



The St Vincent de Paul Society says struggling renters make up half the people using its homeless services. Photo: LOUISE KENNERLEY

Rental squeeze here to stay

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The national rental squeeze will last until at least the end of this decade as Australians build fewer houses than the level of underlying demand, according to economic forecaster BIS Shrapnel.

A report by BIS Shrapnel, *Building in Australia 2007 - 2022*, forecasts dwelling starts to soften by about 1 per cent in the current financial year.

This means that for the fourth year running the supply of new houses, at about 148,000, in the 2007-08 year will lag the demand for new houses, which is about 170,000.

"As a result, rental markets are now extremely tight in all capital cities, which will lead to further strong growth in residential rents," BIS Shrapnel senior project manager Jason Anderson said.

"The focus for government policy must shift to the inadequate supply of new housing, as the wider economic and social problems stemming from the dwelling undersupply have only begun to develop."

The prediction comes ahead of the Labor party's housing affordability summit in Canberra on

Thursday and as the St Vincent de Paul Society also released a report saying that half the people using its homeless services were struggling private renters.

By the first half of next year Mr Anderson said rapidly rising rents would begin to prompt more households to build a new home unleashing pent-up demand and helping start a market recovery in the eastern states.

"Government policy must shift to the inadequate supply of new housing."

That recovery nationally would be tempered by a downturn in Western Australia, he said. "While a recovery in dwelling construction is on the horizon, it is unlikely to be a sharp one due to the enduring burden of poor housing affordability," he said.

"This outlook means that if the market is left to its own devices, then very tight rental markets will persist for the next four years."

Mr Anderson said dwelling starts

were expected to reach 185,000 by 2010-11 before easing again. "NSW and Queensland will experience the fastest growth over this period, due to substantial pent-up demand for new dwellings," he said.

Housing Industry Association chief economist Harley Dale said the gap between supply and demand was not unprecedented but previously the problem had stemmed from market factors rather than the structural issues causing the present affordability crisis.

Mr Dale said the release of the 2006 Census data had prompted an upward revision among economists of annual underlying demand from as low as 160,000 to up to 170,000.

The HIA was forecasting housing starts to be 167,000 in 2009-10, he said. "We do think the affordability problem will constrain the recovery in housing."

St Vincent de Paul chief executive John Falzon said there needed to be a \$1.3 billion increase in annual government investment in housing for low-income families.

"We believe it's time to address the shortage of low-income housing by constructing more of it," he said.