

HOME OWNERSHIP

Ensuring affordable, secure homes are attainable across all tenures

Australia has a strong cultural affiliation with homeownership, with the majority of Australians aspiring to own their own home. Home ownership offers security of tenure as well as significant social and economic benefits, especially in retirement.

Despite this continuing preference, home ownership is becoming increasingly unattainable, and home ownership rates have been steadily declining since the 1970s.^[1] Median dwelling price is now 6.5 times household income in Perth and 5.3 times in regional WA, and this figure continues to rise.^[2] Furthermore, in 2024 a median income household would need to use 41.3% of their income to service a new mortgage on median priced home.^[3] At this rate, they would be considered to be in housing stress.

Market house prices are shaped by supply and demand factors which are influenced by a range of factors such as population and migration trends, tax arrangements and planning frameworks.

Australia's federal tax arrangements, such as negative gearing and capital gains tax (CGT) exemptions incentivise investment in property for financial gain, which has led to housing becoming increasingly valued for its speculative rather than its inherent use value as a home. This has inflated demand for housing, driving rapid house price growth.

A report by the Tax Institute in 2021 found that the interaction of these measures has broad social and economic implications, including increased volatility in the property market and reduced home ownership.^[4] An effective housing system is dependent on the availability of a range of tenures along the housing

continuum, and this is a joint responsibility of the Commonwealth and state governments.

Shelter WA supports the development of the National Housing and Homelessness Plan with targets across the continuum, including for home ownership.

The most significant thing the Commonwealth Government can do immediately to improve housing affordability is to reduce demand. Shelter WA supports the multitude of voices calling for housing tax reform, including a reduction in the capital gains tax discount (to 25%) and greater restrictions on negative gearing arrangements.^[5] The savings made through such reforms should be redirected to increasing the supply of social and affordable rental homes.^[6]

As house prices continue to rise, it becomes increasingly difficult to break into the market. One key barrier is the upfront cost required to purchase a home, which includes a state-based stamp duty tax and bank deposit (usually 20%, or additional costs apply).

In 2024, it takes 3 years and 10 months on average for a young couple in WA to save a deposit for an entry-level house.^[7]

Measures to reduce the deposit gap, including stamp duty concessions and low deposit loan schemes (such as WA's Keystart program) can assist aspiring homeowners to enter the market. Shelter WA supports the use of these measures, as long as they are highly targeted and effectively administered so as to not inflate house prices or allow buyers to borrow more

[1] AIHW (2022) Home ownership and tenure. <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure>

[2] ANZ & Core Logic (April 2024) Housing affordability report. [https://news.anz.com/content/dam/bluenotes/documents/ANZ%20CoreLogic%20Housing%20Affordability%20report%20April%202024%20-%20FINAL%20\(digital\).pdf](https://news.anz.com/content/dam/bluenotes/documents/ANZ%20CoreLogic%20Housing%20Affordability%20report%20April%202024%20-%20FINAL%20(digital).pdf)

[3] Ibid

[4] The Tax Institute (2021) The case for change: a paper to prompt discussion for the future of Australia's tax system. (p.150).

[5] See: Grattan Institute (2018) Housing affordability: re-imagining the Australian dream. <https://grattan.edu.au/wp-content/uploads/2018/03/901-Housing-affordability.pdf> National Shelter (2021) Policy Positions. <https://shelter.org.au/site/wp-content/uploads/National-Shelter-Policy-Positions-FINAL-3.pdf>

[6] See Shelter WA's policy position on Affordable Housing and Social Housing for more detail on recommended reform.

[7] Domain (2024) First home buyer report. <https://s3.ap-southeast-2.amazonaws.com/ffx.adcentre.com.au/domain/2024/CRTV-3173/Domain+First+Home+Buyer+Report.pdf>



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than they can realistically repay.^[8]

It should be noted that measures that assist with the deposit gap do not address the fundamental problem of housing unaffordability, and they must be accompanied by demand-side measures that reduce the inflationary effect on housing.

Shelter WA does not support the use of first home buyer grants as they have been shown to have an inflationary effect on house prices, and result in wealth transfer to existing homeowners.^[9]

One reform that that could alleviate the deposit gap while also generating broader housing affordability benefits would be to replace stamp duty tax with a progressive land tax. There is evidence that stamp duty is an inefficient tax that distorts people's housing decisions and contributes to the inefficient use of housing stock.^[10]

Shelter WA recommendations:

- That the Commonwealth Government's National Housing and Homelessness Plan articulate specific targets, including for home ownership.
- That the Commonwealth Government reduce demand for housing by reducing the Capital Gains Tax discount to 25% for individuals and trusts and limiting negative gearing so losses can only be written off against other investment income.^[11]
- That the Commonwealth Government and WA State Government increase investment and supply of social and affordable rental housing for those unable to achieve home ownership, in line with evidence-based need.

- That the WA State Government introduce a progressive land tax to replace stamp duty with a staged and equitable implementation pathway (over twenty years), with extensive consultation with stakeholders in the design phase.

[8] AHURI (2019) Understanding the first home loan deposit scheme. AHURI brief. <https://www.ahuri.edu.au/research/brief/understanding-first-home-loan-deposit-scheme>

[9] Pawson, H et al (2022) Assisting first homebuyers: an international policy review, AHURI, Final Report No.381.

[10] AHURI (2022) Scrap stamp duty, replace with a land tax – what are the impacts? Examining the impacts of changes to the tax system. <https://www.ahuri.edu.au/research/brief/scrap-stamp-duty-replace-land-tax-what-are-impacts>

[11] For further explanation and detail see: National Shelter Policy Positions: <https://shelter.org.au/site/wp-content/uploads/National-Shelter-Policy-Positions-FINAL-3.pdf>