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**Q1**

Name of organisation

Per Capita, Centre for Equitable Housing

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**Q2**

Your name

Lucy Tonkin

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**Q3**

Position

Andrew Herington Fellow

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## Q10

Describe the experiences of people struggling to access affordable and suitable housing in the context of your organisation's work.

A lack of affordable and suitable housing is evident across the entire spectrum of housing tenure.

Australia is facing a significant social housing shortfall, with the national public housing waiting list reaching 174,600 households in June 2022, over two-thirds of which are households in the 'greatest need' (Australian Institute of Health and Welfare, 2024).

Because of this shortfall, many low- and very-low-income households must now secure housing in the private rental market. Unlike social housing, which offers capped rents, longer-term leases and wrap-around support services for tenants, tenancies within the private rental system are often short-term, with tenants facing annual rent increases based on market conditions. Private renters must compete for housing that is often scarce and priced above affordable levels, which is no more than 30% of disposable household income for those in the lowest 40% of income distribution (the bottom two quintiles).

In February 2024, national vacancy rates fell to 1.0%, with vacancy rates in Adelaide and Perth currently sitting at just 0.5% and 0.4% respectively, well below pre-pandemic levels (SPQM Research, 2024). The Centre for Equitable Housing's 2023 report 'Regulating Rentals in Australia: What works?' shows that rent increases of over ten per cent have been commonplace for new tenancies in the years following the COVID-19 pandemic, with lower-income households paying close to half their incomes to pay rent under for new or renewed leases at national median levels.

For households seeking to enter homeownership, dwelling prices are growing at a rate that greatly exceeds wage growth, particularly for low-income earners. Per Capita's 2022 report 'Housing Affordability in Australia: Tackling a Wicked Problem' highlights the divergence between property and wage inflation over the past three decades. While house prices inflated by 160% between 2003 and 2021, wages increased by less than half this figure. Households are now required to save for a home for longer, while entering into significant levels of debt to reach homeownership, leaving Australian households among the most indebted in the world. Highly indebted households are now facing rising interest rates, with 2024 Roy Morgan research estimating that close to a third of mortgage holders are now at risk of mortgage stress.

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## Q11

Describe the flow-on impacts of the housing crisis in the context of your organisation's work.

The housing crisis is pushing more and more households towards homelessness including, shockingly, households in which one or more adult is in paid work. Many households on the social housing waiting list are experiencing a form of homelessness, such as 'couch surfing' or accessing emergency housing support, while housing costs are the primary cause of poverty for many households. Reporting from Homelessness Australia has found that, between December 2022 and March 2023, demand for homelessness services increased by 7.5% across the country.

The Centre for Equitable Housing's 2023 report 'Glass Ceilings: Gendered Inequality in the Housing System' has detailed the gendered implications of housing unaffordability. Homelessness among women and girls were most of the people newly experiencing homelessness between 2016 and 2021, while transgender and gender diverse individuals are at particular risk of homelessness and housing insecurity (Hill, 2020). Homelessness among older women has also grown significantly over the past decade. Unaffordable housing can also prevent victim-survivors of domestic and family violence from leaving their unsafe living situations.

Women responding to the Centre for Equitable Housing's Australian Housing Monitor survey were 5% less likely to own a home than male respondents, with men entering the housing market and paying off mortgages at a younger age. Female mortgage holders were also more likely to report struggling or falling behind with their mortgage payments. Alarming, 22% of middle-income Millennial respondents reported having delayed leaving a partner due to costs associated with moving.

The current lack of affordable housing across all forms of tenure has the potential to exacerbate intergenerational inequities. People are entering home ownership increasingly later in life, spending more years in a competitive and often insecure private rental market. Per Capita's 2022 Wicked Problem report showed that, while 52% of people born between 1947 and 1951 owned a home when aged between 25 and 29, this proportion fell to 37.4% among those born between 1987 and 1991.

Because of delayed and inaccessible home ownership, more and more households are likely to be entering retirement while renting or paying off a large mortgage. This removes the protective benefits of holding assets as incomes decrease in retirement, as well as increasing the likelihood that a household pays high housing costs as its members age.

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## Q12

Describe how current policy settings impact housing affordability and access to housing from your organisation's perspective.

The Centre for Equitable Housing's response to the federal Department of Social Services' National Housing and Homelessness Plan Issues Paper (2023) details three key 'issues baskets' within which priority policy areas can be grouped. They are:

1. The lack of social housing available for low-income households;
2. Housing financialisation and the decline of home ownership; and
3. Modernising regulation of the growing rental market.

### 1. The lack of social housing available for low-income households:

A key driver of this crisis is the federal Government's declining investment in the direct provision of housing over the past three decades. The state has largely retreated from its position as the landlord for low-income renters. Social housing stock has dramatically reduced since the mid-1980s. In 1989, 25% of renters were living in social housing, a proportion that has fallen to approximately 10% today.

At the same time, expenditure on subsidies for renters in the private sector has expanded, with the Federal Government now spending more on Commonwealth Rent Assistance (CRA) payments than payments to the states and territories through the National Housing and Homelessness Agreement, the primary public housing funding arrangement. Forthcoming research by the Centre for Equitable Housing details the numerous inefficiencies within CRA's targeting. The supplement's restriction to existing recipients of income support payments leaves many low-income workers ineligible for rental assistance. Among those who do receive CRA, 40% remain in rental stress after receiving the payment, while the payment's flat rate design creates asymmetries in rental affordability among recipients based on the income support payments they currently receive.

### 2. Housing financialisation and the decline of home ownership:

A suite of policy decisions has encouraged the positioning of housing as a tradeable asset and investment vehicle, rather than as a home. This has included financial deregulation in the 1980s and 1990s, allowing prospective investors to borrow larger amounts in pursuit of a growing property portfolio, the operation of negative gearing and the introduction of a discount on Capital Gains Tax (CGT) paid upon the sale of assets, including investment properties, in 1999.

The Centre for Equitable Housing's National Housing and Homelessness Plan submission details the dramatic effect of the capital gains tax discount on residential property prices. Lending commitments for investment properties outstripped those for owner-occupier housing in the decade following the introduction of the CGT discount, while residential property prices inflated, diverging rapidly from increases in wages.

As well as driving wealth and intergenerational inequality, tax concessions for housing investors, the majority of whom already own their own home, come at a significant cost to federal budgets. The Centre for Equitable Housing's 2024 report 'On Whose Account? Government Spending on Housing' found that revenue forgone from investor tax concessions has grown from \$1.5 billion annually in 2000 to \$18 billion in 2024. This eclipses expenditure on social and affordable housing and Commonwealth Rent Assistance, calling into question the extent to which Government's capacity to address the housing crisis is being limited by this investor-friendly taxation regime.

### 3. Modernising regulation of the growing rental market:

A third set of policy issues relates to the growing role of private renting as a long-term and permanent form of tenure. There is a need for coherent policy responses to improve what is currently an unprofessional and lightly regulated sector.

Much of the rental sector is owned by small-scale landlords, with many properties being held for less than five years. Smaller landlords holding properties for short periods of time may be unwilling to invest in necessary repairs, while limitations on in-tenure rent increases and the allowance of termination of tenancies after a fixed-term periods may encourage landlords to evict tenants at the end of their lease in pursuit of higher rental yields.

Despite recent commitments by states and territories to reform tenancy regulations, several discrepancies between states and territories still exist. This includes Western Australia's decision to retain 'no-grounds evictions', also known as evictions without cause, despite all other states and territories banning or committing to banning this provision. Similarly, the frequency by which rents may increase in periodic agreements is not uniform, with the Northern Territory and Western Australia allowing rent increases twice-yearly, rather than annually.

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### Q13

Describe what actions your organisation believes should be taken by governments to most improve affordability and access to housing.

Firstly, creating a coherent and ambitious framework for housing policy reform through the National Housing and Homelessness Plan should be a federal Government priority. The Plan has the potential to bring together previously siloed housing policy domains, including taxation, social housing, and rental regulations at multiple levels of government to create a path towards equitable housing outcomes for all. A further priority for the Plan should be the creation of a dedicated federal department of housing, reflecting that secure housing should be a key government responsibility.

The Commonwealth should review the operation of the Capital Gains Tax Discount and Negative Gearing as part of comprehensive tax reform, taking into consideration the distributional inequities embedded in investor-friendly taxation regimes, as well as the significant budgetary effects of revenue forgone from current arrangements.

The Commonwealth should review social housing funding arrangements with a view to addressing current and projected shortfalls. This should occur in the context of a broader re-commitment to the direct government provision of housing, particularly for low-income earners.

Finally, current Commonwealth Rent Assistance funding and eligibility should be reviewed and reformed by the Commonwealth. This should involve considering adjusting eligibility to reflect housing need, rather than restricting eligibility to recipients of income support payments. This must consider constitutional limitations surrounding federal support for renters.

## Q14

Is there anything else your organisation would like to share with the Commission?

All sources referenced throughout this submission provided below.

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