Digital Finance Analytics

Inquiry into housing affordability and supply in Australia – Submission.

Contents

Introduction And Summary

Digital Finance Analytics is a boutique research and consulting firm, which has been tracking the housing market in Australia since 2000. Our research and analysis is informed by our continuous household surveys (52,000 in the sample at any one time), as well as using information drawn from local and international sources.

We have been tracking the ranks of inquiries into the housing market and housing affordability over this timeframe and note the considerable duplication of effort from the many inquiries which have been undertaken, but without real change.

The issue is clouded by self-interest, misdirection, and short-term political agendas. As a recent report put it *"The scale of the housing market in the Australian economy and the diffuse, often disconnected, spread of policy powers that address different aspects of this system make the Parable of the Blind Men and the Elephant a perfect metaphor for our current predicament"*[i].

Access to housing should be regarded as a fundamental human right, not a commodity[ii]. Yet the reverse is the case.

The housing affordability issue is a complex and politically charged one, with a convenient separation of accountabilities between States (mainly supply-side issues such as land release, planning and zoning and building standards) and Federal where initiatives such as Homebuilder, and additional first-time buyer incentives have featured alongside the tax settings. **There is in fact little joined-up thinking.**

In addition, neither the RBA (who sets rates via monetary policy) or APRA (the finance sector regulator) claims to have any responsibility for the trajectory of home prices, even though research

presented below shows availability of credit is by far the most powerful lever in terms of home price growth. In New Zealand, in contrast, the Reserve Bank there now has a direct mandate to consider home prices when setting monetary policy (after prices soared by more than 20% as rates were cut and other incentives were provided).

Yet the real tension in terms of affordability centres on the supply of credit and the price of credit (interest rates) versus the demand for property stimulated by tax breaks or investors, migration, and first-time buyers. In fact, the supply-side issues are often misrepresented by the construction sector (who always want to build more), politicians (who want to show they are "addressing affordability") and the finance sector (who want to lend more – it being the most profitable game in town). In addition, no Government wants to be associated with the negative wealth effect of falling home prices, nor the financial stability risks of falling values in the balance sheets of our banks (bearing in mind residential property lending is by far the largest element in their business).

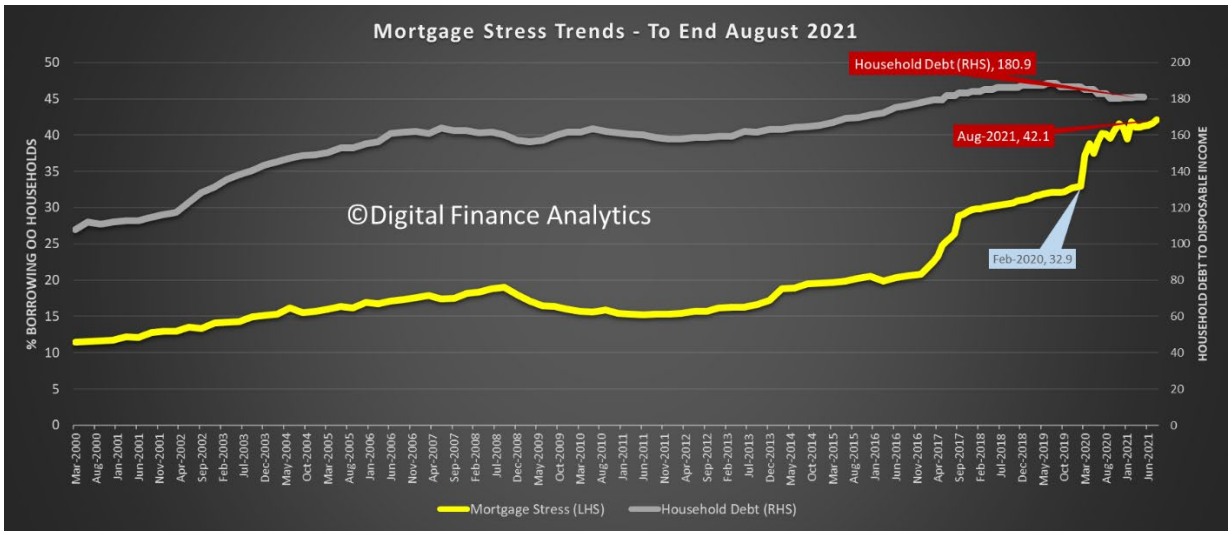
"But while there is wide recognition that the economy drives the housing market, there seems little recognition that outcomes in the big housing system have significant feedback effects on the economy itself. Housing matters in employment, income, consumption, wealth and debt"[iii].

In summary, we get a convenient misdirection towards housing supply. In fact, the last ABS census in 2016 showed there was more than 1 million spare properties across the county, and we would expect that number to be above 1.2 million this time around when the latest census results are in.

And worse, the overleverage to housing, sucks the economic air out of the broader economy, and leaves Australia with a weakened future as individuals are persuaded to borrow big to enter the overpriced market.

Our Perspective

Ultra-low interest rates currently make large loans affordable for many households, yet overall household debt is as high as it has ever been and mortgage stress, even at these low interest rates is also running hot.



The Financial Services Royal Commission uncovered poor lending practice, and the potential for some households to be sitting on unsuitable loans. In many countries around the world, house prices are also high, so from New Zealand to UK, regulators are taking steps to try limit systemic risks.

These rises are partly being driven by global movements of capital, ultra-low interest rates and quantitative easing, plus the finance sector's ability to "magic" loans from thin air if there are borrowers willing to borrow.

Those holding investment property also enjoy tax-concessions on interest and other costs, and on capital appreciation. Rising wealth generally supports the feel-good factor, and consumer confidence.

Now, the one-third of households who are not property active, consist of those renting and those living with family, friends or in other arrangements. Their confidence levels are lower, and they are not gaining from rising house prices. A relatively small proportion of these are actively seeking to buy, and they are finding the gradient becoming ever more challenging, as saving for a deposit is becoming harder, lending criteria are tightening, and income growth is slowing. We have noted previously that a number of first-time buyers have switched directly to the investment sector to get into the market. Generally younger households are yet to get on the housing escalator, whilst older generations have clearly benefited from sustained house price growth, even if more are now taking mortgages into retirement. This has the potential to become a significant inter-generational issue.

But overall, the wealth effect of rising property is an umbrella which spreads widely. The sheer weight of numbers indicates that there are more winners than losers. No surprise then that many politicians will seek to bathe in the reflected glory of rising values, whilst paying lip-service to housing affordability issues. They will also start to panic if prices fall too far too fast.

There are other winners too. For states where property stamp-duty exists, the larger the transaction value and volume, the higher the income. For example, NSW, in 2016-17 added $9.7 billion to coffers thanks to stamp duties revenue which is 31.6% of the total of $30.7 billion. Optimistically, they are forecasting a significant rise in property values down the track. The higher the price the larger the income. The tax-take funds locally provided services so ultimately residents benefit. But clearly, they have an interest in keeping prices high.

The banks also benefit because rising house prices gives them the capacity to lend larger loans at lower risk (and which in turn allows house prices to run higher again). They have benefited from relatively benign capital requirements and funding, thus growing their balance sheet and shareholder returns. Whilst recent returns have been impressive, future returns may be lower thanks to changes in capital ratios and especially if housing lending were to moderate. On the other hand, their appetite to lend to productive business and commercial sectors is tempered by higher risks and more demanding capital requirements. The relative priority of debt to housing as opposed to productive lending to business is an important issue and whilst higher house prices can flow through to economic growth in the GDP numbers, it is mostly illusory. The truth is, lending needs to be redirected to productive purposes, not just to inflate home prices.

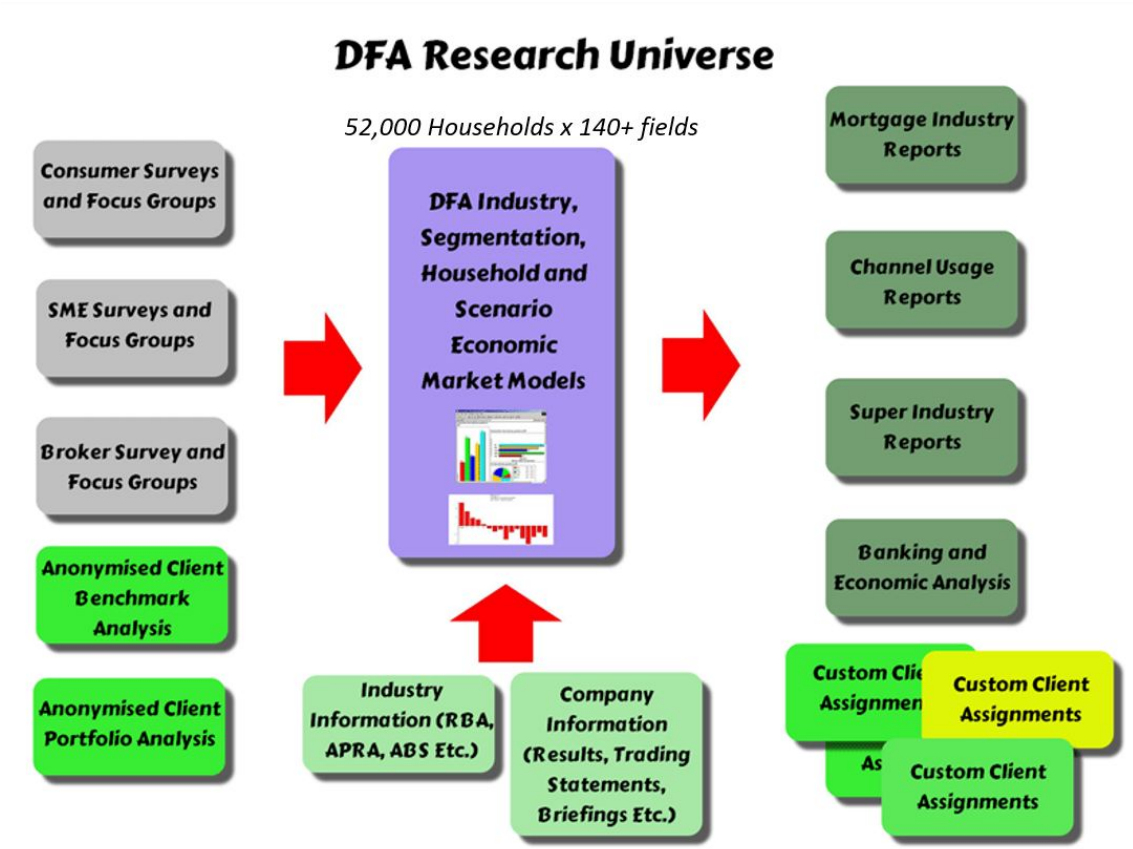
Finally, building companies can benefit from land banks they hold, and development projects, despite high local authority charges. We also note that some banks are now winding back their willingness to lend to the construction industry (because of potentially rising risks), and some banks have blacklists of postcodes where they will not lend, especially for newly constructed high-rise block. The real estate sector of course benefits, thanks to high transaction volumes and larger commissions. Mortgage brokers also enjoy volume and transaction related income. Even retailers with a focus on home furnishings and fittings are buoyant. But all these sectors would be under pressure if momentum ebbs.

So, standing back, almost everyone appears to benefit from higher prices. That is, apart from the one third, and rising, of households renting (who tend to have lower incomes and reside in lower socio-economic groups). But is it really a free kick for the rest? Well, for as long as the music continues to play, it almost is. The question now is, what would happen if prices fall (remember that during the GFC, northern hemisphere prices fell in some places up to 40%, and several banks collapsed). Given our exposure to housing, there will be profound impacts on households, banks, and the broader economy if values fall significantly.

Underlying all this, we have moved away from seeing housing as something which provides shelter and somewhere to live; to seeing it as just another investment asset class. This is probably an irreversible process, and part of the "financialisation" of society, given the perceived benefits to the economy and households, but we question whether the consequences are fully understood.

Affordability Levers

Using the DFA Core Market Model, we have built a custom module to test the relative effectiveness of different levers and the extent to which they impact housing affordability. Our model incorporates data from our household surveys, and data from other sources and represents a dynamic model of the Australian economy from a housing perspective.

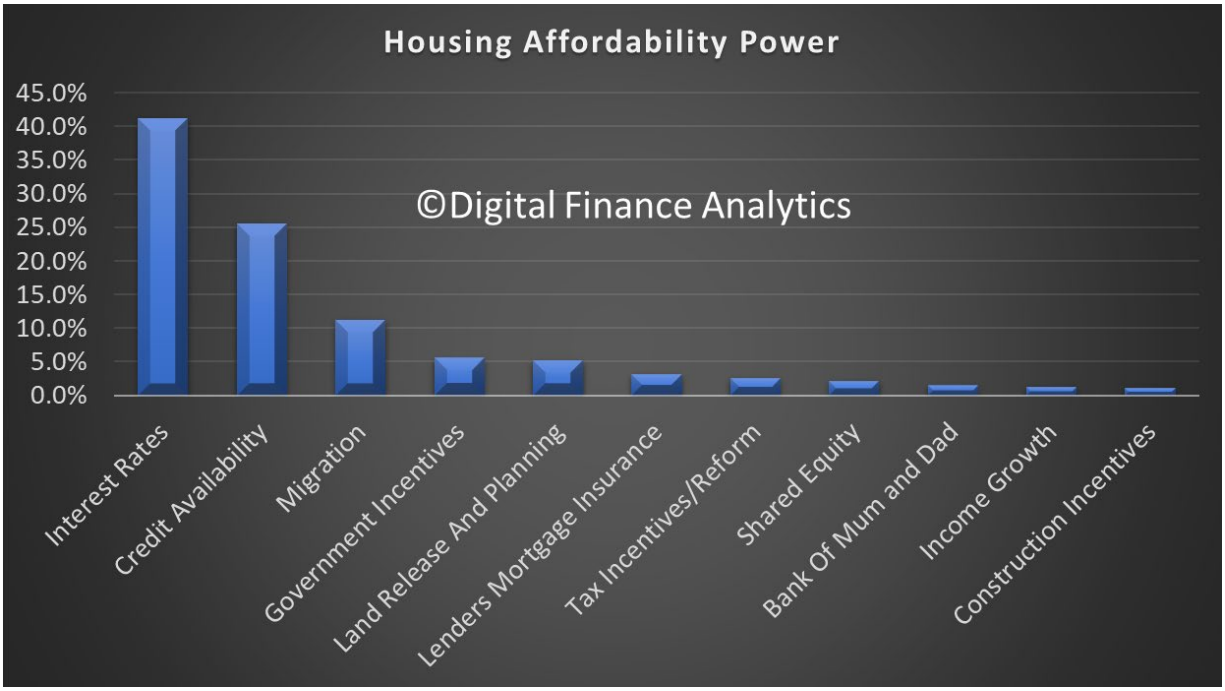


The output from the model which is relevant to the current inquiry is the relative power of different "levers" relating to housing affordability. The results are presented in the chart below. We found that interest rates and credit availability were by far the two most significant factors in play, both demand side factors. This means that RBA monetary policy and APRA/ASIC lending guidance both have a direct and significant impact on affordability.

Migration was the third most significant (note that currently migration is net negative thanks to COIVD yet prices are still rising and affordability is becoming worse).

The next most significant were Government incentives such as stamp duty waivers or Homebuilder. These incentives which are often targeted to first time buyers, tend to lift prices but do not address the structural issue of affordability.

Initiatives such as planning and land release, tax reforms, and shared equity schemes hardly moved the dial relative to the larger levers. These are the supply-side levers.



Availability of Lenders Mortgage Insurance had a minor impact – though it does translate through to larger loans. Income growth, which of course has been depressed for years had little immediate impact. That said, back in the 2000's income growth supported significant price growth then. But that factor is hardly present for now.

The final point then to reinforce is that any discussion of housing affordability which does not include interest rate and monetary policy and credit availability is missing around 65% of the available levers. Migration apart, which if increased would put more upward pressure on prices, the other addressable factors are in the minority. Thus, we see a considerable risk of the currently scoped inquiry walking past the most significant levers. That would at the very least be unfortunate (but not necessarily surprising).

The Real Housing Affordability Question

There are many contributions to the debate about housing affordability. One which resonated with me was the recent HOUSING: TAMING THE ELEPHANT IN THE ECONOMY report.

"By any measure, the housing market is a major sector in the Australian economy: the housing stock is now valued at an estimated $8.1tn – double the value of a decade ago – and almost three times the value of Australia's superannuation funds; housing construction provides 5% of all

Australian jobs; consumer spending associated with rising house prices shape 15% of GDP; housing wealth comprises well over half of household assets; Australians, with record debt to income ratios, have $2.1tn in outstanding home loans. But at the same time, since the mid-1990s, housing prices have consistently outstripped income growth, the national home-ownership rate has fallen by 4% and the ownership rate for under 35's has collapsed, building in structural problems for future decades.

For the economy, these trends reflect a triple crisis where housing price outcomes have exacerbated income and wealth inequalities, contributed to economic and financial instability and, often unrecognised, diminished productivity and growth.

Unfortunately, large system scale does not seem to have led to big thinking in designing policy and strategy for the national housing market and this contributes to problematic outcomes. For households, pervasive problems of affordability keep spreading up income and age ranges and the prospect of homeownership for young Australians has been damaged by present policy approaches.

In responding to housing economics evidence, Australian housing policy actions seem to perfectly meet Einstein's test of madness, in repeating the same actions and expecting different results. Now, emerging from potentially the worst recession of the last 100 years, we already have a new housing boom rippling across the nation. Of even more concern, the RBA, almost flying in the face of advice from other central banks, has remained sanguine on rising house prices and argued they are good for growth. This view has no validity if the longer-term evolution of the economy and the housing market is the concern. This key point from our research provides evidence that across the whole of government, and different orders of government, there now needs to be an integrated housing market strategy to deliver more Australian homes and more sustainable house price appreciation. Now, like the blind men and the elephant, policy makers grasp at different pieces of policy impacting housing, including tax policy, monetary policy, macro-prudential policy, housing, infrastructure, planning and other sector actions, but never grasp the whole system".

Housing In Australia Is Severely Unaffordable

In addition, the latest Demographia report, makes the point that historically, housing affordability had been similar between nations until a few decades ago. For example, national price-to-income ratios were 3.0 or less in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States until the late 1980s or 1990s. However, since that time, housing affordability has deteriorated significantly and by 2019 national median multiples had increased to 4.0 in the United States and Canada, nearly 6.0 in Australia and 7.0 in New Zealand.

These findings are contained in the latest Urban Reform Institute and the Frontier Centre for Public Policy report - the 2021 edition of Demographia International Housing Affordability. This report provides housing affordability ratings, using the median multiple, a measurement of income in relation to housing prices, or 92 major markets (metropolitan areas) in eight nations for the third quarter of 2020.

They rate middle-income housing affordability in 92 major housing markets1 (1,000,000 or more population) in 8 nations (Australia, Canada, China [Hong Kong only], Ireland, New Zealand, Singapore, the United Kingdom and the United States). This 2021 edition rates housing affordability for the third quarter (September quarter) of 2020. Most international housing affordability

evaluations are at national level, but Demographia focuses at the major housing market level within nations because differences between housing markets in a country can be substantial.

A housing market is defined by the ability of residents to reach employment by daily commutes. Generally, this can be defined as a maximum 60 minute one-way commute time, while average work trip times tend to be about 30 minutes in most areas. Housing markets are thus also labor markets, which are also called metropolitan areas. In a well-functioning market, middle-income households should be able to afford the median priced house.

Thus, affordability measured at the housing market level is different than housing affordability in a neighborhood or part of the housing market. Even if housing is unaffordable in part of the housing market, there should still be enough housing stock affordable enough to meet the demands of middle-income households.

Housing affordability comparisons can be made, (1) between housing markets (such as comparison between Adelaide and Melbourne) or (2) over time within the same housing market (such as between years in Adelaide).

In this year of the global pandemic and lockdowns, it is not surprising that housing affordability — given the large influx of new buyers, particularly in suburban and outlying areas — has continued to deteriorate. As a result many low-income and middle-income households who already have suffered the worst consequences from housing inflation will see their standards of living further decline.

The affordability issue is particularly critical due to the strong increase in remote working (telework) during the pandemic which is accelerating the movement to more affordable places. It will likely also help flatten or even reduce prices in the highest cost housing markets as other households seek less costly housing elsewhere.

Demographia International Housing Affordability uses the “median multiple” to rate middle-income housing affordability. The Median multiple is a price-to-income ratio of the median house price divided by the gross median household income. Price-to-income ratios have been widely used, such as by the World Bank, the United Nations, the Organization for International Cooperation and Development (OECD), the Joint Center for Housing Studies at Harvard University and others. Housing affordability measures that use median house prices and incomes particularly to measure middle-income housing affordability. This is done in part by measuring middle of the income sand house price distributions, which excludes the influence of higher income and luxury housing.

Middle-income housing afford¬ability is rated in four categories, ranging from the most affordable (“Affordable”) to the least affordable (“Severely unaffordable”), Housing affordability has deteriorated materially in recent decades which has been a principal factor in an internationally observed reduction in middle-income standards of living.

Only four markets are rated affordable (with median multiples of 3.0 or less) --- Pittsburgh, Rochester, Buffalo, and St. Louis (all in the United States). At the other end of the scale, there are 36 severely unaffordable major housing markets. The least affordable are Hong Kong (20.7), Vancouver (13.0), Sydney (11.8), Auckland (10.0), Toronto (9.9), Melbourne (9.7), San Jose (9.6), San Francisco (9.6), Honolulu (9.1), London (8.6) and San Diego (8.0).

The last year has involved material setbacks, mostly due to the impact of the pandemic which has led to a home buying boom in some areas while suppressing incomes. Housing affordability deteriorated by more than 1.0 median multiple points in just one year, — the equivalent of one

year's pre-tax median household income — in Vancouver, San Jose, San Francisco and Honolulu, with the greatest deterioration in Auckland (1.4 points) and Toronto (1.3 points). The deterioration was from 0.5 to 1.0 --- six months of household income --- in Sydney and San Diego. Virtually all the markets with severely unaffordable housing have urban containment policies that severely restrict building on the periphery.

The number of housing markets that have become severely unaffordable in the United States and Canada has grown steadily since 2004. Housing affordability deteriorated the equivalent of six years of annual household incomes in Toronto, between two and three years in Montreal, Portland and Ottawa-Gatineau and by 1.5 to 2.0 points in Seattle and Denver. By 2004, all of the major markets of Australia and New Zealand had become severely unaffordable.

As to why we are seeing this rising tide of unaffordability, The largest housing affordability differences between major metropolitan areas arose as significant restrictions on urban fringe housing development were applied. These measures are called "urban containment" and include "growth management" and "compact city" policies. A principal purpose of urban containment is to curb the physical expansion of urban areas – that is, conversion of rural land to urban land, or what some refer to as "urban sprawl." Unfortunately, this is can be to middle-income households.

Urban containment's prototypical strategy is urban growth boundaries encircling urban areas. Urban containment can render it impossible to profitably build tracts of housing affordable to middle-income households due to much higher land prices. According to urban planning literature: "Urban development is steered to the area inside the line and discouraged (if not prevented) outside it." Urban containment is contrasted with "... traditional approaches to land use regulation by the presence of policies that are explicitly designed to limit the development of land outside a defined urban area..."

Harvard University's William Alonso showed that the value of land tends to rise from the low agricultural values outside the built-up urban area to the center. Normally, without urban containment, land values tend to rise gradually, as distances increase from the center. As noted above, with urban containment, it is expected that there will be abrupt land value increases, such as at urban growth boundaries. Land values (and house prices) tend to be higher throughout the entire area of urban containment.

Affordability Is Linked to The Liberalisation of Finance

In a The Conversation piece "Zoning isn't to blame for Australia's soaring house prices", they argue that among the many explanations put forward for soaring home prices, one we hear repeatedly is zoning — the regulations that govern the purposes for which land can be used, including how densely people can be housed in different locations.

The real estate industry says if only we relaxed the zoning rules and allowed more houses and apartments to be built on each block, housing would be cheaper, maybe A$355,000 per unit cheaper if the Reserve Bank is right.

It's a story as grounded in simplicity as it is (on the part of developers) in self-interest.

The simple story is that zoning regulations restrict development, restricted development means restricted supply of houses and apartments, and restricted supply means higher prices. Scrap the

planning laws, the argument goes, and property developers will shower the market with housing, driving down prices.

So effective is the mantra it has become part of the official story in Britain and the United States, and to some extent here.

What's missing is evidence.

Studies which point the finger at the planning system almost universally fail to quantify the extent of housing permitted by planning regulations and how it has changed over time.

Rarely have changes in zoning been examined.

Analysis by Australia's Reserve Bank for example, treats zoning rules as though they exist in stasis; an ever-present yet spatially-varied regulation measured by whatever price remains once structure and land values are subtracted.

Their new research fills the gap by measuring changes in zoning at the level of individual properties in greater Brisbane.

They examined 20 years of changes to zoning, housing supply and prices across more than 25,000 sites in 19 major centres subject to repeated zoning changes designed to encourage urban infill.

The centres had within them a wide variety of land use types (detached dwellings, medium-density dwellings, commercial and retail use, etc.) and housing densities. We reviewed and mapped historic and current rules to determine how the zoned capacity changed on each site.

They combined this with data on the changes in land use on each site, changes to the actual supply of dwellings, and property prices.

If the semi-official story was true, we would have expected increases in zoned capacity to lead to falling prices.

Their results show no such thing. Locations with increased zoned capacity for housing saw increased (not reduced) property prices. Across the selected sites, houses increased in value by a factor of three and apartments by 2.3 over the two decades studied, as they did elsewhere in Australia.

Weaker zoning, not weaker prices. During this time, the zoned capacity for housing at these locations doubled. But there was no rush to take up the increase in capacity.

Developers hold off until prices are right. The vast majority of sites (94%) were not developed within five years of the zoning changes. Even after 20 years, 71% of the extra capacity remained unexploited.

They found evidence for an alternative story: that planning regulations permit development, but it is the market price that determines if and where development occurs.

Higher sales prices make development more feasible. Under this story, developers select their sites, build, and sell in strong markets and wait or avoid selling when markets are weak.

This partly explains why locations with highest initial property prices were the most likely to be developed.

Like all good stories, the semi-official one contains an element of truth. If the planning system failed to allow for enough growth, it would almost certainly drive up prices.

Rarely is supply a problem - To avoid this, planning authorities go to great lengths to ensure there is enough zoned capacity to cater for projected growth.

This is one reason why we don't have a housing supply problem. Deregulating the planning system won't change that, but nor will it ease price pressure.

What it will do is reduce the environmental and other benefits zoning provides, while continuing to allow developers to sell properties at times of their choosing.

What is driving up house prices now has little to do with zoning, and it is happening worldwide.

Throughout the globe we have seen increases in easy access to cheap credit and tax regimes that encourage speculative property investment.

Unlike planning regulations, which vary hugely by location, these macroeconomic factors are common. They help explain why the housing affordability crisis transcends national boundaries.

It is the liberalisation of finance and the treatment of housing as an investment product that got us into this mess. Further liberalisation of planning regulations is unlikely to get us out.

Financialisation Is The Problem

An important report from the Special Rapporteur to the UN Human Rights Council highlights the "financialization of housing" and its impact on human rights. If you want to understand the rise in property investment in Australia, and the problem of housing affordability, read this! Sydney and Melbourne are "Hedge Cities". You cannot fix housing affordability without addressing the investment class.

The financialization of housing has its origins in neo-liberalism, the deregulation of housing markets, and structural adjustment programmes imposed by financial institutions and agreed to by States. It is also tied to the internationalization of trade and investment agreements which, as discussed below, make States' housing policies accountable to investors rather than to human rights. The financialization of housing is also the result of significant changes in the way credit was provided for housing and more specifically, of the advent of "mortgage-backed securities".

The amount of money involved in the purchase of housing and real estate is almost impossible to digest. Cushman and Wakefield, an American global real estate services firm engaging in $90 billion worth of real estate sales per year, publishes an annual report entitled "The Great Wall of Money" which includes a calculation of the amount of capital raised each year for trans-border real estate investments. The total in 2015 was a record $443 billion, with residential properties representing the largest single share. The report notes that "cross border flows will continue to transform real estate investment across the globe"

Housing prices in so-called "hedge cities" like Hong Kong, London, Munich, Stockholm, Sydney and Vancouver have all increased by over 50 per cent since 2011, creating vast amounts of increased assets for the wealthy while making housing unaffordable for most households not already invested in the market. Land prices in the 35 largest cities in China have increased almost five-fold in the past decade and prices for urban land in the top 100 cities in China have increased on average by 50 per cent in the past year.

The report examines structural changes that have occurred in recent years whereby massive amounts of global capital have been invested in housing as a commodity, as security for financial instruments that are traded on global markets, and as a means of accumulating wealth. The report assesses the effect of those historic changes on the enjoyment of the right to adequate housing and outlines an appropriate human rights framework for States to address them. The report reviews the role of domestic and international law in that sphere, and considers the application of principles of business and human rights.

The report concludes with a review of States' policy responses to the financialization of housing and some recommendations for more coherent and effective strategies to ensure that the actions of global financial institutions and actors are consistent with ensuring access to housing for all by 2030. The Special Rapporteur suggests that, as a way forward, States must redefine their relationship with private investors and international financial institutions, and reform the governance of financial markets so that, rather than treating housing as a commodity valued primarily as an asset for the accumulation of wealth they reclaim housing as a social good, and thus ensure the human right to a place to live in security and dignity.

The expanding role and unprecedented dominance of financial markets and corporations in the housing sector is now generally referred to as the "financialization of housing". The term has a number of meanings. In the present report, the "financialization of housing" refers to structural changes in housing and financial markets and global investment whereby housing is treated as a commodity, a means of accumulating wealth and often as security for financial instruments that are traded and sold on global markets. It refers to the way capital investment in housing increasingly disconnects housing from its social function of providing a place to live in security and dignity and hence undermines the realization of housing as a human right. It refers to the way housing and financial markets are oblivious to people and communities, and the role housing plays in their well-being.

Housing and real estate markets have been transformed by corporate finance, including banks, insurance and pension funds, hedge funds, private equity firms and other kinds of financial intermediaries with massive amounts of capital and excess liquidity. The global financial system has grown exponentially and now far outstrips the so-called real "productive" economy in terms of sheer volumes of wealth, with housing accounting for much of that growth.

Housing and commercial real estate have become the "commodity of choice" for corporate finance and the pace at which financial corporations and funds are taking over housing and real estate in many cities is staggering. The value of global real estate is about US$ 217 trillion, nearly 60 per cent of the value of all global assets, with residential real estate comprising 75 per cent of the total. In the course of one year, from mid-2013 to mid-2014, corporate buying of larger properties in the top 100 recipient global cities rose from US$ 600 billion to US$ 1 trillion.3 Housing is at the centre of an historic structural transformation in global investment and the economies of the industrialized world with profound consequences for those in need of adequate housing.

In "hedge cities", prime destinations for global capital seeking safe havens for investments, housing prices have increased to levels that most residents cannot afford, creating huge increases in wealth for property owners in prime locations while excluding moderate- and low-income households from access to homeownership or rentals due to unaffordability. Those households are pushed to peri-urban areas with scant employment and services.

Elsewhere, financialization is linked to expanded credit and debt taken on by individual households made vulnerable to predatory lending practices and the volatility of markets, the result of which is unprecedented housing precarity. Financialized housing markets have caused displacement and evictions at an unparalleled scale: in the United States of America over the course of 5 years, over 13 million foreclosures resulted in more than 9 million households being evicted. In Spain, more than half a million foreclosures between 2008 and 2013 resulted in over 300,000 evictions. There were almost 1 million foreclosures between 2009 and 2012 in Hungary.

In many countries in the global South, where the majority of households are unlikely to have access to formal credit, the impact of financialization is experienced differently, but with a common theme — the subversion of housing and land as social goods in favour of their value as commodities for the accumulation of wealth, resulting in widespread evictions and displacement. Informal settlements are frequently replaced by luxury residential and high-end commercial real estate.

While much has been written about the financialization of housing, it has not often been considered from the standpoint of human rights. Decision-making and assessment of policies relating to housing and finance are devoid of reference to housing as a human right. Issues related to business and human rights have received some attention in recent years. However, the housing and real estate sector — the largest business sector with many of the most serious impacts on human rights — appears to have been mostly ignored.

A report on the topic is timely as States embark on the implementation of the Sustainable Development Goals. If the commitment in target 11.1 to ensure access for all to adequate, safe and affordable housing and basic services is to be achieved by 2030, it is essential to consider the role of international finance and financial actors in housing systems. That will help to identify and address more effectively patterns of systemic exclusion, to ensure more meaningful human rights accountability for issues of displacement, evictions, demolitions and homelessness, and the engagement of all relevant actors in the realization of the right to adequate housing.

Constructing human rights accountability within a complex financial system to which Governments are themselves accountable, involving trillions of dollars in assets, may seem a daunting task. However, the global community cannot afford to be cowered by the complexity of financialization.8 The present report aims to cut through some of the complexity and opaqueness of finance in housing to expose the central relevance and necessity of the human rights paradigm at multiple levels, from the international to the local.

The report builds on important work undertaken by the previous Special Rapporteur on the right to housing. In her 2012 report on the impact of finance policies on the right to housing of those living in poverty (A/67/286), she warned of emerging trends towards the financialization of housing encouraged by States' abandonment of social housing programmes and increased reliance on private market solutions. She documented attempts by States to rely on the private market and homeownership, which increases inequality and fails to address the housing needs of low-income and marginalized groups. More fundamentally, she called for a paradigm shift through which housing would once again be recognized as **a fundamental human right rather than as a commodity.**

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[i] HOUSING: TAMING THE ELEPHANT IN THE ECONOMY Duncan Maclennan, Jinqiao Long (University of Glasgow) Hal Pawson, Bill Randolph, Fatemeh Aminpour (City Futures Research Centre, UNSW) Chris Leishman (University of South Australia)

[ii] https://www.prosper.org.au/wp-content/uploads/2017/03/Report-of-the-Special-Rapporteur-on-finaincialisation-of-housing.pdf

[iii] As i)