance upfront will be needed.

It is proposed that a lottery be the primary mechanism for allocation to ensure overall fairness.

Each new housing project will be advertised to potential buyers. Those that wish to acquire a dwelling in that project can then submit their names into the lottery for each dwelling type they would like (e.g. one-bedroom unit, vacant house lot, three-bedroom townhouse).

PRICING



Dealing with vastly different dwelling values across locations presents a challenge. If HouseMate project prices do not differ in a similar way to market prices for different locations it may contribute to queuing.

Some degree of site value equalisation will be necessary. For example, the site value for a two-bedroom unit might be \$200,000 in an inner suburb of Sydney or Melbourne, but only \$100,000 for a two-bedroom unit in an outer suburb. In this case, equalisation could arise by offering townhouses or detached houses in the outer suburb, where the site value for such a dwelling is closer to \$200,000 comparable to the inner-suburb apartment.

ELIGIBLE BUYERS

Buyers will be eligible based on age and household characteristics. Single people will be eligible for smaller dwellings only at age 28. Couple households and families (including multi-generational) will be eligible to buy larger dwellings (at a higher price).

Any citizen wishing to buy a HouseMate dwelling must pass a screening process that validates their household status and eligibility. This then allows them to enter lottery draws on projects of their choosing or purchase from the re-sale HouseMate market.

DESIGN

Design competitions are expected to be utilised to stoke innovation in new housing design and construction, both for energy efficiency and liveability. Successful designs in each region can be repeated to gain local economies of scale in construction with climate-appropriate dwellings. Repeating this design competition regularly can further improve and refine the basic HouseMate design portfolio.

WHAT TO EXPECT?

OPPOSITION FROM WITHIN THE BUREAUCRACY

Fierce opposition from all quarters is expected, just as occurred when universal health insurance was promoted by Gough Whitlam in the 1970s.¹⁸ Entrenched interests will be unhappy. Many will say it cannot be done without a real reason.

The beauty of the HouseMate and Singapore's system is that every household is eligible for public homeownership, not just low-income households. Like Medicare and public hospitals, which are available to all, this generated political buy-in and removes any stigma from the program.

¹⁸ Harrison, S. 2014. Gough Whitlam overcame fierce resistance to usher in universal health care. Sydney Morning Herald. 21 October 2014. <https://www.smh.com.au/politics/federal/gough-whitlam-overcame-fierce-resistance-to-usher-in-universal-health-care-20141021-119brw.html>



OPPOSITION FROM PRIVATE PROPERTY INTERESTS

Because HouseMate will divert many first home buyers away from private markets, sellers of land in private markets will find reasons that this program is a) actually bad for the people it helps, and b) somehow financially reckless or unsustainable.

Banks will not like the competition from a public bank mortgage service at low interest rate margins. They too against HouseMate, crafting myths about why the program is, in their view, bad for the people it helps.

The evidence from Singapore successfully operating this system for decades will be ignored, and minor differences between HouseMate and Singapore's HDB that are of little consequence will be held up as the Achilles heel of the HouseMate program. After all, it would be imprudent of them NOT to lobby against a new competitor entering their market.

THE LEASEHOLD ISSUE

SINGAPORE'S HDB PROVIDES 99-YEAR LEASEHOLD OWNERSHIP. HOUSEMATE PROVIDES PERPETUAL FREEHOLD OWNERSHIP. THIS ADMINISTRATIVE DIFFERENCE IS OF LITTLE CONSEQUENCE FOR TWO REASONS.

FIRST, SINGAPORE HAS ALREADY HOUSED 80% OF THE WHOLE POPULATION IN HDB HOMES WITHIN 50 YEARS—FAR BEFORE ANY LEASEHOLD EXPIRY. LITTLE IS GAINED FROM RETURNING OWNERSHIP TO HDB AFTER 99 YEARS. THESE DWELLINGS WILL SIMPLY BE INHERITED WITHIN FAMILIES AND MAKE THOSE RECIPIENTS INELIGIBLE FOR ANOTHER HDB DWELLING.

SECOND, IT TAKES POLITICAL WILL TO ENFORCE LEASEHOLD SYSTEMS IN RESIDENTIAL REAL ESTATE. THE AUSTRALIAN CAPITAL TERRITORY'S 99-YEAR LEASEHOLD PROPERTY SYSTEM IS NOW EQUIVALENT TO FREEHOLD, AS EXPIRING LEASES ARE MERELY ROLLED OVER TO NEW ONES FOR A SMALL ADMINISTRATIVE FEE.¹⁹

IN SHORT, SINGAPORE'S LEASEHOLD PROPERTY SYSTEM IS NOT THE UNIQUE TOOL THAT ALLOWS IT TO RUN ITS HDB SYSTEM.

TEETHING ISSUES

Like all organisations there will be teething issues. Finding sites and designing projects that eligible buyers want will be a crucial early lesson. Pricing different projects at different locations where private housing prices diverge greatly (e.g. inner Sydney versus regional towns) may be difficult. Some projects may attract substantially more buyers to the lottery than others.

¹⁹ ACT Government. 2021. Leasehold. Environment, Planning, and Sustainable Development Directorate. <https://www.planning.act.gov.au/leasing-and-titles/crown-leases/leasehold>



It won't be perfect. It doesn't have to be. It only needs to be a better alternative for the many household paying market rents for insecure housing who may never being able to buy a home at market prices.

HAPPY HOUSEHOLDS

Just as families look to provide housing to their children, as the rise of the “Bank of Mum and Dad” shows, as a society we can act more like a family in providing housing options for all.

HouseMate is not a private property replacement. It complements the private market, just as Medicare complements the private healthcare system. It broadens housing choices for Australian households.

Unlike Medicare, which has a \$125 billion annual government budget expense and regains no income through pricing of health services, HouseMate will have low ongoing budgetary costs because it recoups most of its expenses from sales and interest revenue.

FAQ

WHY SHOULD HOMEBUYERS BE ABLE TO MAKE MONEY BY SELLING HOUSEMATE HOMES IN THE FUTURE?

Why shouldn't they? Homeowners make gains in private markets over time and this is generally seen as a benefit from market participation. In the HouseMate system capital gains will be lower because a) selling to an eligible HouseMate buyer will fetch a lower-then-market price because all those buyers have the options of a new discounted HouseMate home, and b) the sell-out fee takes most of any gains made from discounted home purchase. There is no “getting rich quick” from buying a HouseMate home.

WHAT ABOUT PEOPLE WHO DON'T OWN A HOME BUY CAN'T EVEN AFFORD A HOUSEMATE HOME?

Some people might have no super, no work prospects, and find that even though they meet the age and citizenship requirements they cannot purchase a HouseMate home on their income.

HouseMate should either a) directly supply secure rental tenancy where the rent is tied to resident income, or b) direct them to state public housing providers to provide similar accommodation. Whether public homeownership and public rental housing functions are merged into one organisation is a political decision.

In many cases, buying a HouseMate dwelling will be cheaper than most alternative private renting options, and hence having previously rented privately at a rent above HouseMate repayment should be taken as evidence of ability to pay. Hardship provisions can also be built in to HouseMate financing so residents can defer repayment during times where incomes fall.



WON'T HOUSEMATE FACE THE SAME PROBLEMS AS OTHER HOUSING SCHEMES?

The HouseMate program copies many other schemes, especially Singapore's HDB. It is certainly possible that it faces implementation issues, such as those seen by New Zealand's KiwiBuild scheme. This is unlikely as HouseMate differs from KiwiBuild by having compulsory acquisition powers or performance incentives.

It has similarities to the ACT's former Land Rent Scheme (LRS), which provided land at a 4% rental rate on land value on which people to build their own homes. As mortgage rates fell, however, this became less viable than borrowing the money to buy the land. The rental rate was later reduced to 2%, most people quickly bought out of the system.

In general, HouseMate could be characterised as a national Community Land Trust (CLT). One of the issues faced by these schemes is that people like to sell out of them at market prices after being provided the property at a discounted purchase price. HouseMate faces a similar issue, but this is resolved with the mandatory occupation period of seven years, the waiting period of seven years, and the sell-out fee that minimises the gains from selling out rather than re-selling to an eligible HouseMate buyer.

WILL USING SUPERANNUATION HARM RETIREMENTS?

The best asset to own in retirement is a home. Buying a home should be the first thing retirement savings are spent on. There may be a perception of unfairness from using super for HouseMate but not private housing. Allowing super for private housing in addition to HouseMate is an option, and the existence of HouseMate will reduce price pressures in the private market from doing so as homebuyers have an additional low cost choice.

FINAL NOTE

The design of HouseMate addresses all the key housing policy challenges in Australia, including

1. high deposit hurdles for ownership,
2. uncertain renting and high rents for low-income households,
3. limited innovation of design and construction in private markets,
4. younger households having income tied up in super when mortgage-free homeownership is a higher priority for retirement, and
5. price effects and inefficiencies of demand-only subsidy programs to homebuyers (like FHB grants) and renters (NRAS payments), and

The parallel HouseMate system achieves this without major disruption to existing private rental and housing asset markets, which will continue to serve the majority of households, even many who purchase HouseMate dwellings and later are able to relocate or upgrade.

There is no reason not to try it. The worst that could happen is that thousands of Australians locked out of homeownership get cheap secure housing for life, at some relatively minimal budgetary cost.



SUMMARY OF HOUSEMATE SYSTEM

- HouseMate is a 21st century public housing supplier, copying the best design aspects from Singapore's successful housing system.
- HouseMate is a public agency that
 - builds new homes on sites that are either
 - compulsorily acquired,
 - purchased at market rates, or
 - underutilised public property,
 - or acquires existing homes,
 - or subdivides vacant housing lots,
 - for purchase by Australian citizens aged over 24 who do not own any residential property at construction cost price only (selling vacant lots for a nominal fee).
- Every Australian citizen is eligible to purchase a dwelling subject to
 - being over 24 years old and married or in a de facto relationship, or
 - being over 28 years old, and
 - not owning any residential property, and
 - occupying their dwelling after purchase.
- Eligible purchasers can use their accumulated superannuation savings for a deposit and for loan repayments.
- Eligible purchasers will be offered a loan from HouseMate (underwritten by the Federal government) at the cash rate plus one percentage point. This margin will contribute to HouseMate operating expenses.
- HouseMate buyers cannot sell or lease their dwelling to the private market for seven years. Those who sell in the private market
 - must pay 15% of the sale price as a sell-out fee to HouseMate, and
 - cannot purchase another HouseMate dwelling for seven years.
- HouseMate purchasers can sell to eligible HouseMate buyers after three years, and become eligible to repurchase immediately.
- Queuing of eligible buyers will be handled with a lottery.
- Performance incentives for HouseMate staff will be tied to reductions in waiting lists, new housing output, design outcomes, and cost efficiency.
- Private landowners and developers can make proposals to HouseMate to supply housing or land into the program.
- Design competitions will be used to generate design and construction experimentation and improvement, with successful designs repeated to harness economies of scale.
- HouseMate will work with councils to invest in planning precinct densification with housing, retail and commercial investment to attract complementary private investment in the area.



APPENDIX

Below is an indicative summary of development rate, costs, interest, and net cashflows, of the proposed HouseMate program.

TABLE 2: 20 YEAR PROJECTION OF HOUSEMATE CASHFLOWS

Indicative cashflows of HouseMate over 20 years

Yr	New dwellings	Development cost/dwell	Total spend (\$m)	Sale price (at cost)	Land + mgmt cost (\$m)	New loan value (\$m)	Outstanding loans (\$m)	Total interest (\$m)	Interest Margin (\$m)	Deposits (\$m)	Sell-out Fee (\$m)	Net annual cost (\$m)
0	1,000	450,000	450	450,000	90	428	428	11	4	23	-	86
1	4,000	463,500	1,854	463,500	371	1,761	2,172	54	22	93	-	349
2	8,000	477,405	3,819	477,405	764	3,628	5,714	143	57	191	-	707
3	16,000	491,727	7,868	491,727	1,574	7,474	12,958	324	130	393	-	1,444
4	20,000	506,479	10,130	506,479	2,026	9,623	22,053	551	221	506	-	1,805
5	25,000	521,673	13,042	521,673	2,608	12,390	33,524	838	335	652	-	2,273
6	30,000	537,324	16,120	537,324	3,224	15,314	47,411	1,185	474	806	-	2,750
7	30,000	553,443	16,603	553,443	3,321	15,773	61,122	1,528	611	830	3	2,706
8	30,000	570,047	17,101	570,047	3,420	16,246	74,638	1,866	746	855	17	2,657
9	30,000	587,148	17,614	587,148	3,523	16,734	87,288	2,182	873	881	46	2,604
10	30,000	604,762	18,143	604,762	3,629	17,236	99,663	2,492	997	907	105	2,527
11	30,000	622,905	18,687	622,905	3,737	17,753	111,739	2,793	1,117	934	183	2,437
12	30,000	641,592	19,248	641,592	3,850	18,285	123,491	3,087	1,235	962	285	2,330
13	30,000	660,840	19,825	660,840	3,965	18,834	134,890	3,372	1,349	991	412	2,204
14	30,000	680,665	20,420	680,665	4,084	19,399	145,909	3,648	1,459	1,021	547	2,078
15	30,000	701,085	21,033	701,085	4,207	19,981	156,519	3,913	1,565	1,052	690	1,951
16	30,000	722,118	21,664	722,118	4,333	20,580	166,689	4,167	1,667	1,083	841	1,825
17	30,000	743,781	22,313	743,781	4,463	21,198	176,386	4,410	1,764	1,116	1,000	1,699
18	30,000	766,095	22,983	766,095	4,597	21,834	185,577	4,639	1,856	1,149	1,168	1,573
19	30,000	789,078	23,672	789,078	4,734	22,489	194,226	4,856	1,942	1,184	1,345	1,448
20	30,000	812,750	24,383	812,750	4,877	23,163	204,643	5,116	2,046	1,219	1,531	1,299
TOTAL	524,000											
<i>is roughly</i>	5.2%	of total current Australian dwellings										
Assumptions												
Cost inflation	3%											
Cash rate	1.50%											
interest margin	1.00%											
Land + mgmt. cost %	20%	90,000 per dwelling										
Loan value % of price	95%											
Current development cost	450,000											
Private sale proportion	2%											
Sell-out fee (% of price)	15%											