TOWARDS A HEALTHY HOUSING SYSTEM AND WHY SOCIAL HOUSING ISN'T ENOUGH ON ITS OWN

ONLINE EVENT FOR Q SHELTER

17TH AUGUST 2022

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Housing is fundamental

"Everyone has the right to a standard of living adequate for the health and well-being of himself and his *[sic]* family, including ... housing"

- Universal Declaration of Human Rights (1948), Article 25

"… the Parties *[of which Australia was one]* recognize the right of everyone to an adequate standard of living for himself and his *[sic]* family, including adequate … housing"

- International Covenant on Economic, Social and Cultural Rights (1966), Article 11

"Adequate housing is essential for human survival with dignity. Without a right to housing many other basic rights will be compromised including the right to family life and privacy, the right to freedom of movement, the right to assembly and association, the right to health and the right to development"

- Australian Human Rights Commissioner Chris Sidoti (1996)

"One of the best instincts in us is that which induces us to have one little piece of earth with a house and a garden which is ours; to which we can withdraw, in which we can be among our friends, into which no stranger may come against our will"

- Robert Menzies, 'The Forgotten People' (1942)

"Housing should be for living in, not for speculation"

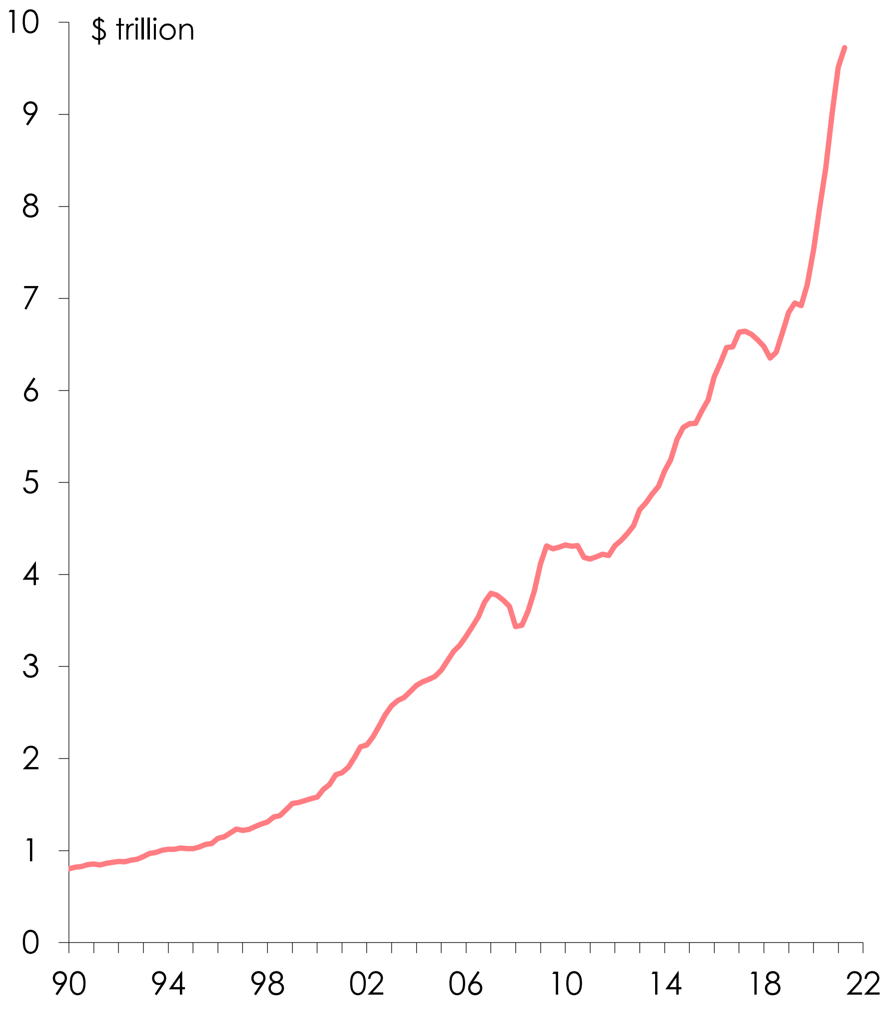
- Xi Jinping (2017)

Access (or the lack of it) to housing has significant economic and social consequences

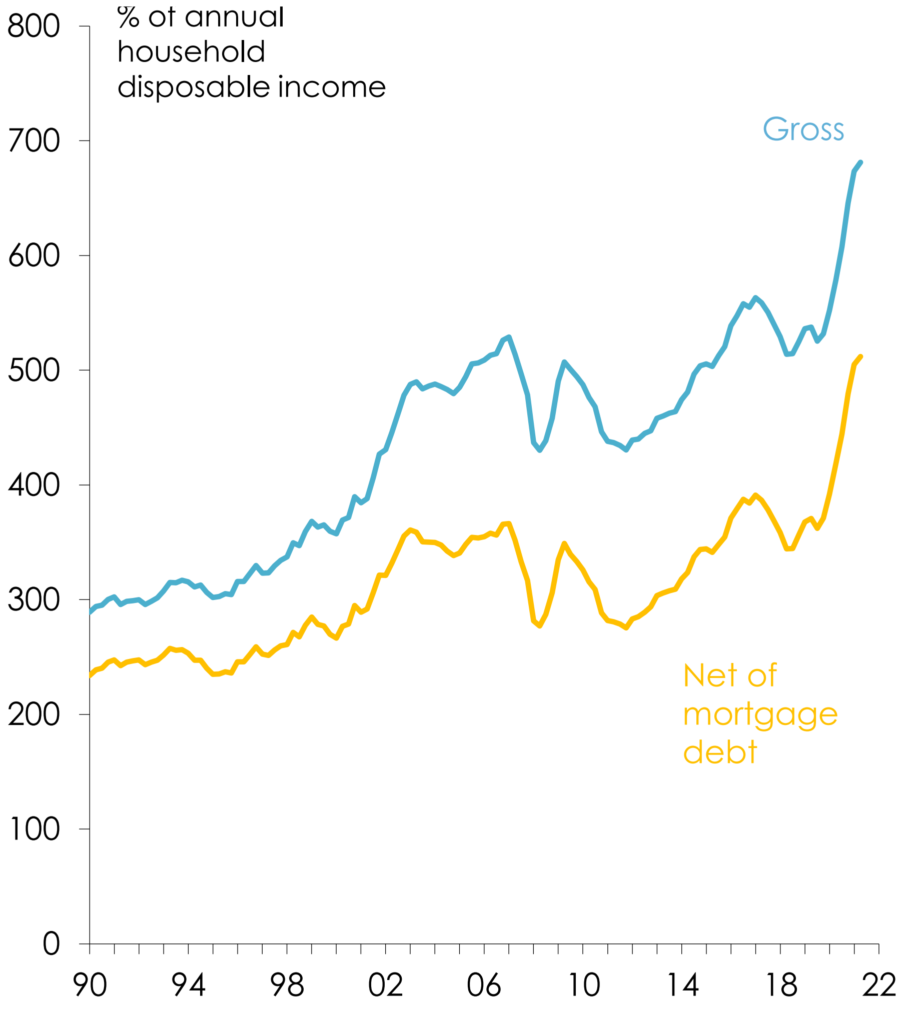
- **Housing is a significant component of household wealth**
  - residential property accounts for more than half the increase in household wealth since 1990
  - the wealthiest 20% of households own more residential property (by value) than all other households combined
  - An increasing proportion of Australian households are becoming unable to access home ownership, or to access it at the same stage of life as previous generations
- **The pursuit of property ownership has been a major driver of the increase in household debt**
  - household debt has risen from 67% to 187% of household disposable income since 1990
  - 112 pc pts of this 120 pc pt increase is attributable to housing debt
  - Australian households are much more sensitive to movements in interest rates than ever before – as we are likely to see demonstrated over the next 6-18 months
- **Housing is a major component of household spending**
  - except for households who own their homes outright, housing costs are the largest component of household spending, accounting for 16-20% of total spending (28% for the poorest fifth of households)
- **Access to housing is an increasingly significant determinant of access to educational and employment opportunities**
  - deteriorating housing affordability may be exacerbating mis-matches between the demand for and supply of skilled labour, especially in city-based 'knowledge industries'

The value of housing (land and buildings, but mostly land) has increased enormously over the past three decades …

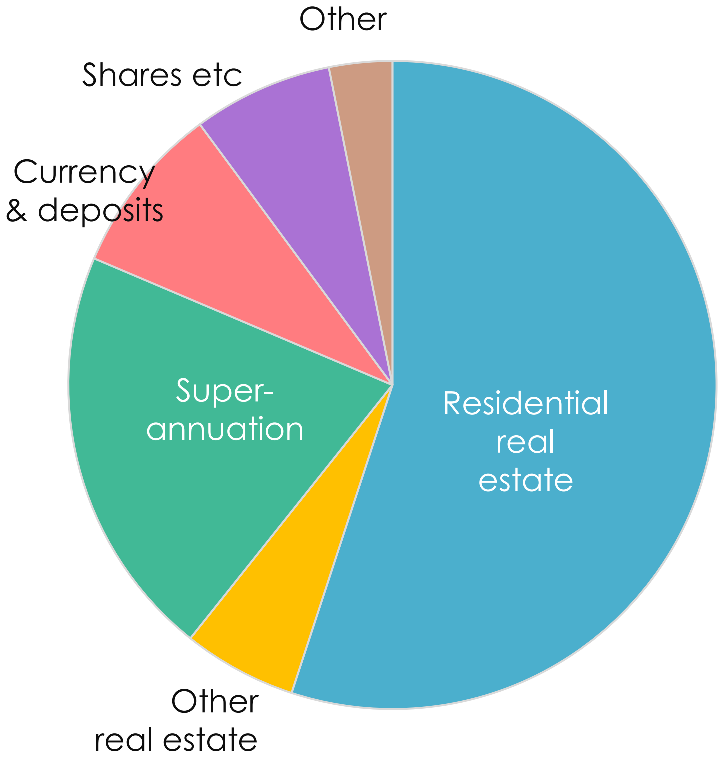
Value of residential land & buildings owned by households



Gross and net housing assets as a pc of disposable income



Composition of household assets as at 31st March 2022



Sources: ABS, *Australian National Accounts: Finance and Wealth*; RBA, *Household and Business Balance Sheets*.

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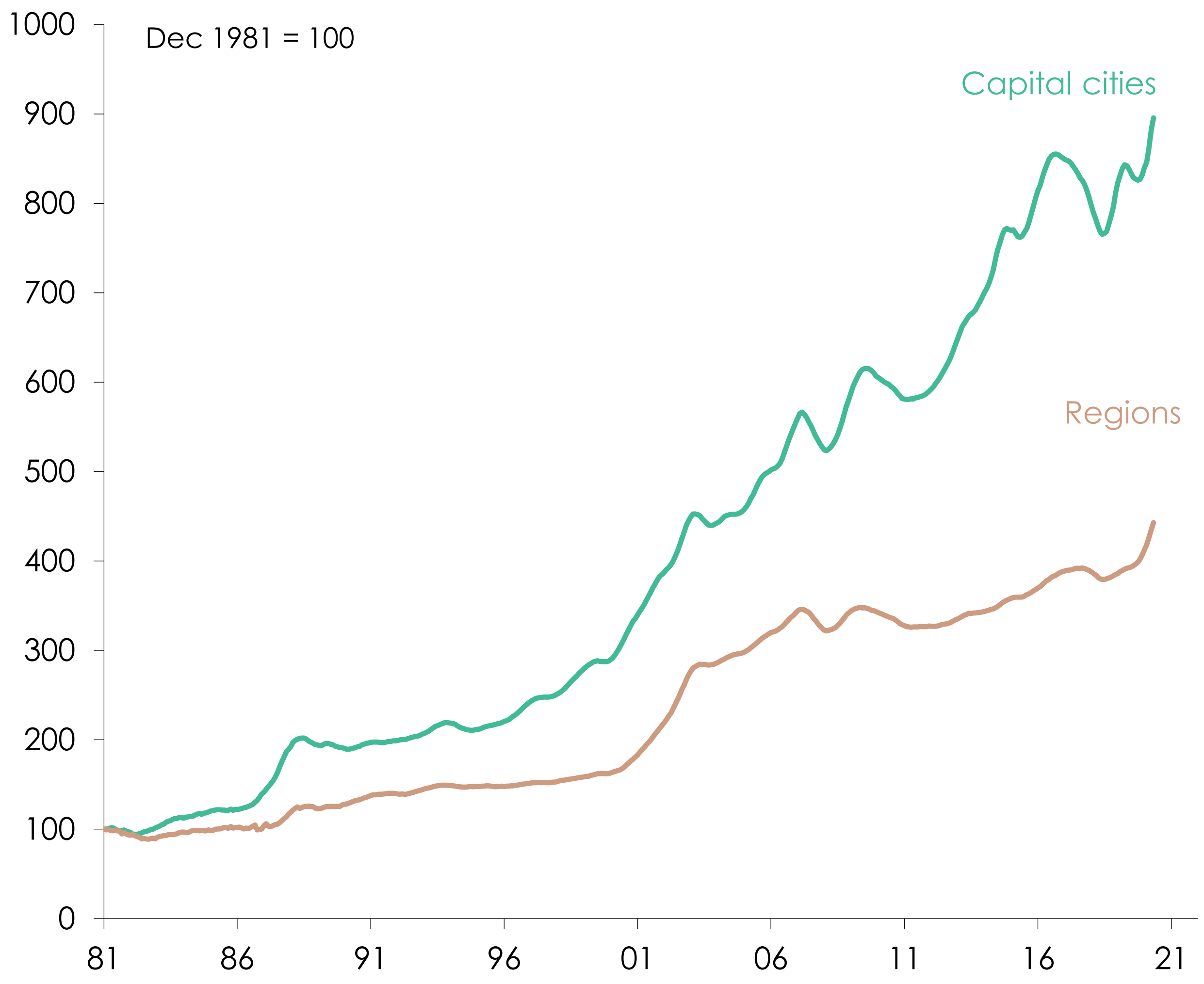
… almost entirely as a result of rampant house price inflation …

Residential property prices



Residential property prices as a multiple of household disposable income per person

Note: Household disposable income (from the quarterly national accounts) is divided by the number of people aged 15 and over (from the labour force survey).
Sources: CoreLogic; ABS, *Australian National Accounts: National Income, Expenditure and Product*, and *Labour Force, Australia*.

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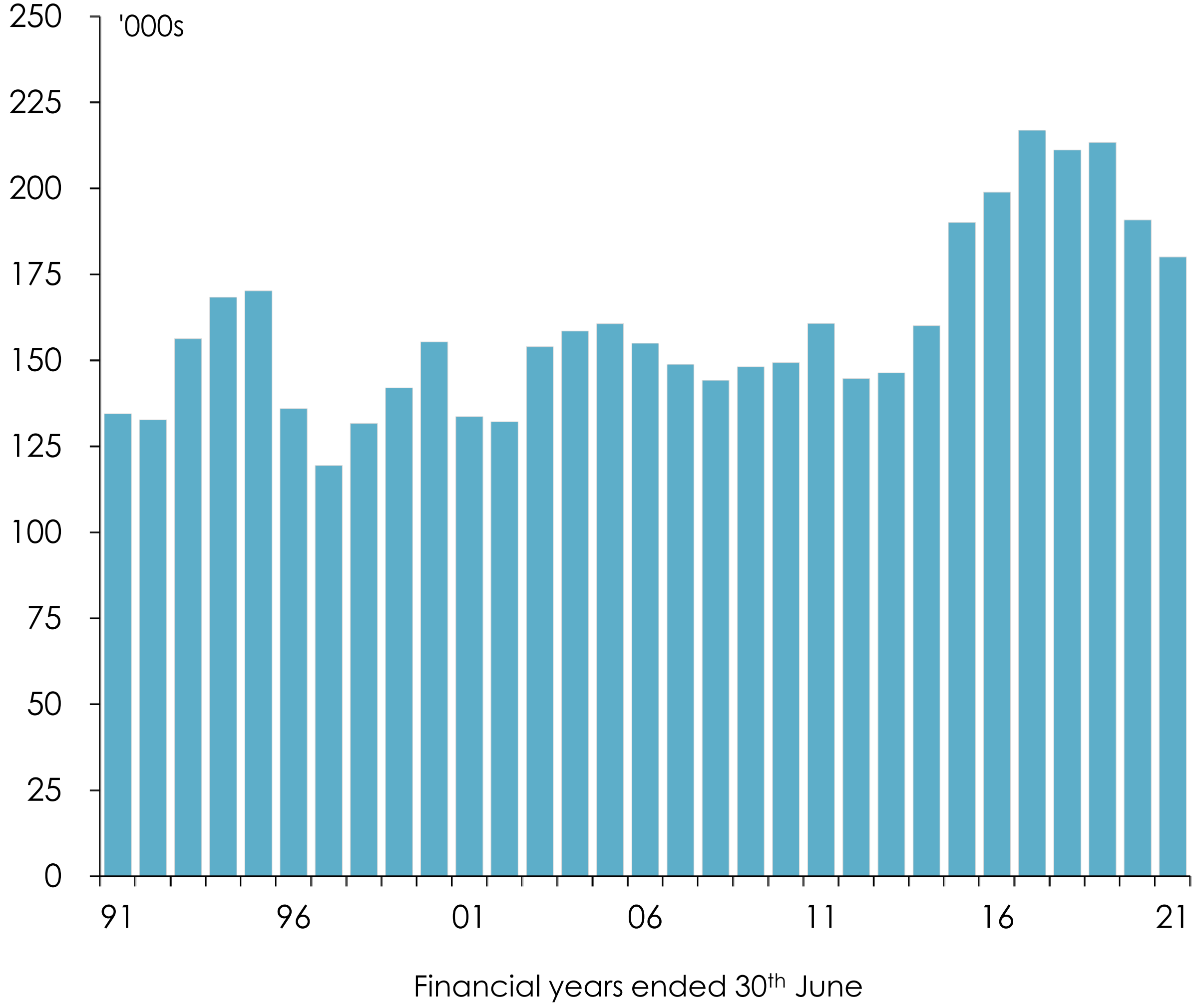
… rather than growth in the dwelling stock (although that has risen at a faster rate than the population)

Residential building completions



Total stock of dwellings vs population

Sources: ABS, Building Activity, Australia and National, state and territory population; RBA, Household and Business Balance Sheets.

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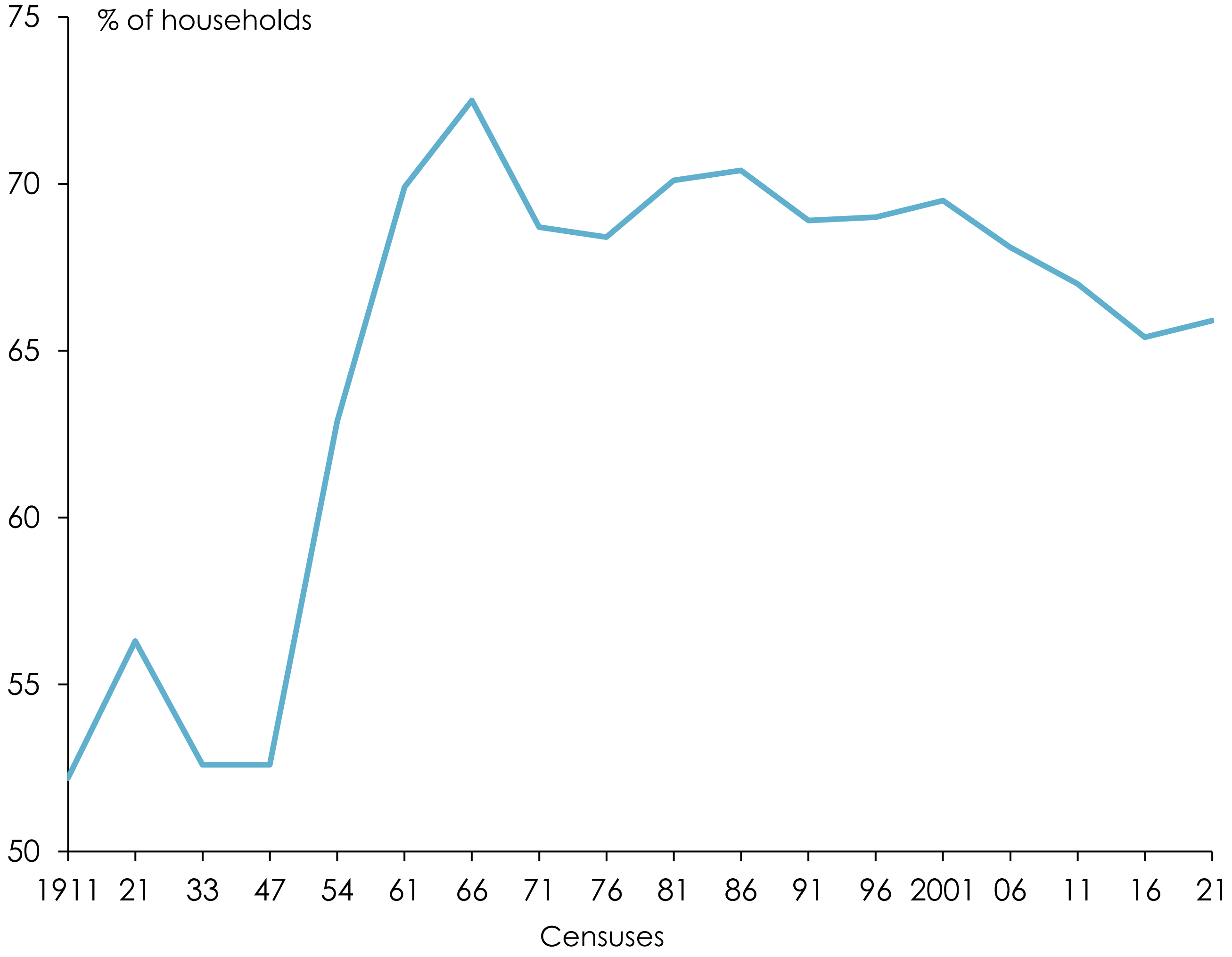
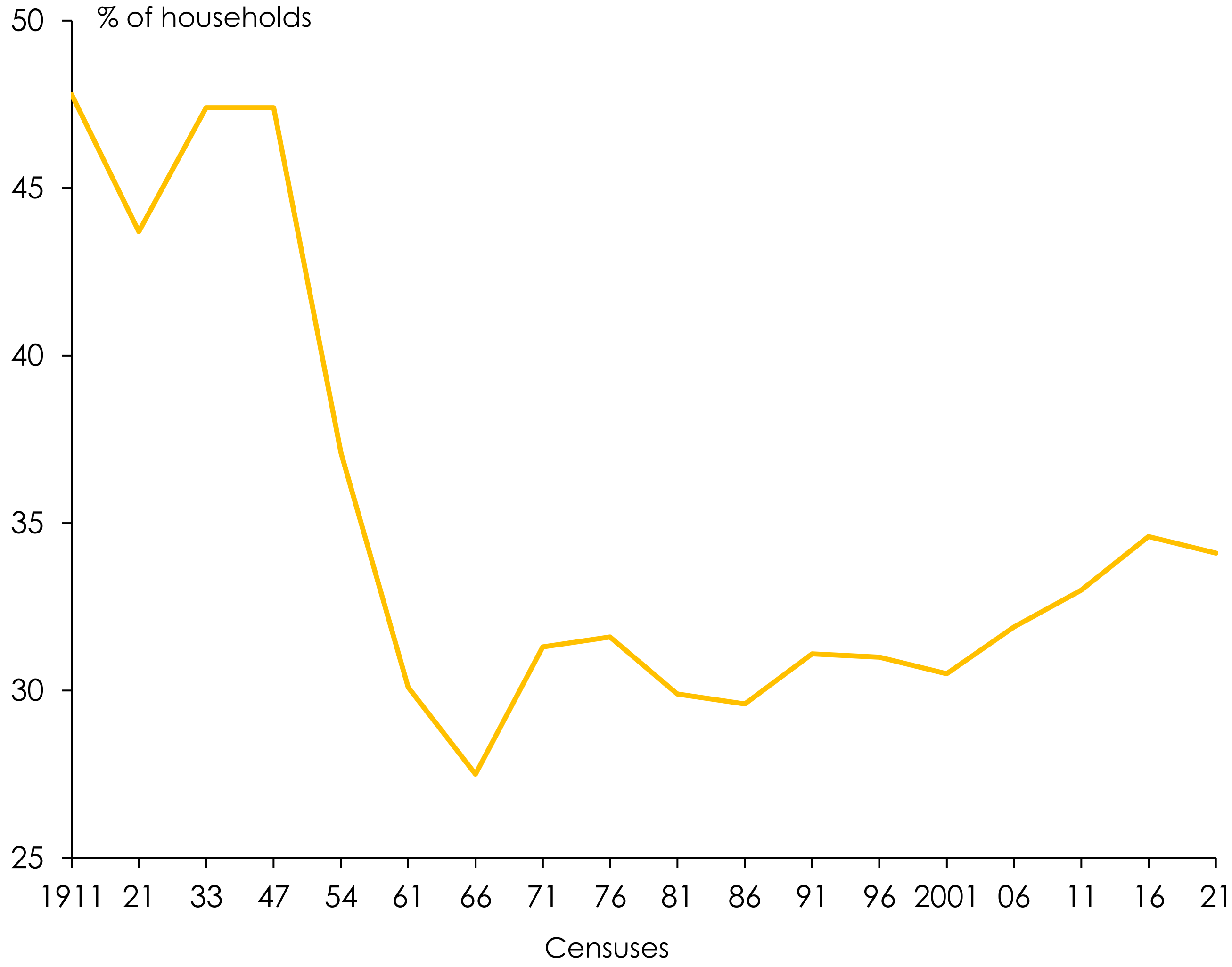
Australia's home ownership rate has fallen by 6.6 pc points since 1966 – and there's been a corresponding increase in the proportion of renters

Housing tenure at Australian censuses, 1911-2021

Home owners



Tenants



Sources: ABS, Housing: Census, 2021 and Historical Census Data.

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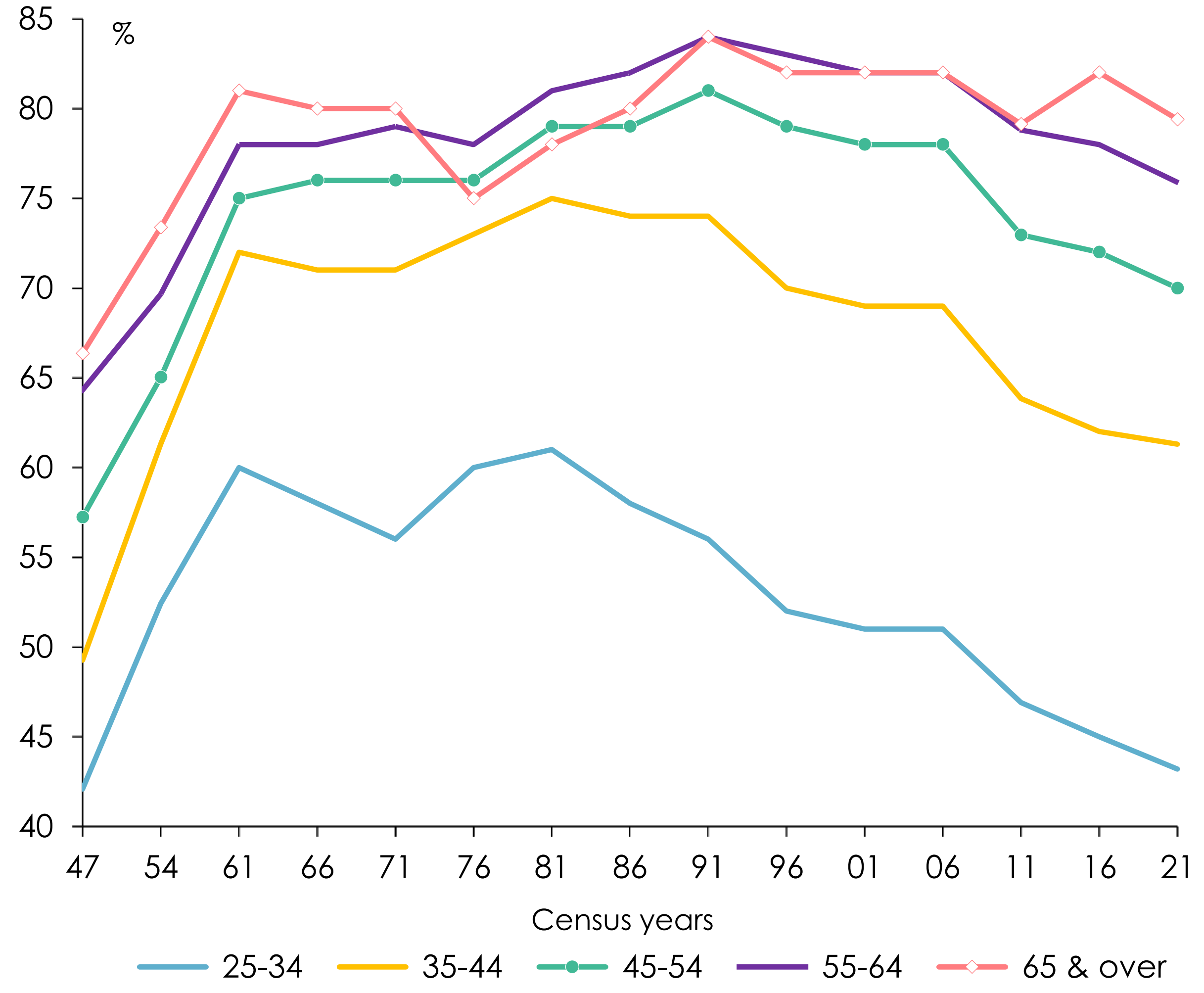
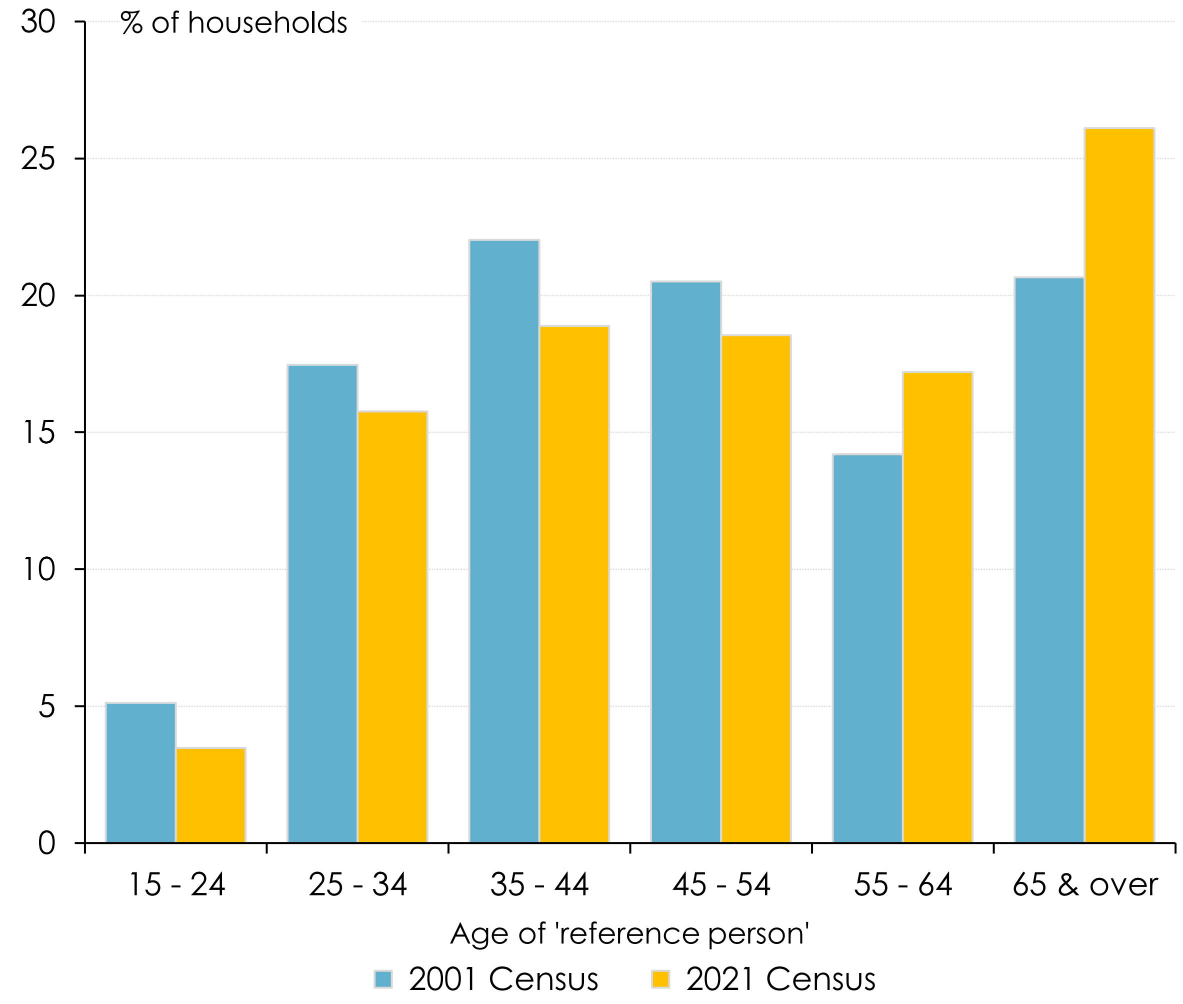
The ageing of Australia's population has masked declines in home ownership rates among almost all age groups, especially those aged 25-44

Home ownership rates by age groups, at censuses 1947-2021



Age structure of the population, at the 2001 and 2021 Censuses



Sources: ABS, Housing: Census, 2021 and Historical Census Data.

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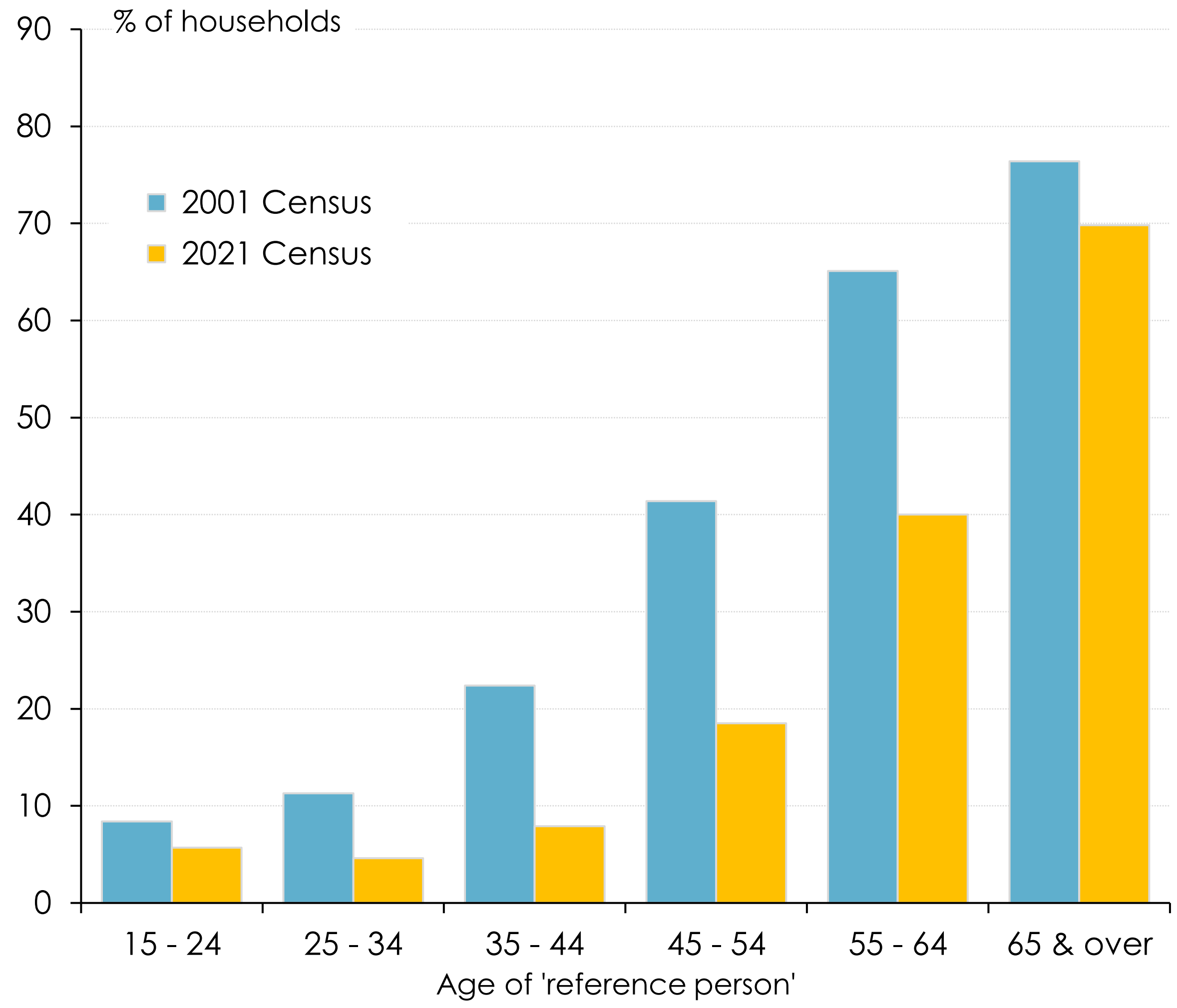
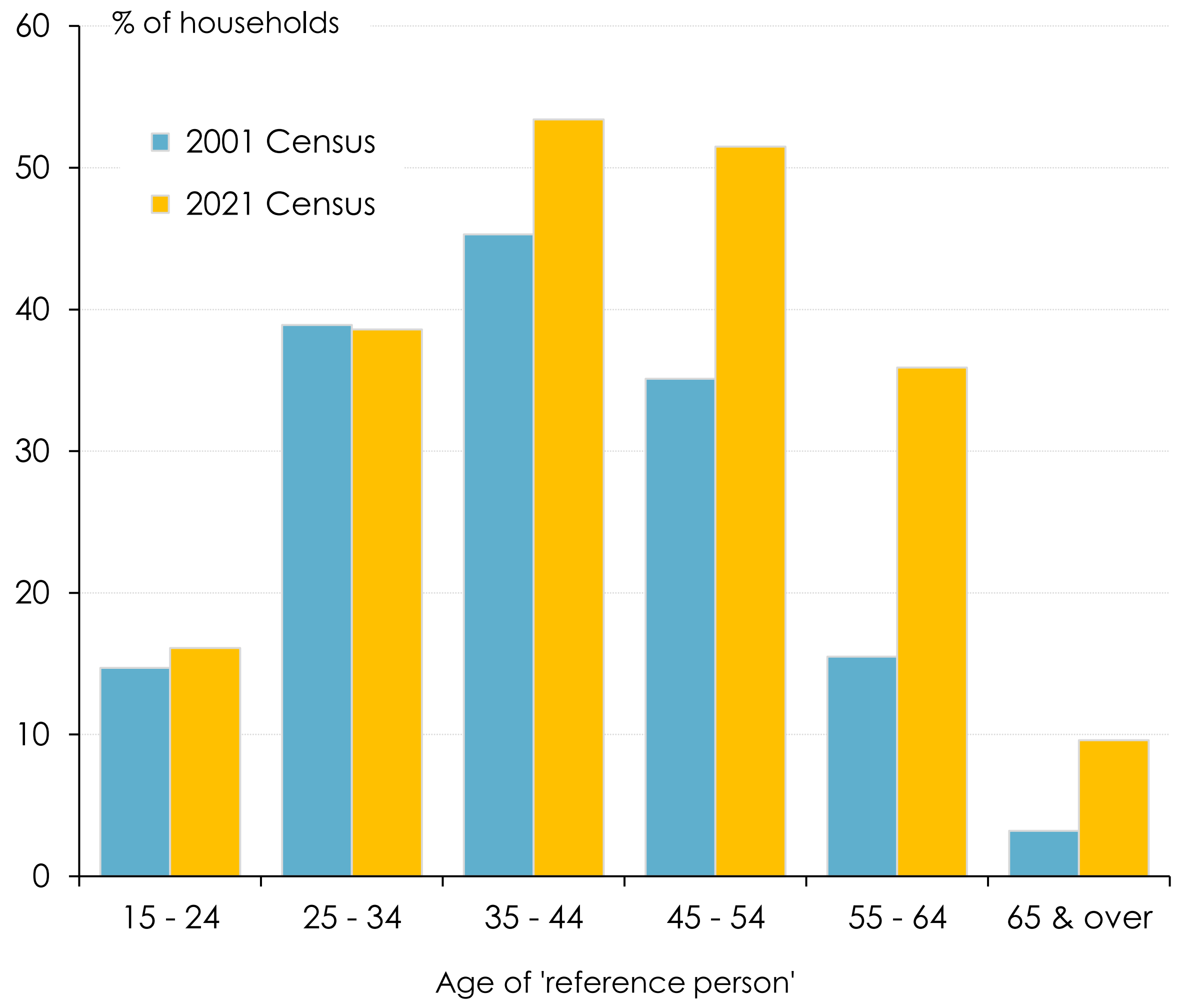
Declining home ownership rates and longer periods to pay off mortgages will likely have long-term implications for retirement income adequacy

Outright home ownership by age groups, 2001 and 2021 censuses



Mortgaged home ownership by age groups, 2001 and 2021 censuses



Sources: ABS, Housing: Census, 2021 and Historical Census Data.

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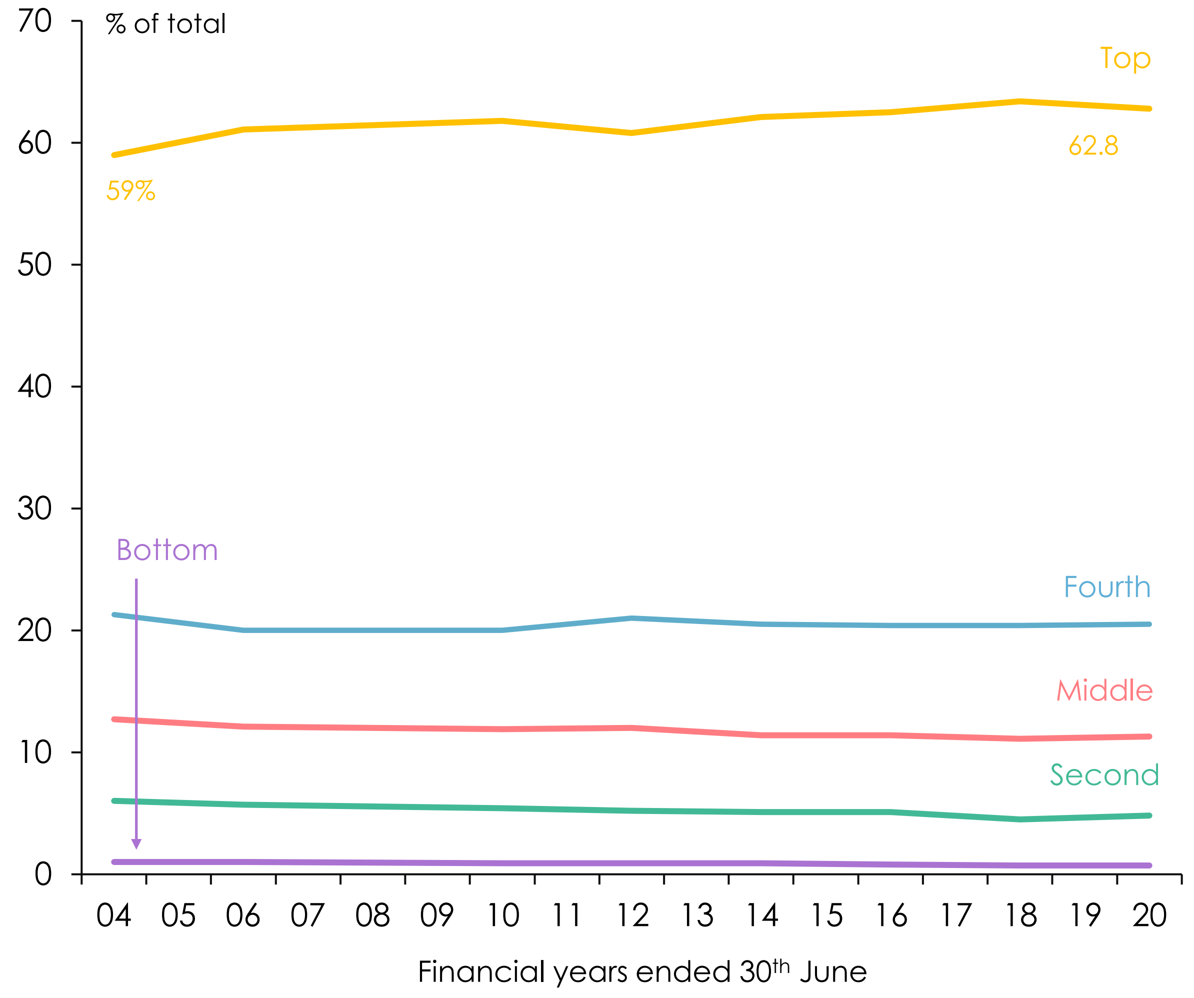
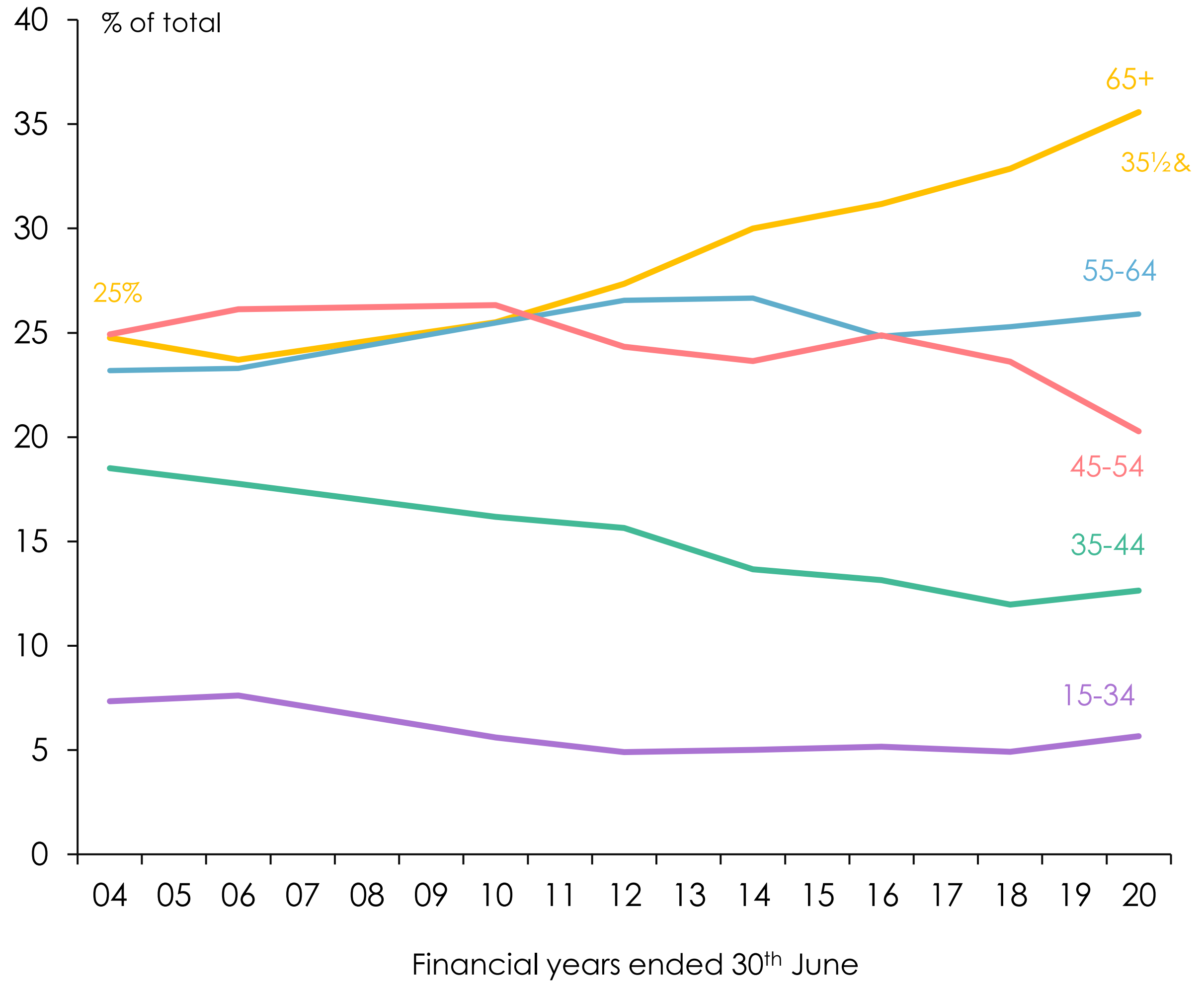
The distribution of household wealth has become much more unequal when measured across age groups

Distribution of household wealth by 'wealth quintiles'



Distribution of household wealth by age groups



Source: ABS, Household Income and Wealth, Australia, 2019-20 and previous years.

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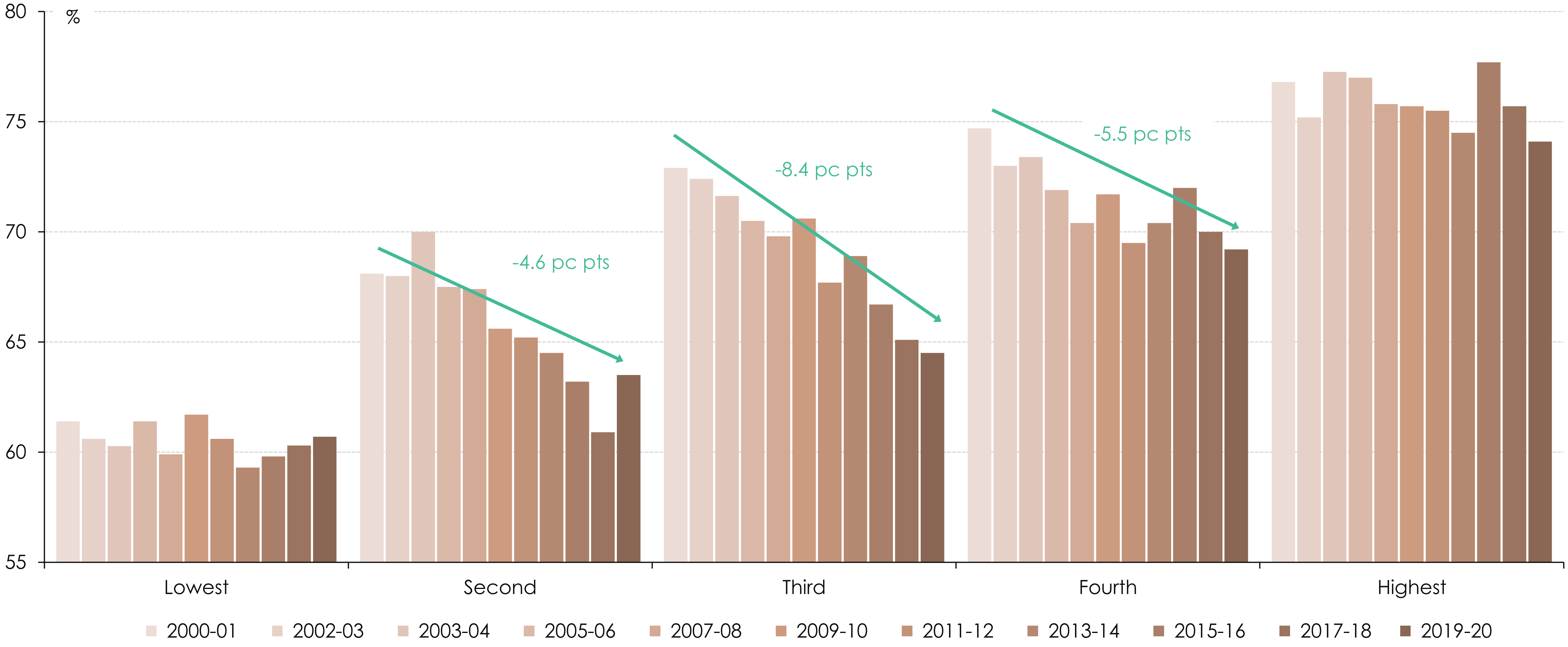
From a different perspective the decline in home ownership rates has been greatest among 'middle income' groups

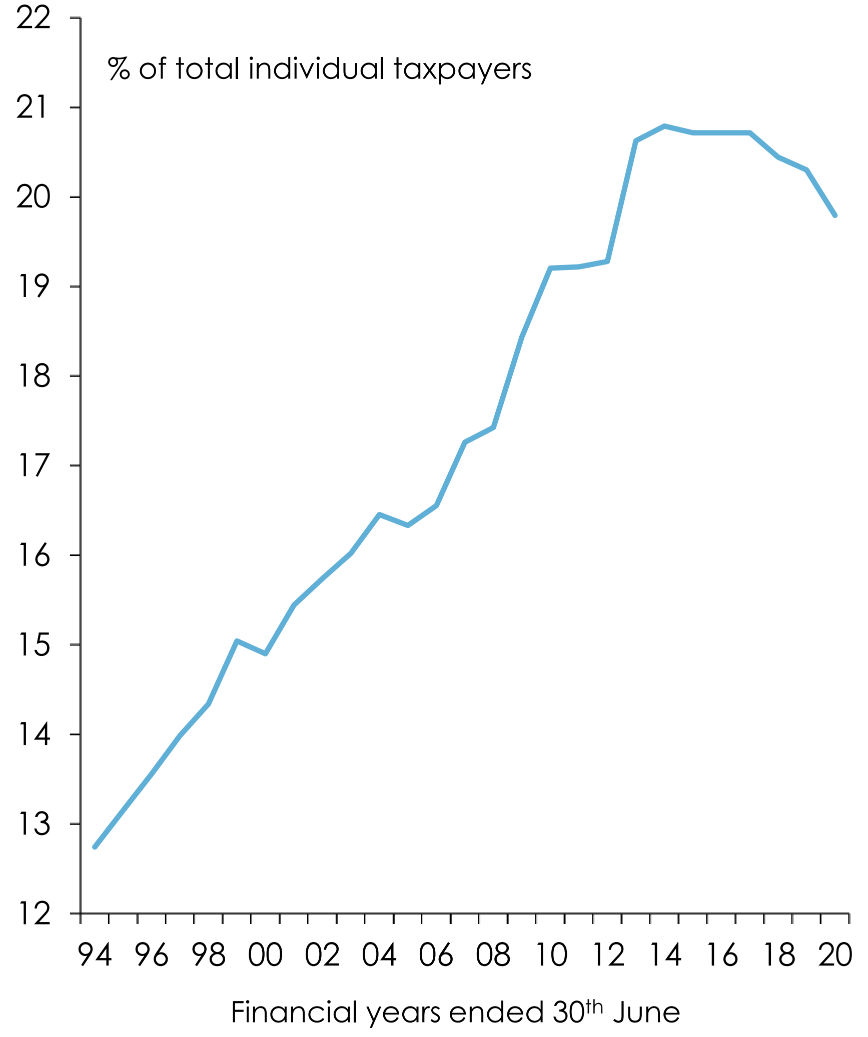
Home ownership rates by 'equivalized' household disposable income quintiles, 2000-01 to 2019-20



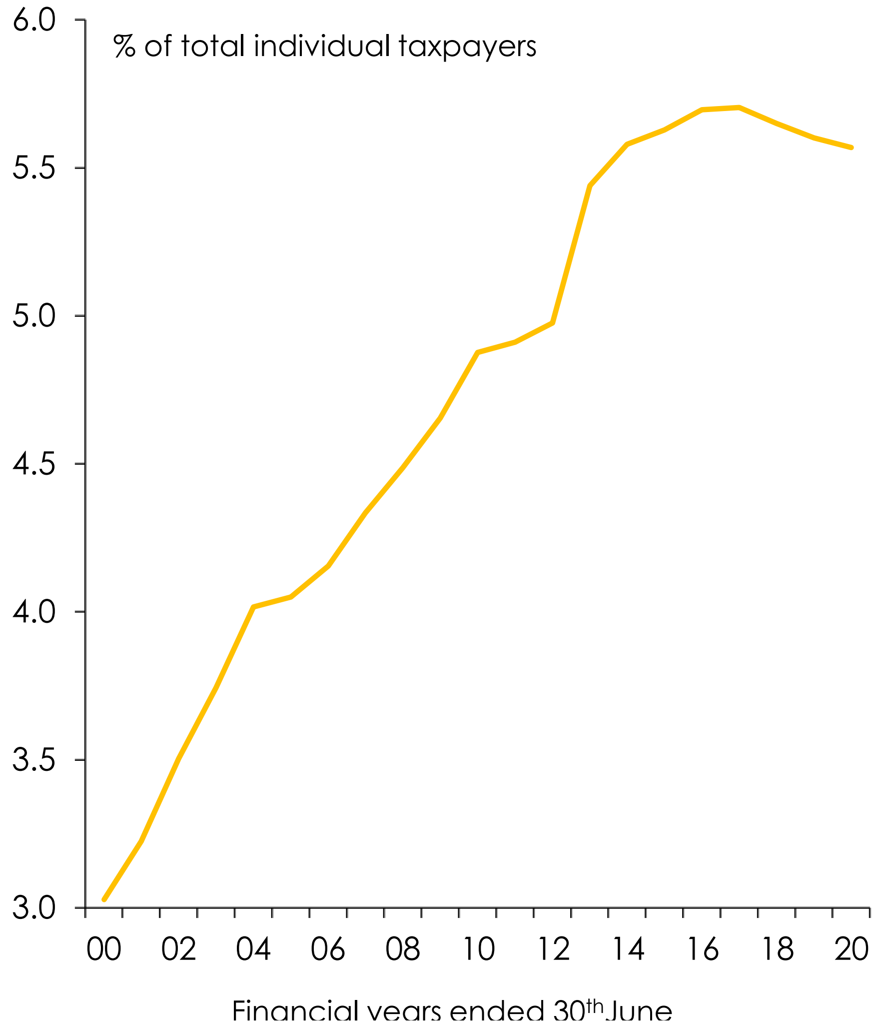
Note: 'Equivalized' household disposable incomes are disposable incomes adjusted for differences in household size and composition.
Source: ABS, Household Income and Wealth, Australia, 2019-20 and previous years.

There was a significant increase in the proportion of the population owning investment properties between the early 1990s and mid-2010s

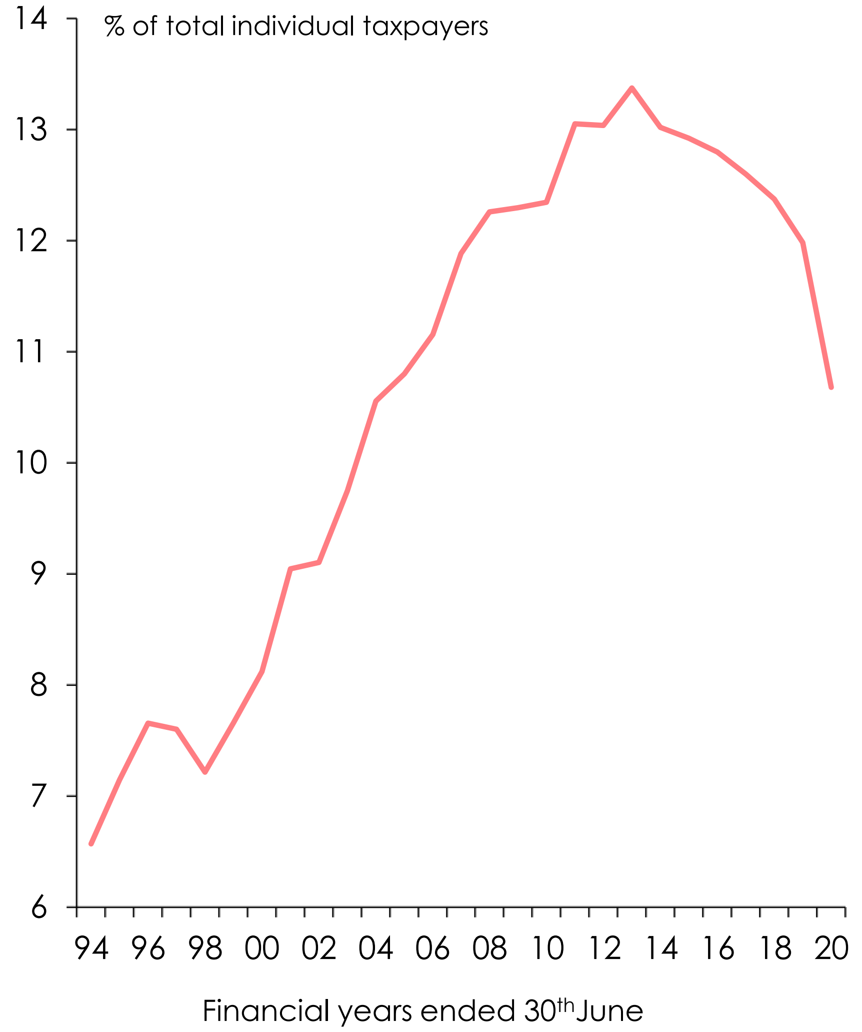
Proportion of individual taxpayers with rental income



Proportion of taxpayers with 2 or more rental properties



Proportion of taxpayers with net rental income losses



Sources: Australian Taxation Office, *Taxation Statistics*.

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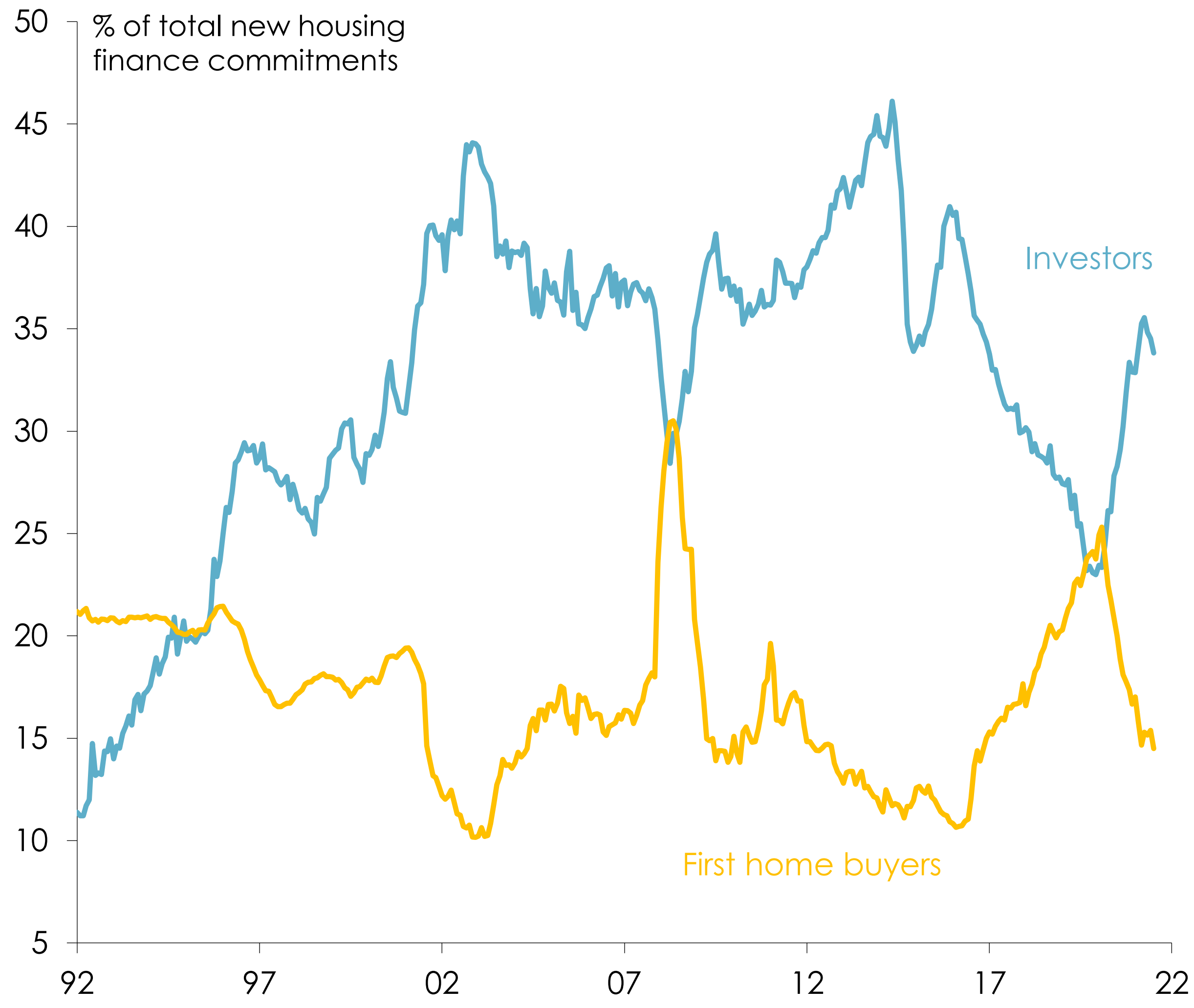
The share of housing finance going to investors increased dramatically between the early 1990s and mid-2010s (and again since early 2021)

Shares of new housing finance commitments to first-home buyers and investors



Shares of total housing finance outstanding to owner-occupiers and investors

Note: Series break in data on housing finance outstanding at July 2019 due to the introduction of a new data collection system.
Sources: ABS, Lending Indicators; RBA, Lending and credit aggregates.

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Market and policy failures in the home ownership and rental markets are 'connected'

- Declining home ownership rates among people aged 25-45 and on 'average' incomes – people who in previous generations would likely have become home-owners during this stage of their lives – has added to pressure on private rental market
  - they have, as a group, been 'outbid' by property investors – who then purport to 'supply' the increased 'demand' for rental accommodation
- These are people who, for the most part, can afford to rent in the private sector (even though they'd prefer not to)
- They are, in turn, 'squeezing' those (mostly) lower down the income scale who, in previous generations as well as current ones, would never have expected to become home-owners
- The supply of 'affordable' and 'social' housing hasn't expanded sufficiently to absorb this increased demand
  - property investors typically aren't interested in these market segments
- Policies which will arrest the decline in home ownership should also help alleviate pressures in rental housing markets
  - although they're not a substitute for, or alternative to, increases in the supply of affordable and social housing

Policies which might work

- **Wind back policies that unnecessarily inflate housing demand**
  - curtail negative gearing and reduce the capital gains tax discount
  - eliminate first home owner grants and stamp duty concessions
  - include value of principal residence (above location-specific thresholds) in pension assets test
  - maintain strengthened prudential supervision of mortgage lending practices
- **Introduce or extend policies which encourage more housing supply**
  - reform state and local planning systems to make subdivision and higher-density development (especially in middle-distance suburbs)
  - replace stamp duty on land transfer with a more broadly-based land tax and 'value capture' measures
  - reform land tax structures to reduce disincentives to institutional investment in rental 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
  - make greater use of 'inclusionary zoning' requirements especially where sale or transfer of government-owned land is involved
- **Increase targeted rent assistance to low-income rental households**
- **Reform tenancy laws**
  - to provide greater security of tenure and scope for personalization by tenants

Important information

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