
As home ownership rates fall, government will need to pay more to assist renters

The number of households eligible to receive Commonwealth Rent Assistance (CRA) is estimated to rise from 952,000 in 2011 to 1.5 million in 2031, a 61 per cent increase, new AHURI research has found.

The research, '[Australian demographic trends and implications for housing assistance programs](#)', examined the combined impact of demographic change and shifts in housing tenure to estimate the future budget cost of a range of housing subsidies.

Subsidies in the form of CRA are expected to increase from \$2.8 billion to \$4.5 billion in 2031 in real terms, an average increase of 3.1 per cent per annum. About half of the increase is due to demographic changes — notably population ageing and the growth in the numbers of single person and lone parent households—and the other half due to more people living in private rental housing as this tenure is expected to increase its share of the housing stock.

The research also finds that 730,000 home owners received higher income support payments in 2011 than would have been the case if they were treated in the same way as tenants under asset tests. The budget cost of these higher payments was \$5.8 billion in 2011 — more than double the cost of CRA payments.

Lead author of the research, Dr Melek Cigdem-Bayram from RMIT University, said 'We found that the total of tax subsidies to home owners has a larger cost to government budgets than either housing assistance, or the asset test concession. The combined tax subsidies are expected to increase from \$15.3 billion in 2011 to \$18.8 billion in 2031 (in \$2011), a 23 per cent increase. The future cost of these tax subsidies would have been even greater but for the falling rates of home ownership that we expect will continue in middle age groups.'

The research also outlines a secure lease scheme, which would provide a government paid rent premium to private landlords who offer longer term leases of five years to eligible low-income families, thereby giving them much desired stability in their housing. The scheme could benefit over 650,000 Australian households who are eligible for public housing, but currently live in private rental housing, and be cheaper than building more public housing.

Economic modelling shows that if governments had built new public housing (over the five years 2010–14) for all eligible tenants it would have cost around \$238 billion, with another \$13.1 billion on top of that in recurrent costs. However using a secure lease scheme to house eligible tenants would have cost government \$10.1 billion in incentive payments to private landlords, plus another \$7.4 billion in Commonwealth Rent Assistance (CRA). In essence, the capital costs of providing the housing would be carried by the private landlords, as is the normal case in the private rental market.

The research report is available to download from the AHURI website at <http://www.ahuri.edu.au/research/final-reports/286>.

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