

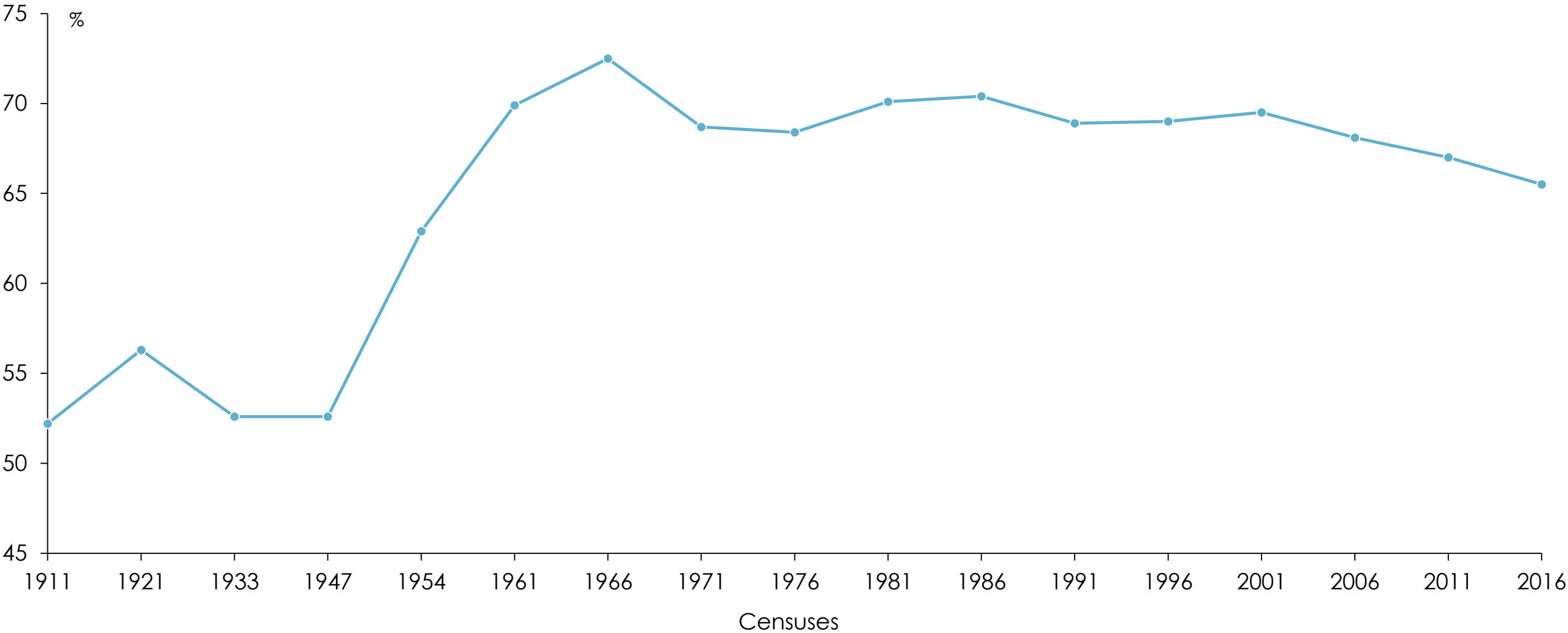
HOUSING AFFORDABILITY 2030

'MINI-NOTE' PRESENTATION TO AUSTRALIAN COUNCIL OF SOCIAL SERVICE
(ACOSS) NATIONAL CONFERENCE 2017

SOFITEL HOTEL, MELBOURNE – 24TH OCTOBER 2017

Australia's overall home ownership rate at last year's census was the lowest at any census since 1954

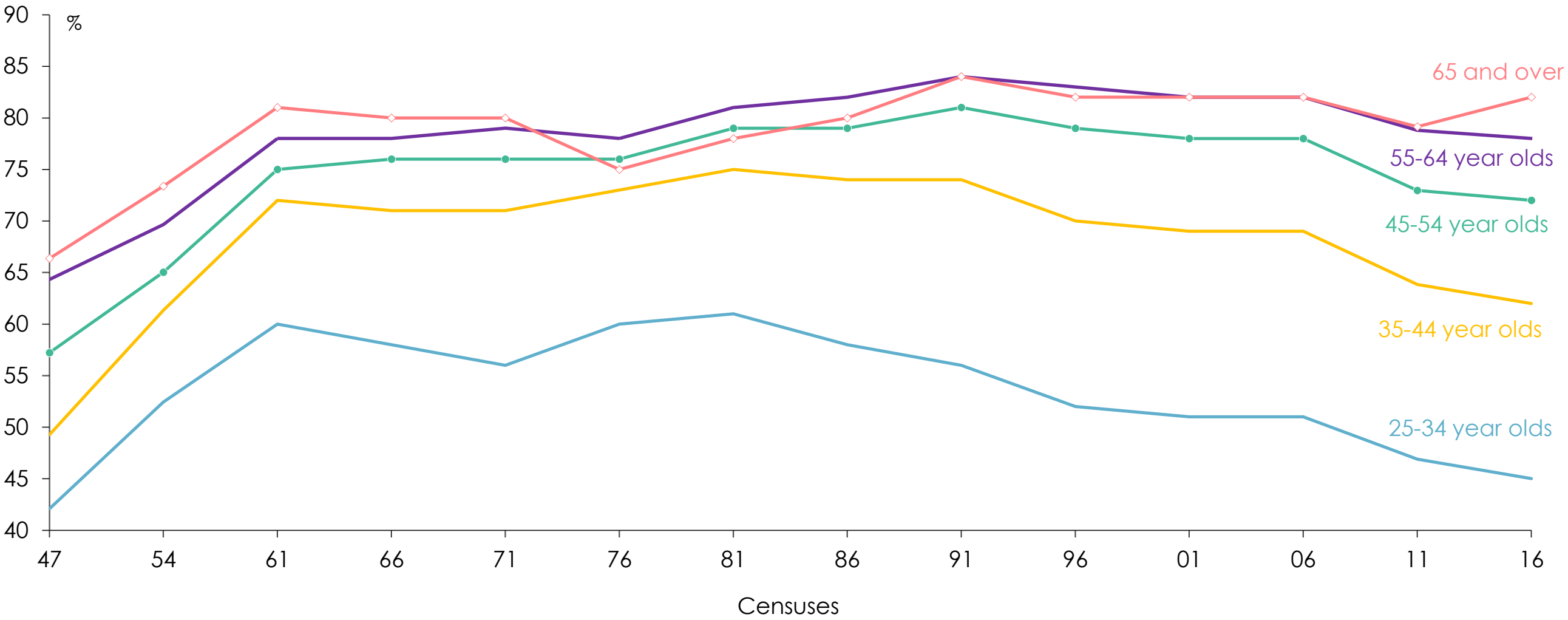
Home ownership rates, censuses since 1911



Source: Australian Bureau of Statistics.

Home ownership rates have dropped sharply among people aged between their mid-20s and mid-50s

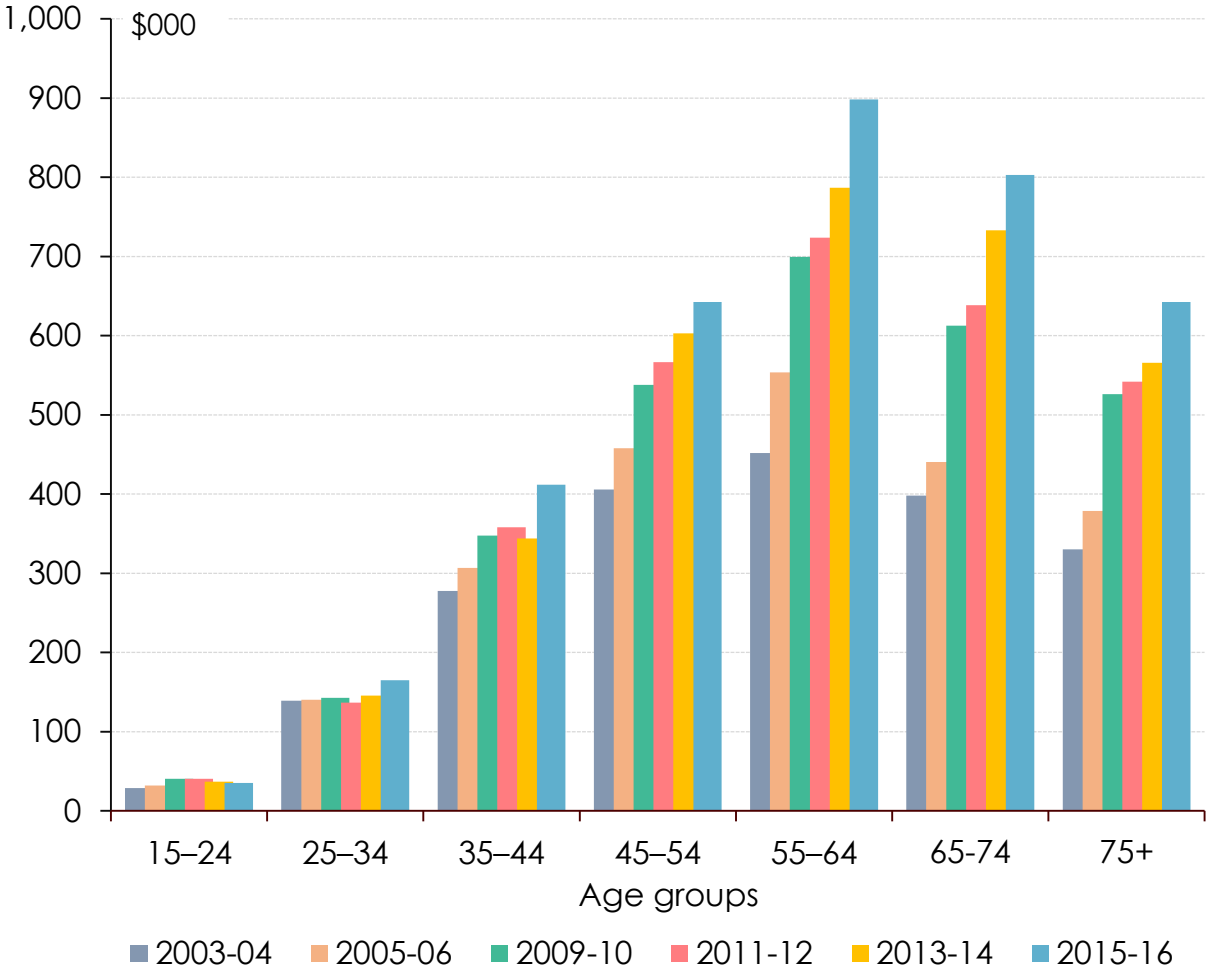
Home ownership rates, by age group, censuses since 1947



Source: Australian Bureau of Statistics; Judith Yates.

Declining home ownership rates among younger age groups has been a major contributor to rising inter-generational wealth inequality

Median net worth, by age group



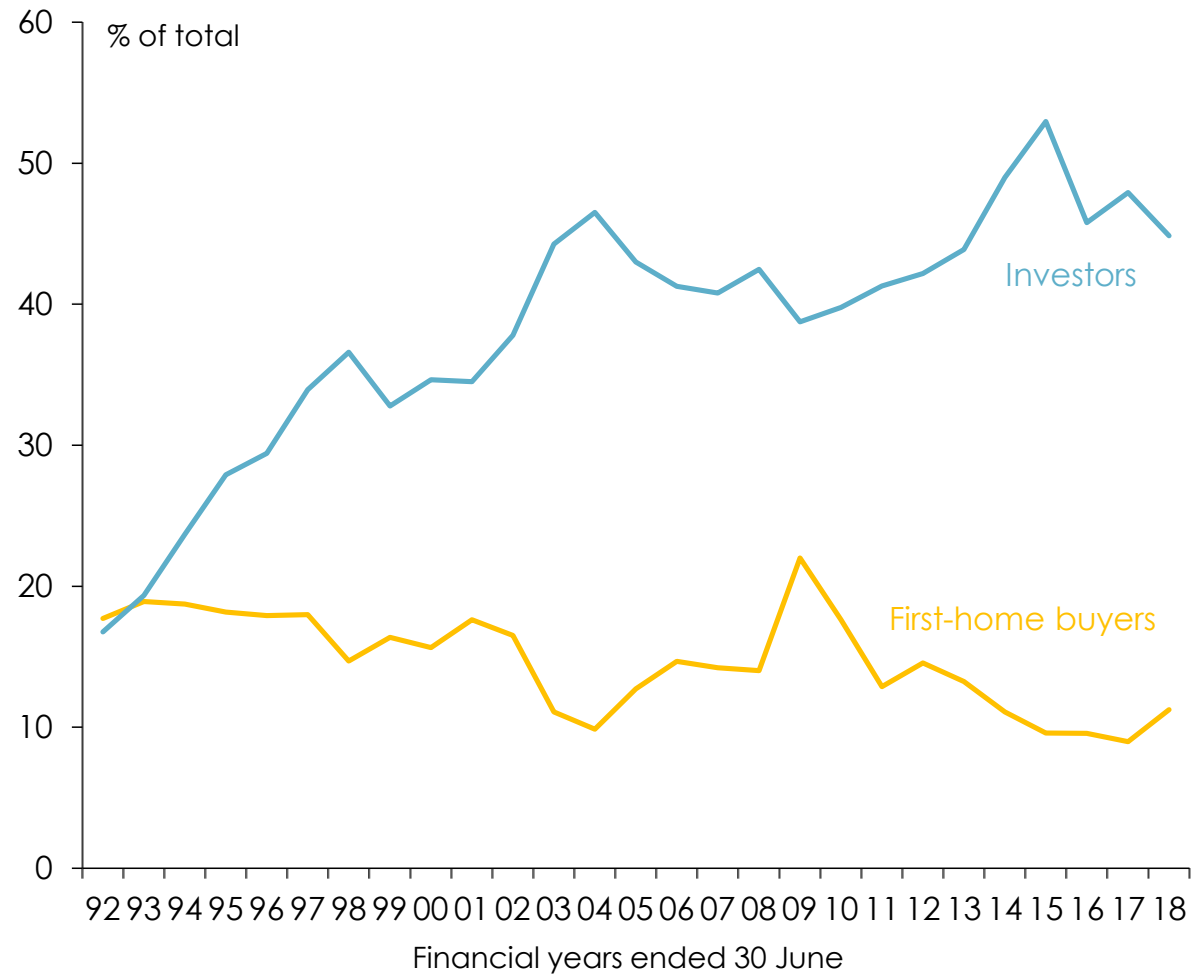
Shares of total household net worth, by age group



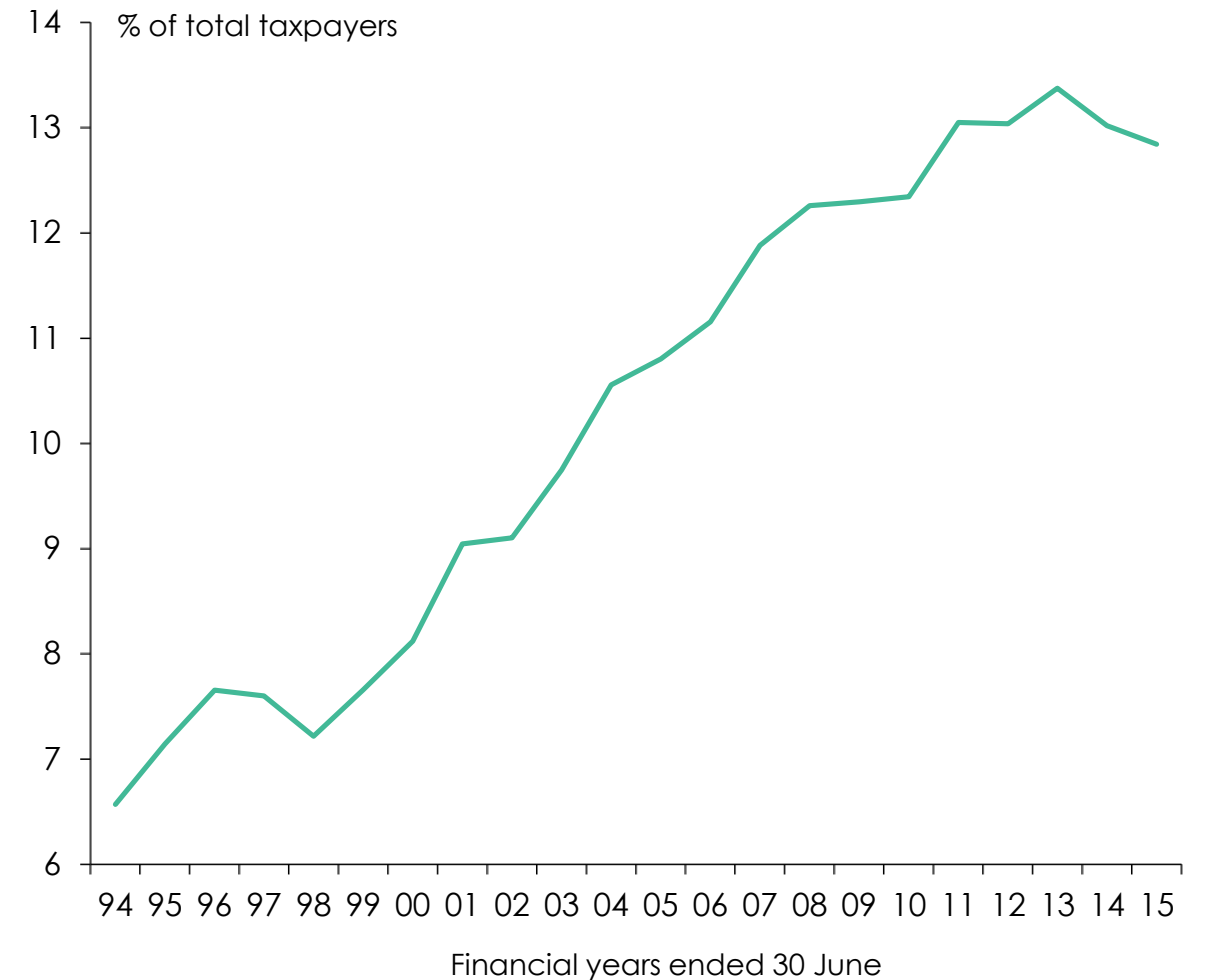
Source: ABS, Housing, Income and Wealth, Australia 2015-16 (6523.0).

Would-be first-time home-buyers have been ‘squeezed out’ of the housing market by investors – increasing the demand for rental accommodation

Shares of housing finance – first-time buyers and investors



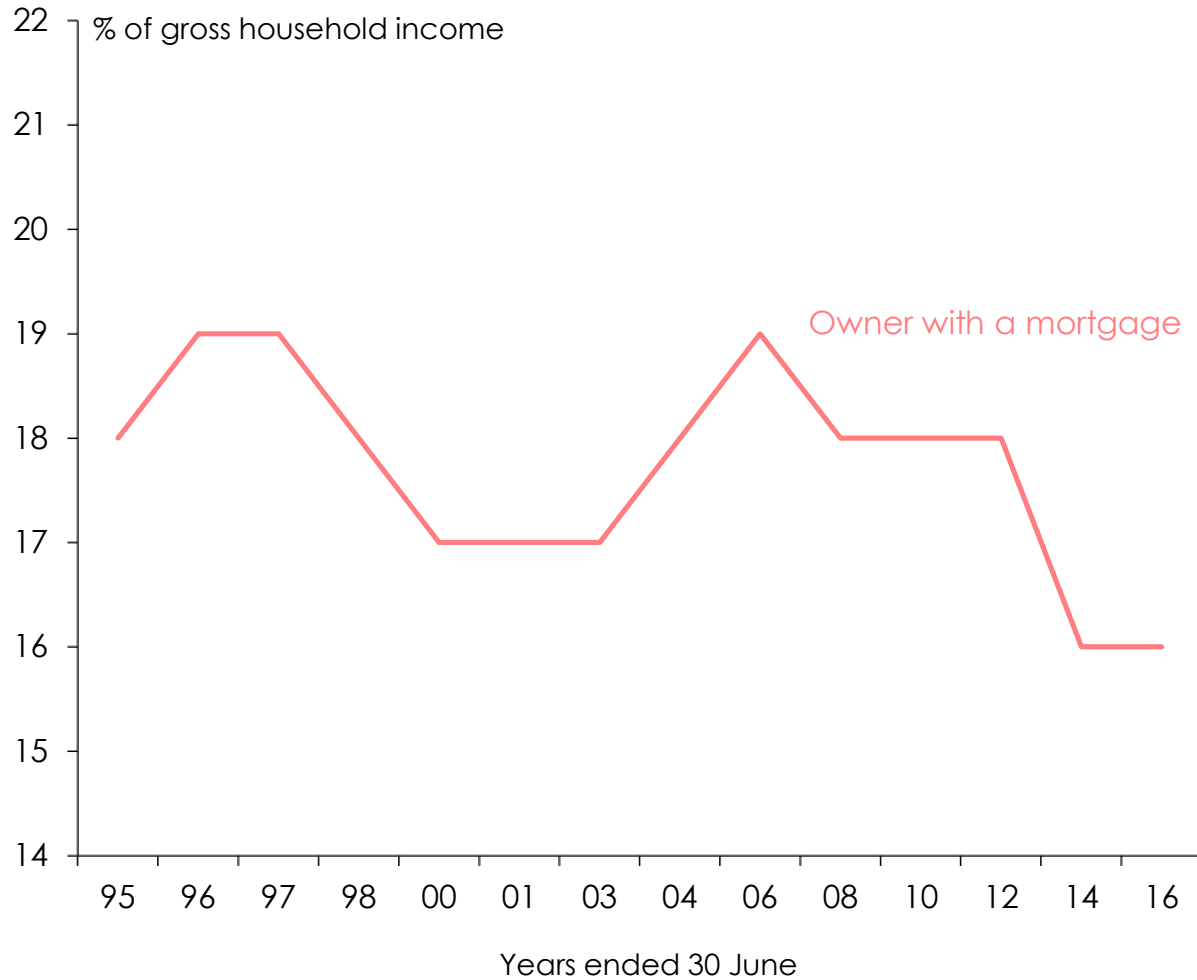
Proportion of personal income taxpayers reporting net rental income losses



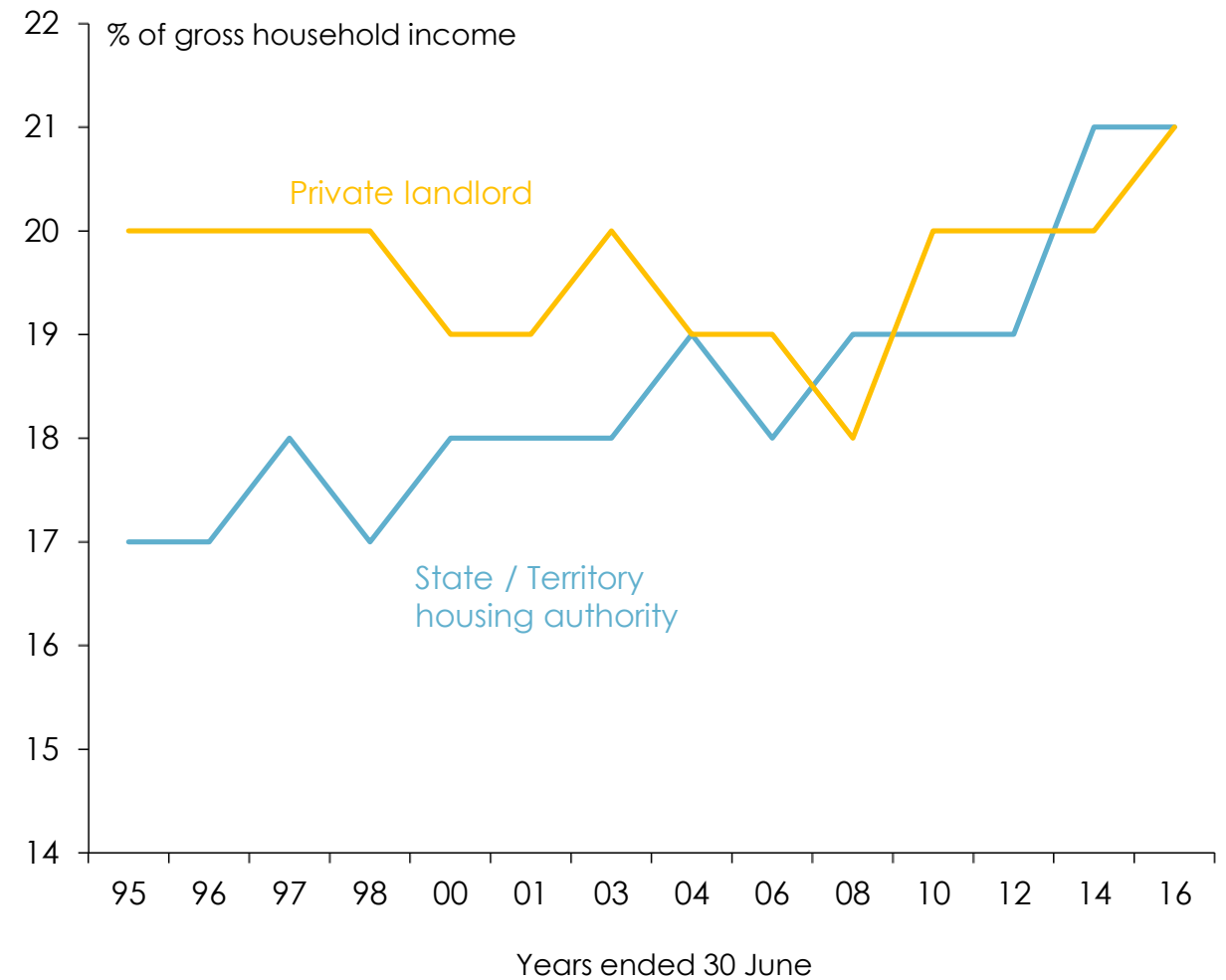
Note: Housing finance figures for 2017-18 are for July and August 2017.
 Source: ABS, *Housing Finance*, August 2017 (5609.0); Australian Taxation Office, *Taxation Statistics* 2014-15.

Home-owners' housing costs have declined relative to incomes over the past decade, while renters' housing costs have risen

Housing costs as a pc of gross income - owners



Housing costs as a pc of gross income - renters

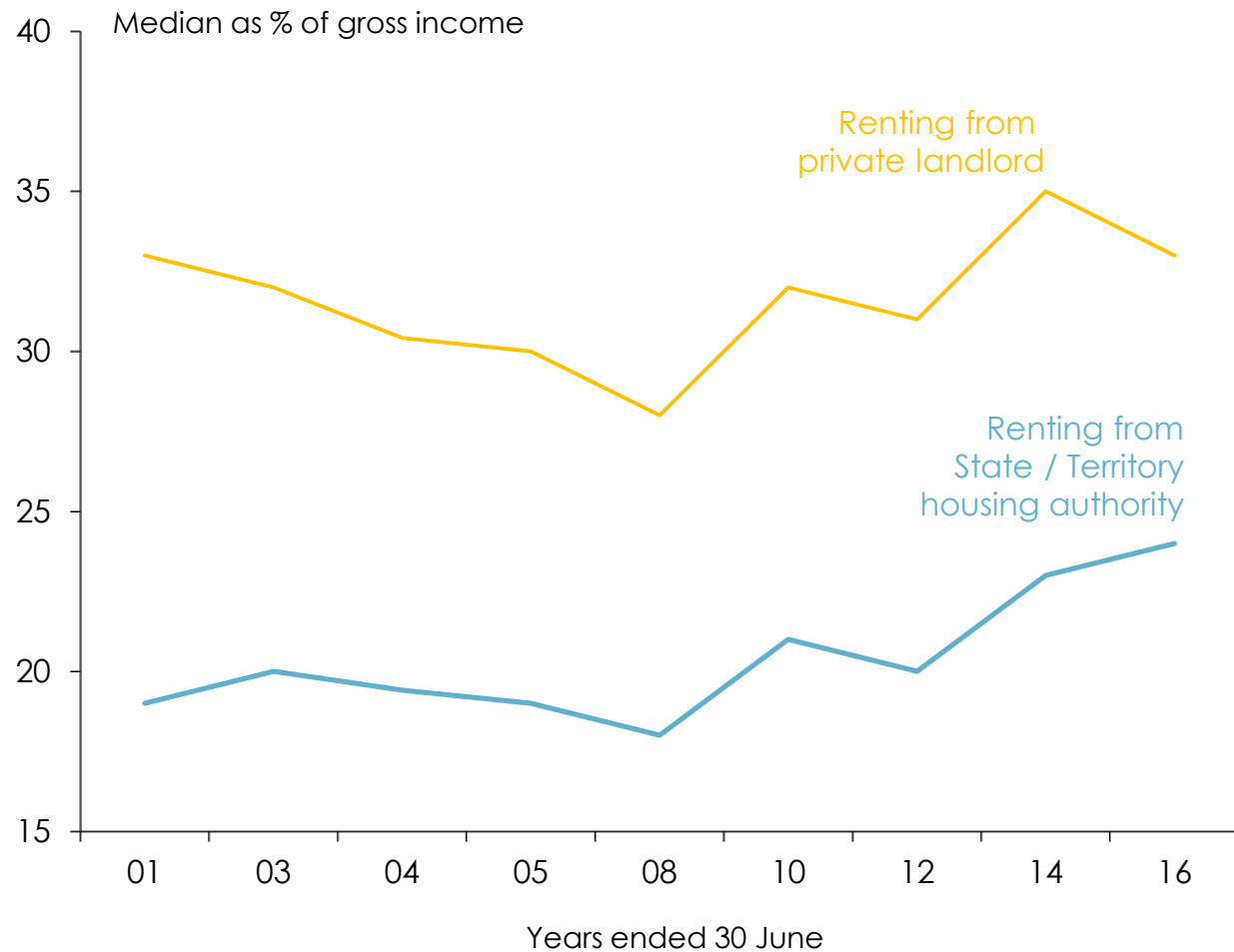


Note: 'Housing costs' includes mortgage repayments (principal and interest) or rent, council and water rates; does not include insurance, repairs and maintenance costs, body corporate fees, or utilities costs.

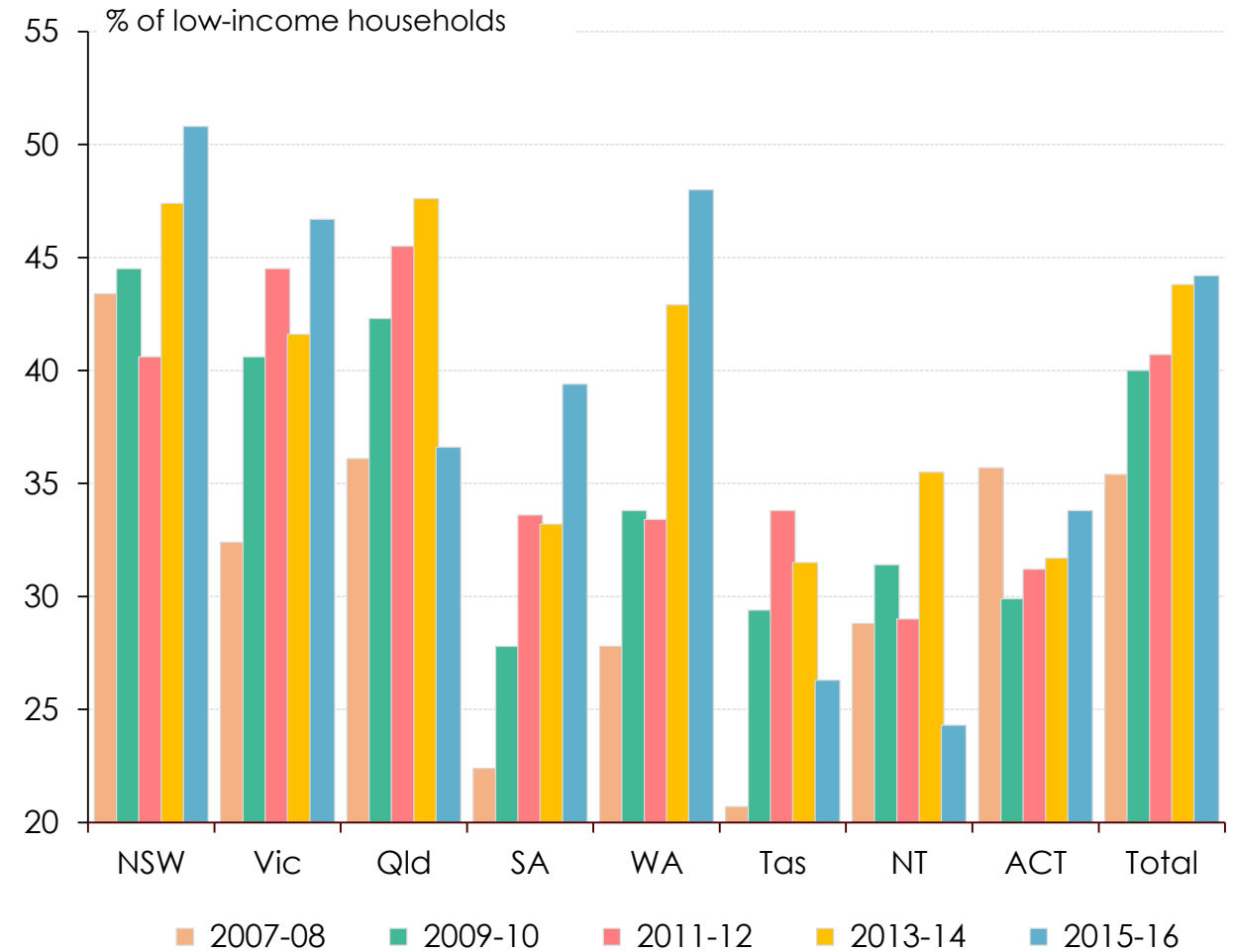
Source: ABS, *Housing Occupancy and Costs 2015-16* (4130.0).

Lower-income households, in particular, are spending a higher share of their incomes on housing than a decade ago

Housing costs as a pc of gross income – lower-income renters



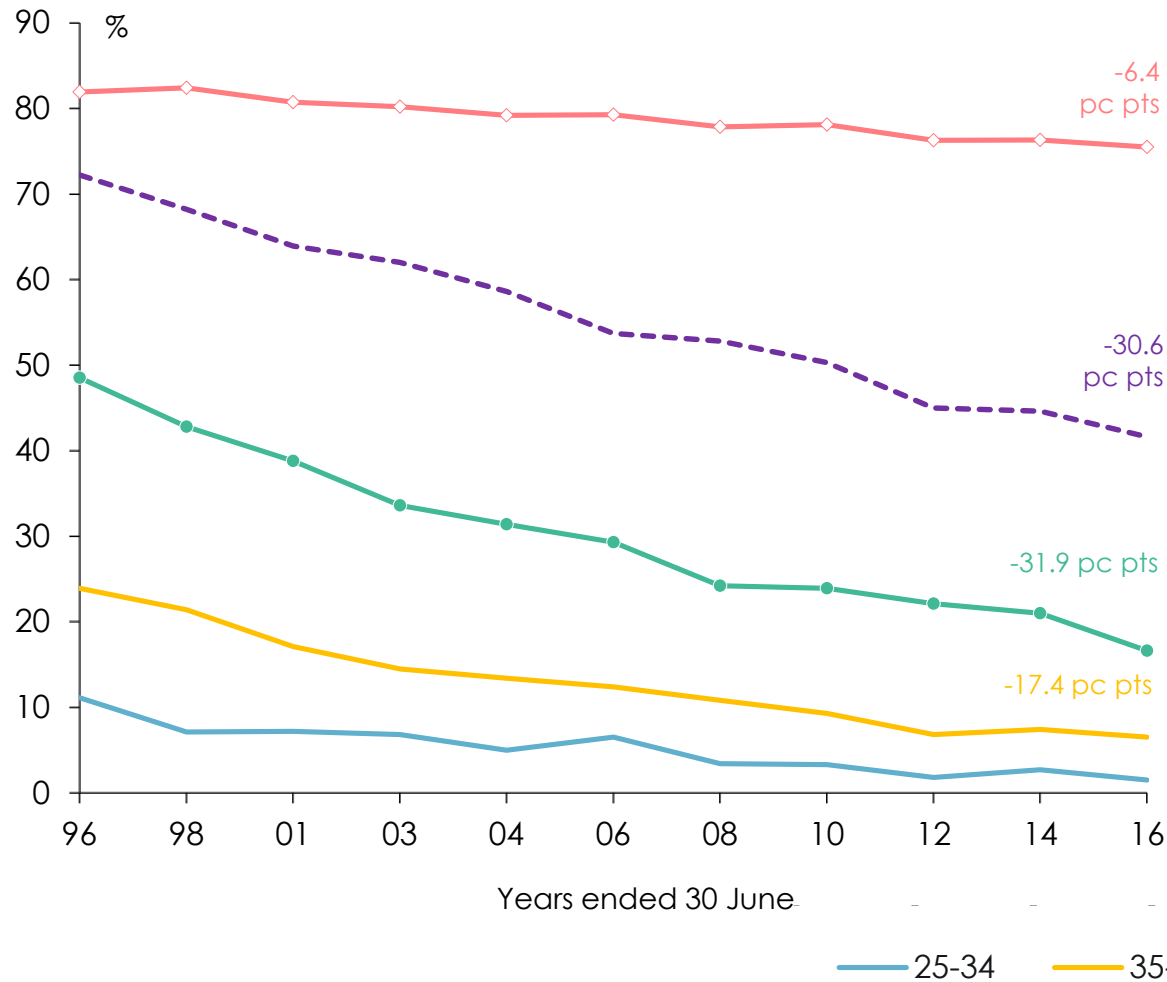
Pc of lower-income rental households paying > 30% of income in housing costs



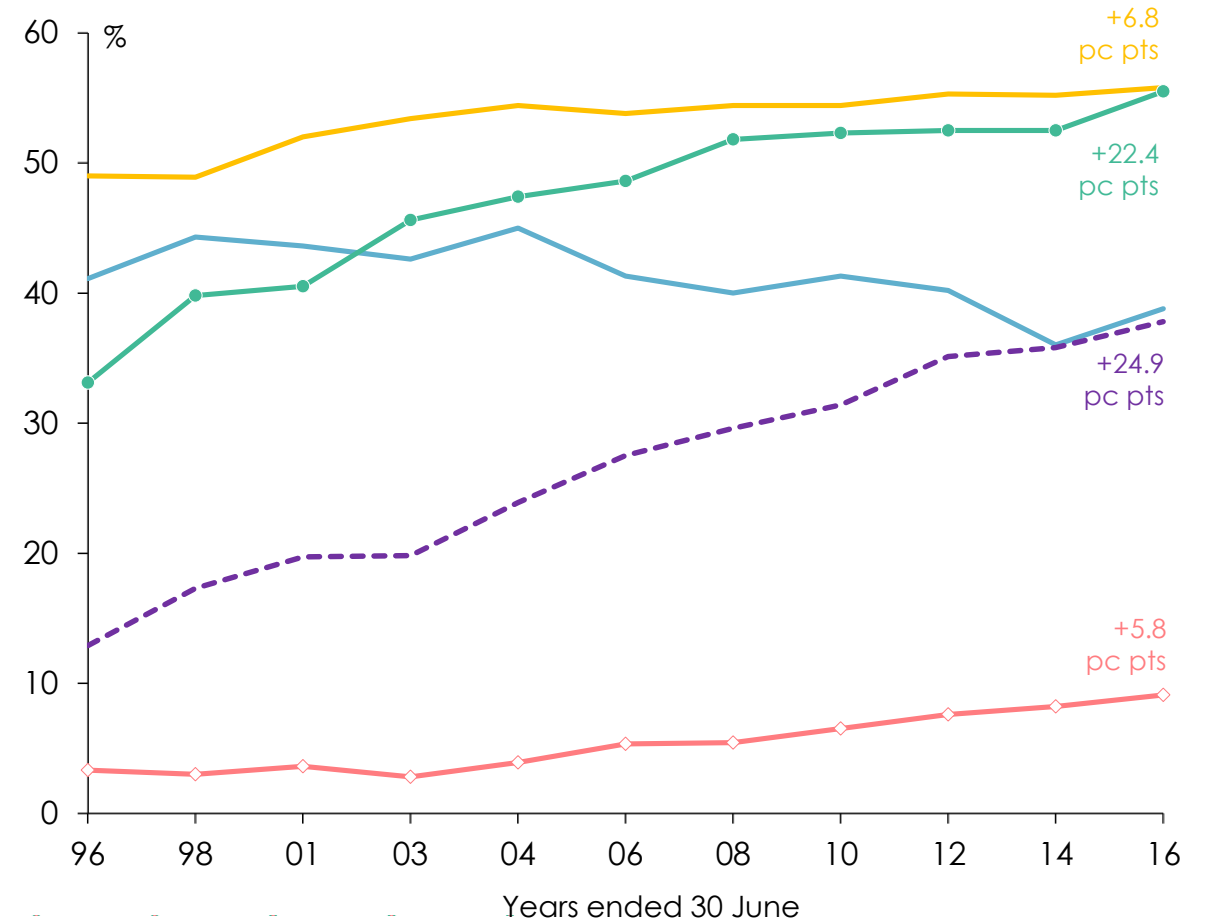
Note: Up to and including 2011-12, 'lower income households' were defined as those containing people with equivalized disposable income between the 10th and 40th percentiles (ie 30% of the population). Since 2013-14 'lower income households' have been defined as those containing people with households in the 3rd to 40th percentiles of equivalized disposable income (ie 38% of the population).
Sources: ABS, *Housing Occupancy and Costs 2015-16*, and earlier issues (4130.0).

The long-standing assumption that nearly all retirees own their homes outright will become increasingly invalid

Outright home ownership rates by age group



Mortgaged home ownership rates by age group

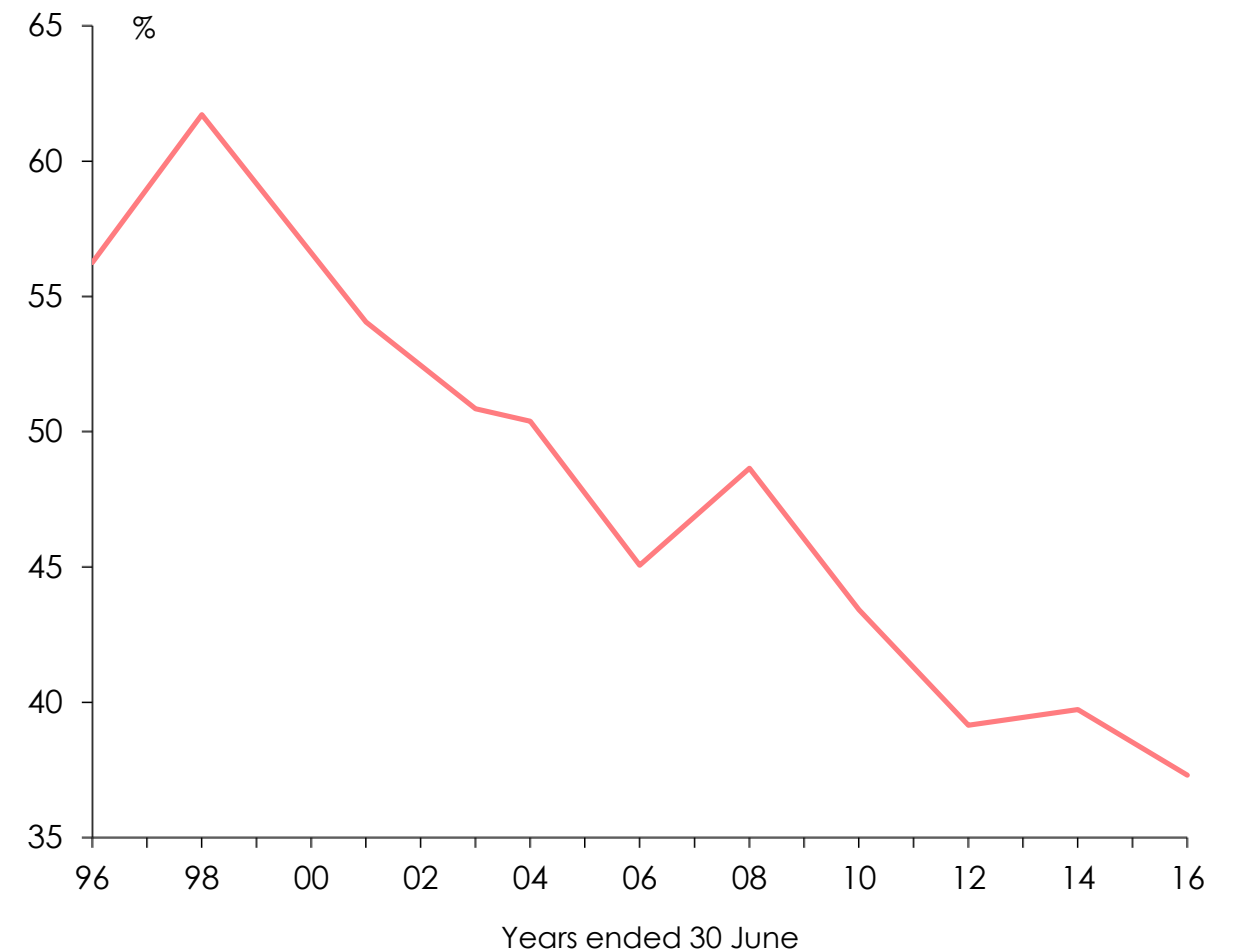


Social housing is catering for a diminishing share of senior households requiring rental accommodation

Rental households of persons aged 65 and over, by type of landlord



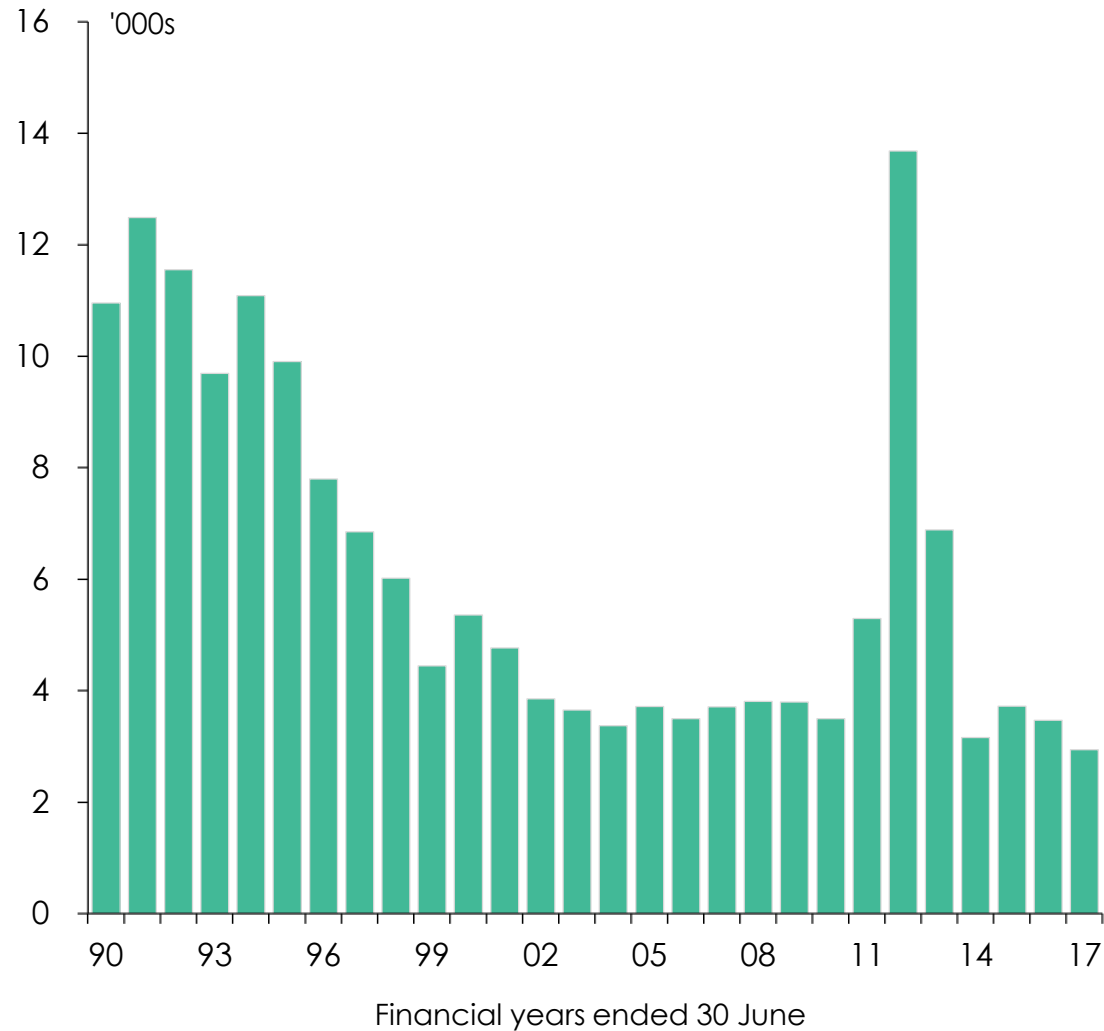
Housing authority tenants as a pc of total rental households aged 65 and over



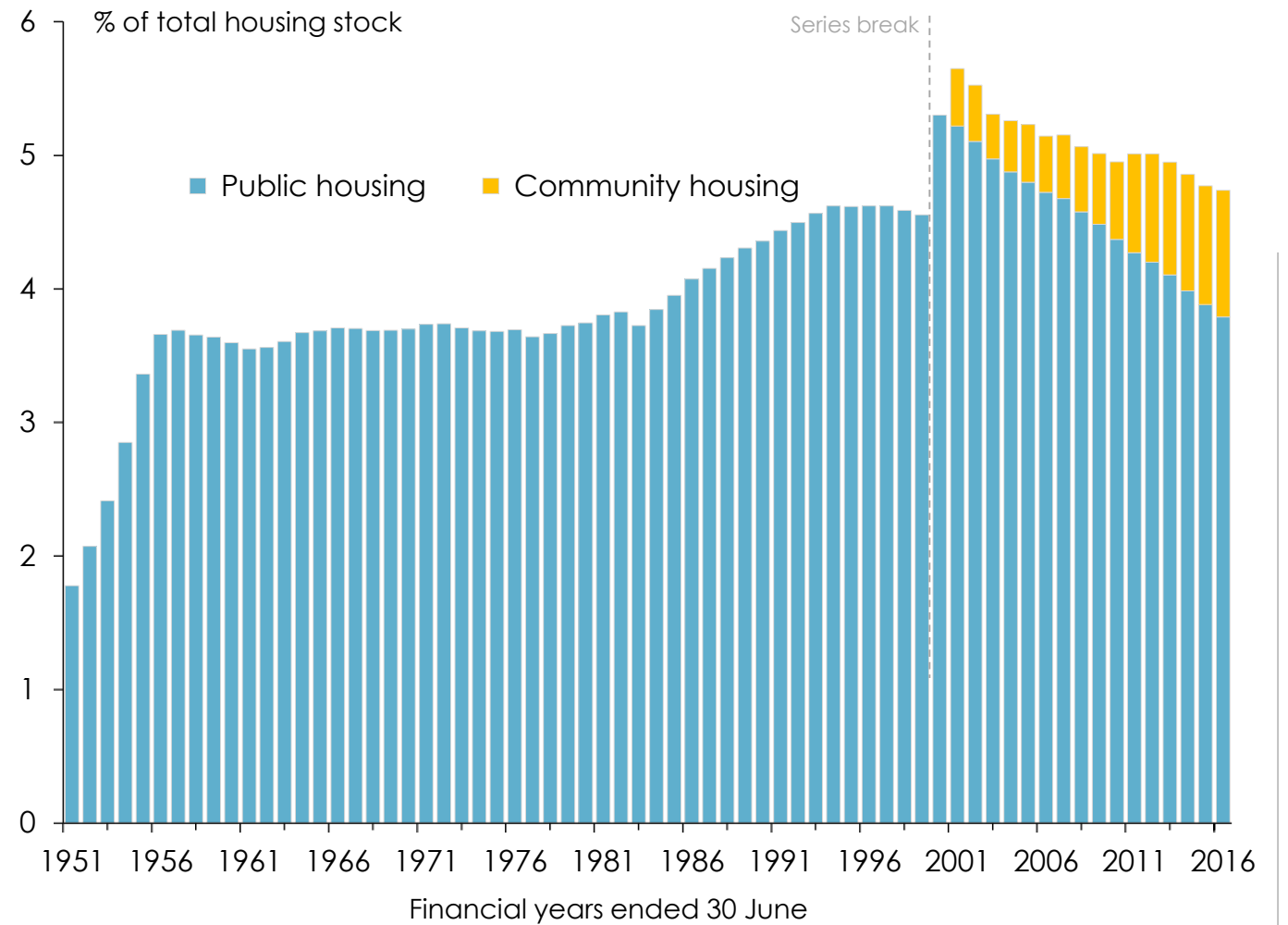
Source: ABS, Housing Occupancy and Costs 2015-16 (4130.0).

The social housing stock is declining as a proportion of Australia's total stock of housing

Public sector housing completions



Stock of social housing as a pc of total



Sources: ABS, *Building Activity*, June quarter 2016 (8752.0); Productivity Commission, *Housing Assistance and Employment in Australia*, Volume 2 – Research Papers, April 2015, p. 3; Productivity Commission, *Report on Government Services 2017*, Volume G, *Housing and Homelessness*, Tables 18A.5-7.

Some policies that would make a difference

- ❑ **Curtailing ‘negative gearing’ and reducing the capital gains tax discount**
 - will reduce the competition that prospective owner-occupiers face from investors, hence reducing at least one source of upward pressure on prices
 - it’s nonsensical to suggest that this will force up rents since any decline in the supply of rental housing resulting from these changes will be equally matched by a decline in demand
- ❑ **Replacing stamp duty on land transfer with a more broadly based land tax**
 - will encourage more efficient use of land, discourage ‘land banking’, and provide state governments with a more stable and predictable revenue stream
 - transitional issues around recent purchasers can be ‘managed’
- ❑ **Remove the principal residence exemption from the pension assets test but partially offset by lifting the threshold**
 - will encourage more sensible use of land and discourage ‘over-consumption’ of housing
- ❑ **Build more social housing**
 - funded directly from government budgets and/or via stock transfers that allow community housing providers to ‘leverage up’ to fund more additions to stock
 - most recent federal budget included some helpful measures to this end
 - but governments can do more through inclusionary zoning, ‘value capture’ and other tools
- ❑ **Reform tenancy laws**
 - to provide greater security of tenure and scope for personalization by tenants