

MEDIA RELEASE

20 October 2013

Time for new policies to bridge the growing housing gap

Government tax and welfare policies, by favouring homeowners and property investors over people who rent, are increasing the divide between Australians who own housing and those who do not, a new Grattan Institute report finds.

“The divide is income-based and it is generational,” says Jane-Frances Kelly, Grattan Institute Cities Program Director and author of the report, [Renovating housing policy](#).

“While home ownership is stable or declining slightly in Australia, there are sharp falls in ownership rates among households with low incomes or aged under 45.”

The report quantifies major government outlays on the private housing system to reveal the cumulative impact of tax and welfare policies on housing, economic productivity and inequality in our cities.

Through policies such as exemptions for the family home from land and capital gains taxes and the eligibility test for the aged pension, governments provide benefits to homeowners worth \$36 billion a year, or \$6,100 on average for each homeowner household.

Through negative gearing rules, and the capital gains discount introduced in 1999, the Commonwealth provides residential property investors with nearly \$7 billion a year, or \$4,500 on average for each property investor.

Private renters, by contrast, receive very little support through the tax and welfare system, even though they make up nearly one in four households.

By increasing demand for residential property, these policies help to push up property prices and lock many homebuyers out of the market.

Combined with rules that restrict development in established suburbs, they force many households to buy on the city fringe, further from transport and jobs.

“It’s a rising form of inequality that damages economic productivity and the fair go,” says Ms Kelly.

Renovating housing policy urges governments to take a systemic approach to housing policy – to set clear principles and objectives over time and to produce policies that combine to achieve these goals.

“First we need a public conversation about who wins and loses from current policy, and how the playing field can be made more fair,” Ms Kelly says.

“If governments want to increase home ownership and at the same time give the many renters a better deal, they should reject policies that reward those who already own homes while making life harder for those who don’t.”

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