



Introduction

Australia has among the most expensive housing in the world. High housing costs are a major source of financial stress, especially for private tenants on the lowest 20% of incomes, with four out of five paying more than 30% of their income in rent. Housing costs are also the main cause of Australia's dangerously high household debt levels, with average house prices 4-5 times average annual household earnings.¹

One reason for our high housing costs and debt levels is that the tax system favours debt-financed speculation in home prices, through the combination of generous Capital Gains Tax concessions and 'negative gearing' – where investors deduct 'losses' on their rental properties against their wages and other income.

Australia has a severe shortfall of social and affordable housing, including a shortage of over 500,000 rental dwellings that are affordable and available to the lowest-income households.² A legacy of underinvestment remains, and there is no overarching national housing affordability strategy to redress this.

One reason for this shortfall of affordable housing is the lack of investment in social housing for people on the lowest incomes, which has shrunk from 5.6% to 4.7% of all housing over the past decade and a half. Also, too many new private rental properties are expensive apartments in inner city and resort locations.

Key proposals

- + Develop a national affordable housing strategy in dialogue with other governments and stakeholders;
- + Boost funding for capital growth under a new affordable housing agreement (Cost: \$1,000 million);
- + Reform the tax treatment of capital gains and negative gearing (see revenue section of this statement);
- + Use part of the revenue savings to introduce an affordable housing investment incentive to encourage investment in affordable rental housing, including a higher subsidy for investment in social housing;
- + Increase the maximum rate of Rent Assistance for low-income earners by 30% (Cost: \$800 million);

¹ Fox R & Finlay R (2012): [Dwelling prices and household income, Reserve Bank of Australia Bulletin, December Quarter 2012](#)

² National Housing Supply Council (2013): [Housing supply and affordability issues 2012-13](#)



- + Develop a national urban, rural, regional and remote Aboriginal and Torres Strait Islander strategy with earmarked funds to support the growth of Indigenous Community Housing Organisations (Cost: \$155 million).
- + Negotiate a new remote housing funding agreement for Aboriginal and Torres Strait Islander people with costs shared equally between State and Territory parties. (Cost: \$450 million)

Policy proposals

Boost direct public investment in new social housing, which meets accessibility and energy efficiency standards

Social housing has declined as a share of all households due to declining investment from 6.2% in 1991 to 4.9% in 2016.³ Waiting lists stand around 187,000 households.⁴ This equates to the national shortage of 187,000 dwellings affordable for low-income households renting privately.⁵

Recommendation 1 Additional capital funding should be provided to State and Territory governments to enable growth in the supply of social housing for people on low incomes, with a commitment of \$1 billion in the first year, growing to \$10 billion over 10 years.

Cost: \$1,000 million⁶

Reform Rent Assistance to relieve rental stress for private tenants

Rent Assistance provides important assistance to low income residents of private housing but has failed to keep pace with steep increases in rents.

Recommendation 2 The rate and indexation of Rent Assistance should be reviewed to ensure that it best meets the needs of people who are on low incomes. As a first step, the maximum rate should be increased by 30% (approximately \$20 per week) for low-income households currently receiving the maximum rate.

Cost: \$800 million

³ Data from the Australian Institute of Health and Welfare, the Productivity Commission's Report on Government Services (ROGS) and the Australian Bureau of Statistics.

⁴ Council of Federal Financial Relations (2016): [Affordable Housing Working Group: Issues Paper](#)

⁵ Hulse, K., Reynolds, M. and Yates, J (2014): [Changes in the supply of affordable housing in the private rental sector for lower income households, 2006–2011](#), Final Report No 235, AHURI, Melbourne

⁶ These costings are for the first full year of the proposals (in this case, 2020).



Introduce a new rental investment incentive scheme to stimulate investment in affordable rental housing

A new rental investment incentive scheme is needed to replace the discontinued National Rental Affordability Scheme, and to complement the National Housing Finance Investment Corporation, Bond Aggregator and Housing Infrastructure Facility by bridging the ‘finance gap’ for potential investors in housing for rent below market.

Recommendation 3 A two-tier rental housing investment incentive should be paid as a direct subsidy or tax credit to investors in new affordable rental dwellings (where rents are held at least 20% below market levels for at least 10 years) (Tier 2), with a larger subsidy for investment in social housing for people with low incomes (Tier 1).

Cost: Funded by the savings from reform of negative gearing⁷

Develop a new national Aboriginal and Torres Strait Islander housing strategy for urban, regional and remote areas

Since 2009, there has been no dedicated Commonwealth funding for housing for Aboriginal and Torres Strait Islander people outside of remote areas. Housing services have increasingly been mainstreamed in a context of little or no overall growth. This is despite the benefits of culturally appropriate housing for Aboriginal people around the country and the large Aboriginal populations in urban centres.

A discrete funding program should be developed to support the viability of Indigenous Community Housing Organisations (ICHOs) as an alternative to mainstream providers, and their ability to take advantage of new financing options such as the Bond Aggregator.

Recommendation 4 A new national Aboriginal and Torres Strait Islander Housing Strategy should be developed with a 10% boost to funding under the National Housing and Homelessness Agreement earmarked for Indigenous Community Housing Organisations.

Cost: \$155 million

⁷ See revenue section of this statement.



Develop a new inter-governmental remote housing agreement

The National Partnership on Remote Indigenous Housing expired in June 2018, and has not been replaced, leaving an urgent funding gap affecting Australia's most disadvantaged communities.

Recommendation 5 A new remote housing funding agreement should be negotiated between the Commonwealth and State and Territory governments, with funding shared equally between the parties.

Cost: \$450 million ⁸

⁸ Total funding would be \$900 million per annum.