

FOCUS

A roof over our heads

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As the debate on the projected size of Australia's population rages and our cities become more crowded, facts and evidence-based data are needed to tell rhetoric from the reality, reports

LAURIE NOWELL

MELBOURNE'S population is tipped to reach eight million by 2050. That will mean less living space for residents, longer travel times to work, increased demand for infrastructure, water and electricity and more stress on the environment.

It will also mean unprecedented pressure on the provision of housing for Melburnians.

We are experiencing that pressure.

If you want to own an average home, you need up to \$55,000 for a deposit, \$30,000 for stamp duty and other expenses and the ability to borrow \$500,000 and service the debt.

It is a scenario that is proving beyond the reach of increasing numbers of people.

And we are getting close to the point where the city's median salary will not service the median home loan.

The way we, as a society, have organised the manner in which housing is provided to people is more akin to the capricious operation of a stock exchange than the supply of a basic human need.

New research shows that housing inequality is having a cascading, negative effect on all levels of society and that we are all paying for the social cost of exclusion.

Housing and urban research expert Dr Ian Winter says Australia's housing economics exacerbates income and wealth inequalities.

That means the rich are benefiting from bad housing market economics through exemptions on capital gains tax, negative gearing for residential landlords and no means testing on first-home grants — at the expense of the poor.

For example, a household earning about \$3000 a week can potentially receive a benefit of \$161 a week from capital gains tax exemptions on a family home and a benefit of \$28 on land tax exemptions, while a household earning \$623 a week can obtain a benefit of only \$41 on CGT exemptions and \$4 on land tax exemptions, according to researcher Prof Judy Yates.

Dr Winter says that inequality is fuelling, among other social problems, rising mental health issues, higher mortality rates and more obesity.

"There is an over-emphasis on the asset value of housing



THE GREAT WEALTH GAP: How the property tax system benefits the rich

Gross household income	\$285pw	\$623pw	\$1043pw	\$1595pw	\$2967
Capital gains tax exemption benefit	\$23	\$41	\$57	\$79	\$161
Negative gearing benefit	\$7	\$38	\$39	\$47	\$73
Land tax exemption benefit	\$3	\$4	\$4	\$6	\$28

Source: AHURI

and an under-focusing on housing as homes for people," says Dr Winter, who heads the Australian Housing and Urban Research Institute.

"There is an over-emphasis on housing as an investment good.

"The evidence is compelling that where you have greater equality in wealth and housing, you have a much better range of outcomes.

"On some measures the poor in Japan, which has a high level of wealth equality, are doing better than the rich in the US, which has high levels of wealth inequality."

Dr Winter points to work by international social and health researchers Prof Richard Wilkinson and Dr Kate Pickett that shows countries with higher levels of economic inequality also have higher levels of social problems.

The research shows Australia has among the highest levels of inequality among developed nations and has relatively high levels of mental illness, adult obesity, murder, imprisonment as well as relatively low levels of child wellbeing and innovation.

"There is massive inequality in this country in terms of assets — which for most

“The evidence is compelling that where you have greater equality in wealth and housing, you have a much better range of outcomes

DR IAN WINTER

people means a house — and also in terms of income," Dr Winter says.

"And the gap is widening because possessing assets and having a high income can generate more assets and income."

Dr Winter says that was not always so.

During the three decades following World War II, families on lower incomes could own homes and were not so disadvantaged.

"House price appreciation

was not what it is now and there was then a much more stable market," he says.

Victorian Council of Social Services policy manager Kate Colvin says one key indicator of housing inequality is the proportion of social housing when compared with the total housing pool.

"When the Labor Government came in, the proportion of social housing stood at 4.1 per cent. Now, it is just 3.7 per cent and even with the Federal Government's stimulus spending, it will only rise to 3.9 per cent," Ms Colvin says.

"Not enough attention is being paid to these issues and we are talking about housing affordability in too narrow a way.

"Soon, only people who receive housing assets from their parents will be able to afford their own homes and build wealth.

"And if you don't build wealth there are consequences when you get older and the risks of ill health and other bad outcomes are greater."

VCOSS is calling on parties contesting the federal and state elections to commit to delivering an additional 29,000 affordable housing properties in Victoria by 2014.

"One thing even conservative commentators agree on is that the declining spend by state and federal governments on social housing has created problems in the private market," Ms Colvin says.

"And the tax system generally benefits investors in property and has created a speculative market that has driven up prices.

"This means house prices are determined by a perception of how the value will rise in the future, not the actual value of the land, bricks and mortar."

Dr Winter says the issue of affordable housing is looming large for many Australians.

"There is a sense of a growing personal discussion about this because parents are starting to see their children struggle to get into the housing market and own their own home," he says.

"And there's broader debate ahead in terms of sustainable populations and cities.

"If we pull up the drawbridge and slow population growth, will we be better off? Probably not, because that will impact economic growth, innovation and a whole range of things that relate to our prosperity."

AHURI is ramping up its public profile and research agenda as the nation increasingly grapples with issues such as crowded cities, sustainable urban living and the population debate.

But, Dr Winter warns, the solutions to these problems may be difficult to find.

"There are lots of policy options, but most would be unattractive to the electorate at the moment and politicians are not willing to tackle these," he says.

"The electors need to be made to confront these issues and we need to have a discussion about the poor outcomes for all that are being generated by these problems.

"What we need is not a black-and-white reversal of this, but a better balance."