

**5 February 2024**

## Q Shelter calls for a shift toward supply-side strategies as home ownership rates plunge nationwide

As the state government launches the Queensland Housing Plan this week, the state's leading housing and homelessness peak has called attention to the significant decline in home ownership rates.

New [research by the Australian Housing and Urban Research Institute \(AHURI\) for Q Shelter](#) reveals current housing policies have failed to reverse the trend and, in fact, have exacerbated the challenges faced by first-home buyers.

The report sheds light on the unintended consequences of existing policies across the country, with a particular focus on Queensland, and outlines alternative policy solutions, including:

- Mortgage guarantees and shared equity arrangements are the forms of assistance most likely to be effective.
- Replacing stamp duty with universal land tax would help first-home buyers.
- Encouraging planned population growth in regional cities may increase housing ownership rates.
- Land Lease arrangements may deliver an alternative form of secure tenure.

Other supply measures such as increasing the supply of social and affordable housing is also critical.

Q Shelter's Executive Director, Fiona Caniglia, says the report shows that we need caution when it comes to measures that increase the demand for homes being purchased when the supply isn't there. Increased demand without supply can make housing more expensive.

"Despite some measures being attractive to first home buyers, the overall impact has been an increase in housing costs and a declining rate of ownership over time," says Ms Caniglia.

"Understandably, successive governments will seek to assist people to buy a first home, however a combination of policy settings are needed to prevent the unintended inflation of housing prices."

Ms Caniglia says to replicate the boost in home ownership levels of post-war Australia, we need to see supply-side strategies as critical to success.

"There is a raft of measures to boost supply in the new Queensland housing plan called Homes for Queenslanders. We need to consider the timing and synergy with demand-side strategies, so we don't inadvertently cause inflation."

“There are alternative policy solutions, which are outlined in the report, but overall, we need to shift toward addressing supply-side measures calibrated with demand-side measures to avoid the mistakes of the past.”

Q Shelter is Queensland’s peak organisation with a vision that every Queenslanders has a home. Leading on solutions to unmet housing need and homelessness, Q Shelter works to strengthen system capacity and influence policy and investment to support effective solutions.

The [Queensland home ownership policy factsheet by AHURI](#) is available on the [Q Shelter website](#).

## **ENDS**

### **Media comment**

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### **About Q Shelter**

For over 35 years, Q Shelter has worked as a peak body to improve housing outcomes for Queenslanders. Over this time, we have remained an unwavering voice for solutions through advocacy, strategic engagement and capacity building.

Besides influencing solutions and policy, Q Shelter provides professional development and shares resources to assist other organisations to be effective, so that our combined capacity to respond to housing need is strengthened.

# Queensland home ownership policy factsheet



PROFESSIONAL SERVICES

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## The importance of home ownership

Home ownership has been a central element of Australia's social welfare model since the 1950s. Supported by relatively high wages and lower taxation through the post war period, securing home ownership has long been a necessary feature of the retirement pension system (Troy et al. 2023:6). In addition, there are flow-on effects for people's health, wellbeing, and social inclusion when they can live in long-term, stable housing, which, currently, is best provided by home ownership (or social housing) (Faulkner et al. 2023:2).

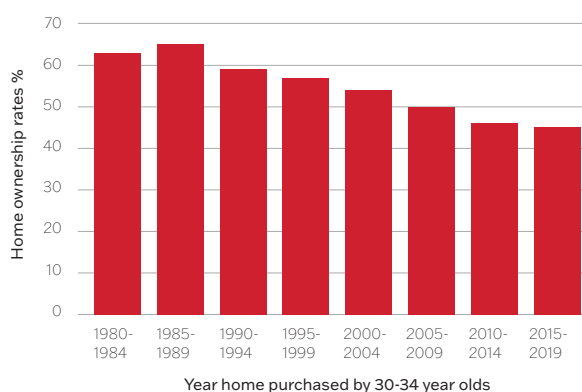
From a policy perspective, a systemic fall in home ownership is likely to place increasing fiscal pressure on governments and may exacerbate existing economic inequalities as individuals age. (Burke et al. 2020)

## Home ownership rates across Australia are falling

Although Australia's overall home ownership rate has fallen slightly since its peak of **72 per cent of all Australian households in 1966** (at the 2021 Census it was 66% for Australia and 63% for Queensland), the rate has fallen significantly for younger buyers. For people at age 30, home ownership rates have fallen from a high of 65 per cent for those born in the late 1950s to around 45 per cent for those born in the 1980s (Whelan, Atalay et al. 2023).

This can lead to the situation where people, as they age, do not achieve the same rate of home ownership as was the case for previous generations of Australians. AHURI research shows that, although younger cohorts that experience lower levels of home ownership at ages 30–34 years do catch-up a little to previous generations' home ownership rates over time, that catch-up remains incomplete. After 10 years, less than half of the gap at age 30–34 years has closed, and between two-thirds and three-quarters of the gap is closed after 20 years.

The **home ownerships** rate among 30–34 year olds is **falling**.



## Current policy focusses on demand-side measures

Policy settings in Australia focus almost exclusively on demand-side measures, enabling or even boosting demand for mortgage credit. Measures such as first home owner grants and loan schemes have grown in popularity but are unlikely to create much 'additionality'—that is, where assistance helps those who would not have otherwise been able to buy a home (Whelan, Atalay et al. 2023).



## Home owner assistance in Australia

The [Home Guarantee Scheme](#) is an Australian Government initiative to support eligible home buyers and includes three types of mortgage guarantees:

- **First Home Guarantee (FHBG)** – eligible home buyers with a 5 per cent deposit
- **Regional First Home Buyer Guarantee (RFHBG)** – eligible regional home buyers buy a home in a regional area with a 5 per cent deposit
- **Family Home Guarantee (FHG)** – supporting eligible single parents and single legal guardians to buy a home with a 2 per cent deposit

Each of Australia's State or Territories also have [home buyer assistant grants](#) and transfer (stamp) duty concessions.

## Queensland



**The First home owner grant** gives eligible First home buyers **\$15,000 or \$30,000** towards buying or building a newly built home (or equivalent).



**The First home concession** allows eligible First home buyers to pay reduced transfer duty when acquiring their first residence—only applies to a home **valued under \$550,000**.



**First home vacant land concession** lets eligible applicants pay a reduced transfer duty when acquiring vacant land (**valued under \$400,000**) to build their first home.



**The home concession** reduces transfer duty for the first **\$350,000** of the value of the residence.

## Other forms of Government assistance - Shared Equity Schemes (SES)

Shared equity models essentially operate in one of two ways: in the **'individual equity'** model, which is most prevalent in Australia and is operated by Australian state governments, the home buyer takes out a loan on a proportion (typically 70% or more) of the full cost of the property, while the equity partner provides the rest of the capital. During the loan period the home buyer can buy more equity in the property (if and when they can afford it) as a stepping stone to 'normal', full ownership.

In the **'community equity'** model, the home buyer buys a proportion of a property with a subsidy from the equity partner, usually a form of 'not-for-profit' trust or housing association. The equity partner retains a large proportion of ownership and has an ongoing interest in the property.

The majority of SES in Australia have been government run and targeted to existing social housing tenants, first-home buyers, or Aboriginal and Torres Straits Islander people.

The **Keystart SES in WA** is regarded as the most significant SES activity in Australia in recent times where, over the decade to 2021, more than 1,800 households were assisted. Under this scheme, government takes a stake of up to 30 per cent in a property's value.

The **Pathways shared equity loan in Queensland** lets a tenant in government-owned housing enter into a partnership with the Queensland Government to buy a share of their home (as long as the home is available for purchase).

The Australian Government has committed to [Help to Buy](#), a nationwide SES that will be available to 40,000 households. The Government will contribute 30 per cent for an existing property and 40 per cent for a new property with home buyers needing a 2 per cent deposit. States will need to pass their own legislation for Help to Buy to operate in their jurisdiction. The scheme is expected to start in 2024.

## AHURI research shows existing policies have **worsened** costs for first home buyers

First home buyers have received substantial expenditures, exceeding \$37 billion in direct grants and tax concessions, over the past five decades. However, these policy settings are likely to have exacerbated, rather than alleviated, the challenge faced by first home buyers to finance home ownership, by making housing more expensive.

While politically seductive, measures such as first home owner grants and mortgage guarantees, have failed to arrest declining rates of home ownership over time.

Current demand-side measures are in stark contrast to the mix of supply-side and demand-side measures that characterised policy in the early postwar period.

Moreover, Australia's taxation settings (such as negative gearing and capital gains tax exemptions and reductions) favour existing home owners and small-scale rental investors over first home buyers and tenants (Whelan, Pawson et al. 2023).

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## What are the policy solutions?

### **Mortgage guarantees and shared equity arrangements are the forms of assistance most likely to be effective**

Recent AHURI research (Whelan, Atalay et al. 2023) reveals that policies such as mortgage guarantees and shared equity arrangements may create 'additionality'. Mortgage guarantees alleviate the downpayment constraint, while shared equity addresses both loan repayment and deposit constraints faced by first home buyers. Modelling suggests that a mortgage guarantee scheme similar to the Australian Government's proposed Home Guarantee Scheme would assist 22 per cent of eligible aspiring first home buyers. A shared equity scheme modelled on the Help to Buy policy has the potential to assist 41 per cent of eligible aspiring first home buyers.

### **Replacing stamp duty with universal land tax would help first home buyers**

Current stamp duty settings disadvantage aspiring first home buyers (as it is a large upfront cost) and benefit existing home owners (who may have paid stamp duty many decades before on properties that were then low value). Policy reforms to abolish stamp duty are required, along with a broader reassessment of the tax and transfer system which currently gives housing investors an economic advantage (e.g. negative gearing benefits) over first home buyers as they compete in the market. (Eccleston et al. 2018)

### **Encouraging regional cities may increase housing ownership rates**

AHURI research (Beer et al. 2022) shows that lower housing costs in smaller cities are attractive for many, although this is offset by lower incomes, fewer career opportunities and higher non-housing living costs.

To encourage migration to regional cities, governments need greater focus on generating stable, ongoing employment in regional areas rather than relying on the transient and temporary jobs created through infrastructure works. Regional vocation education providers can support employment opportunities in regional areas.

### **Land Lease may deliver alternative form of home ownership**

Alternative housing models may be suitable for low-income households. In particular (Faulkner et al. 2023), Land Lease developments may provide the opportunity for buyers to purchase a relatively affordable home with security of tenure. In a Land Lease arrangement, the household owns their dwelling but not the land, which is leased from another person/corporation for a specified period. As householders don't own the land component of their housing, they can be eligible for some Commonwealth Rent Assistance, which can improve housing affordability.

However, banks rarely lend for this type of product. This refusal to provide mortgages is criticised as being inconsistent, as banks lend for other depreciating assets such as cars.



## Share housing to reduce mortgage costs brings tax impost

For some home buyers, relying on boarders may help to pay the mortgage. However, there can be capital gains tax implications from using the home to provide a rental service (Faulkner et al. 2023:46). AHURI research suggests that in appropriate cases the Commonwealth could reconsider the application of capital gains tax where both the home owner and tenant are in receipt of the age pension or other welfare benefits.

## Need to increase supply of low-cost housing

A common criticism of many first home buyer policies in Australia is that they simply bring forward the decision to purchase and allow the purchase of a higher priced dwelling for those already on track to enter the market (Ong ViforJ et al. 2023:50). These policies may then simply raise prices for residential properties, at the detriment of future first home buyers. The reality is that first home buyer assistance schemes must be matched by an adequate supply of new affordable housing to offset upward price pressures generated by the additional demand.

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