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Assisting first homebuyers: an international policy review

From the AHURI Inquiry: Inquiry into financing first home ownership: opportunities and challenges

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Acronyms and abbreviations used in this report

AHO	affordable home ownership
AHURI	Australian Housing and Urban Research Institute Limited
APRA	Australian Prudential Regulation Authority
BtRtB	Build to Rent to Buy
CGT	capital gains tax
CHP	community housing provider
CPF	Central Provident Fund (Singapore)
DLUHC	Department for Levelling Up, Housing and Communities (UK)
EHG	Enhanced CPF Housing Grant (Singapore)
FHB	first homebuyer
FHG	Family Home Guarantee
FHLDS	First Home Loan Deposit [guarantee] Scheme
FHOG	First Home Owner Grant
FTHBI	First Time Home Buyer Incentive scheme (Canada)
GFC	global financial crisis
HDB	Housing and Development Board (Singapore)
HILDA	Housing, Income and Labour Dynamics in Australia survey
HtB	Help to Buy (UK)
HTB	Help to Buy (Ireland)
IHOP	Indigenous Homeownership Program
LMI	lenders mortgage insurance
LRS	land rent scheme
LVR	loan to value ratio
LTI	loan to income ratio
NHFIC	National Housing Finance and Investment Corporation
NHG	New Home Guarantee
PO	part-ownership
RBA	Reserve Bank of Australia
ROO	right of occupancy
SE	shared equity
SO	shared ownership

Executive summary

Key points

- Homeownership rates in Australia have declined over several decades, and the likelihood of attaining home ownership by age 30 has fallen substantially.
- Especially in Sydney, Melbourne and Perth, first home buyers (FHBs) are now buying fewer houses and more units, and evidence shows that more are receiving parental assistance.
- While mortgage repayment affordability stress has been cushioned by falling interest rates until 2022, mortgage deposit requirements have risen with prices and become an increasingly serious constraint—far more so in Sydney and Melbourne than elsewhere.
- Historically in Australia, demand-side assistance for first homebuyers (e.g. grants and government-backed loans) was complemented by supply-side policies (e.g. state-commissioned housing development for low-cost sale), government mortgage issuance, and regulatory preference for first homebuyer private lending. However, in contrast to some comparator countries, that is no longer true.
- As in many comparator countries, current Australian first homebuyer assistance measures primarily act to bring forward first home purchase by households already close to doing so, rather than opening home-ownership access to households otherwise excluded. In doing so, these measures add to demand and hence house prices.

- **More than $20.5 billion (in $2021) was expended by Australian governments in stamp-duty concessions and cash grants (including HomeBuilder) to first homebuyers in the decade to 2021. Even before the economic stimulus response to COVID-19, these forms of assistance were escalating—up from $1.2 billion to almost $3 billion in the four years from 2016—and new demand-side measures were being added, such as the National Housing Finance and Investment Corporation's (NHFIC) low-deposit mortgage scheme.**

- **In most of the seven comparator countries examined in the research, first home ownership support involves a wider range of policy instruments than in Australia. These include supply-side measures such as generation of homes for low-cost sale through government-commissioned land development.**

- **Some countries have even larger FHB grants and concessions than Australia, but articulate them with supply-side measures in more cohesive housing strategies than does Australia. Some are employing demand-side assistance on revolving fund principles—for example, shared-equity arrangements—which appear to be more efficient forms of subsidy than grants and tax concessions. However, it is doubtful that these measures really address inequality of housing wealth.**

- **Although not all of the FHB assistance measures operated in comparator countries would be easily translatable to Australia, there are potential learning points—for example, the possible scope for more imaginative use of available powers in relation to land-use planning and development, mortgage regulation and intermediate housing tenures.**

Key findings

Classifying first homebuyer assistance measures

In Australia, as in most developed countries, the promotion of home ownership has been a pre-eminent housing policy goal for many decades. Owner-occupation has been seen by governments and households alike as providing tenure security and control, but also as a key vehicle for tax-advantaged wealth accumulation. As the largest single transaction most households enter into over the course of the life cycle, the purchase of an owner-occupied dwelling is generally financed through debt. Facilitating that transaction has been a key aim of numerous policy initiatives in Australia and internationally.

Government-enabled or government-funded initiatives to assist first-home acquisition are longstanding in Australia, and common across the seven comparator countries included in this research. Our typology (see Table 1) differentiates measures that enhance a first homebuyer's purchasing power in the private housing market ('demand-side' assistance) from those which fund or otherwise enable the production of housing suitable for this cohort ('supply-side' interventions).

Table 1: Forms of first homebuyer assistance: a typology

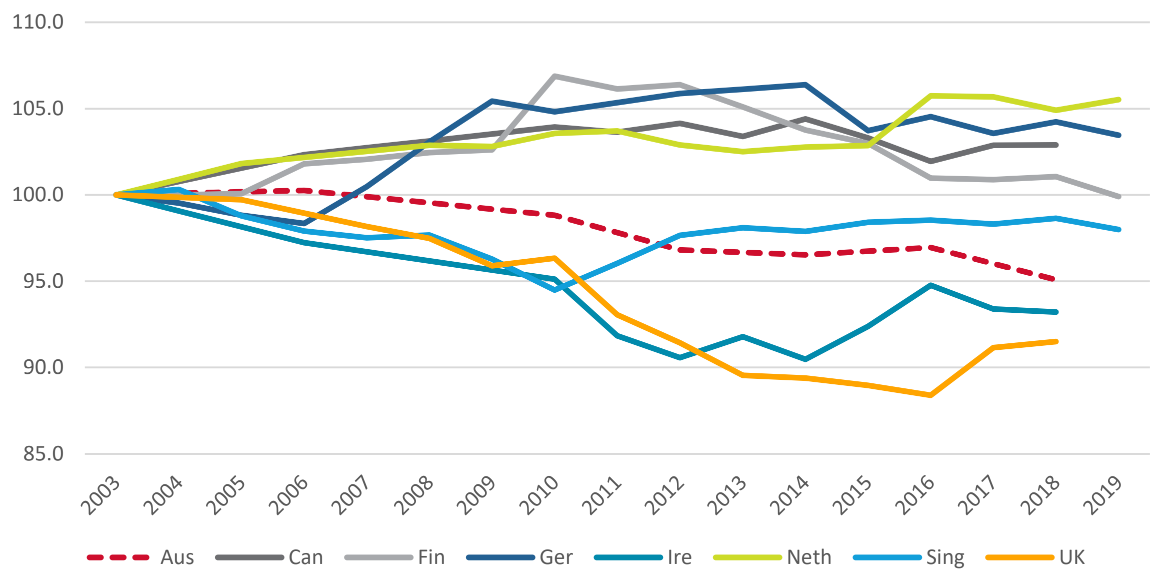
Demand/supply	Assistance type	Example schemes/programs
Demand-side	Financial regulation	• Rules governing mortgage lending
	Expenditure programs	• First homebuyer grant schemes
	Tax concessions	• Stamp-duty concessions • Tax-privileged savings schemes
	Institutional innovations and financial instruments	• Loan assistance schemes • Mortgage guarantees • Equity investment and similar products
Supply-side	Use of publicly owned assets	• Public housing sale to tenants • Land rent schemes
	Government-funded housing development	• State-resourced development of shared ownership homes by non-government entities
	Land or property occupancy regulation	• Inclusion of 'affordably priced' homes in developments required via land-use planning powers • Restrictions on occupancy of privately owned homes • Use of publicly owned assets: land development

Source: Authors.

First homebuyer assistance measures: policy context, policy challenge

Flat or declining owner-occupation was common to Australia and most comparator countries during the 2010s (see Figure 1). While this has deeper origins that largely reflect declining house purchase affordability, it may have been compounded by strengthened mortgage regulation imposed by many governments post-2008 in response to the global financial crisis (GFC). Such changes will have especially impacted potential first homebuyers (FHBs), impeding first home acquisition.

Figure 1: Changing home-ownership rates in Australia and comparator countries indexed to 2003 (2003=100)



Sources: See Figure 19 (Section 6).

FHBs accounted for around 20 per cent of Australia's total residential property transactions during the 2010s, across the decade. However, their numbers are volatile, apparently highly susceptible to the time-limited boosts in government assistance deployed in response to economic downturns. The experience of the period 2009–12 suggests that, because they largely involve 'brought forward demand', FHB activity spikes may lead to a subsequent dearth of activity.

The growing incidence of FHB acquisitions involving units and parentally-assisted purchases over recent decades has been much more significant in Sydney, Melbourne and Perth than elsewhere. In these cities, between the early 2000s and the late 2010s, parental cash transfers coinciding with home purchase nearly doubled to 15 per cent, while receipt of 'non-bank loans' also increased in frequency. Similarly, first home ownership involving apartment (rather than house) purchase nearly doubled to 27 per cent over the same period.

Paralleling these findings, analysis also shows that post-2005 home-purchase accessibility deteriorated much more notably in Sydney and Melbourne than elsewhere, because of rising mortgage deposit requirements.

Demand-side FHB assistance

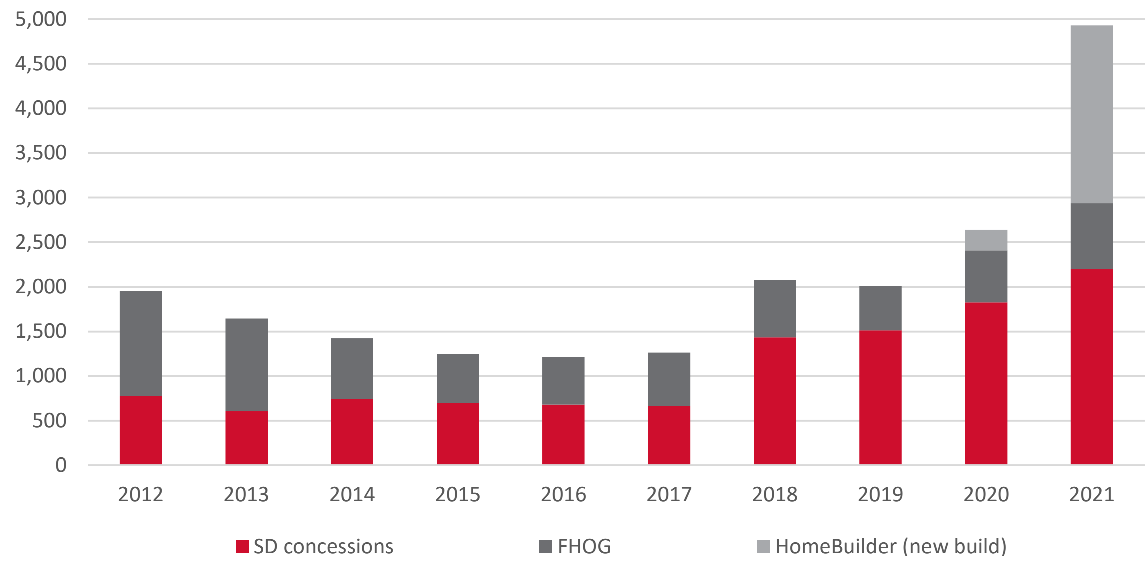
FHB demand-side assistance measures can be divided between those that involve:

- government expenditures—for example, cash grants; tax concessions and exemptions
- assistance to be repaid, perhaps along with interest or equity charges—for example, low-deposit home loans; government equity contributions to home purchase.

FHB cash grants (and stamp-duty concessions) sharply polarise opinion. While acknowledging that such outlays may usefully stimulate economic activity when necessary, economists and housing policy experts generally criticise them as otherwise unhelpful because they inflate house prices, and arguably lack justification both in terms of equity and value for money. FHBs, on the other hand, are of course highly attracted to such measures; so too, it appears, are politicians, seemingly undeterred by their price-stimulating effect.

Although recently spotlighted once more by the Commonwealth Government's 2020 HomeBuilder program (which largely funded first home acquisitions), FHB grants have been embedded in Australian housing policy since 1963. We estimate that associated expenditures over this period—and ultimately capitalised into house prices—have totalled $36.8 billion, although mostly incurred since 2000. Moreover, as indicated in the key points, grants and stamp-duty concessions were already growing strongly in the late 2010s, even prior to the HomeBuilder program —see Figure 2.

Figure 2: Stamp-duty concessions, First Home Owner Grant, and HomeBuilder, annual expenditure ($2021m), Australian states, 2012–2021



Sources: See Figure 17 (Section 3).

As noted earlier, some $20.5 billion was expended by Australian governments (i.e. federal state and territory administrations) in stamp-duty concessions and grants (including HomeBuilder) to first homebuyers in the decade to 2021. To give some sense of scale, this sum could otherwise have funded around 60,000 social housing dwellings,[1] as a non-inflationary form of stimulus investment. Or, alternatively, it could have funded 137,000 shared-equity (SE) dwellings.[2]

Distinct from grants and stamp-duty concessions, other forms of Australian demand-side FHB assistance include government-backed home loans and (on a much smaller scale) SE schemes. The former have become recently much more important with the 2020 establishment of low-deposit mortgage programs under the Australian Government's National Housing Finance and Investment Corporation (NHFIC). In enabling FHBs to secure a home loan with a down payment often of only around 5 per cent of property value (rather than the usual 20 per cent), the NHFIC schemes complement state-government-backed loan issuance programs in South Australia and Western Australia.

In contrast with cash grants and tax concessions where governments receive no direct financial return, government-issued low-deposit mortgages and SE programs can be run on a 'revolving fund' basis, where monies repaid are recycled to a new recipient. Beyond this they can also generate surplus funds. However, in housing policy terms, their main contribution tends to be to accelerate home-ownership access for moderate-income households rather than to enhance prospects for lower-income groups.

Many forms of demand-side assistance found across the comparator countries have similarities to measures implemented in Australia. This would be true of savings schemes and, especially lately, government-enabled housing loans. However, at least in the anglophone countries, the past decade has also seen strong or growing interest in SE models, until recently little represented in Australia (although subject to growing interest).

While there are forms of demand-side FHB assistance that involve little or no cost to government, many of those that incur significant expenditure involve disbursements that are weakly targeted in terms of any express objective to enable home ownership for households otherwise excluded. This statement holds true not only for Australia but for comparator countries. For many recipients of such help, the impact on their home-ownership prospects is, as summarised by one of our industry expert interviewees, 'bigger, better, sooner'.

Supply-side FHB assistance

While rising home ownership in Australia in the postwar period was strongly driven by supply-side assistance, interventions of this kind largely ceased from the 1970s.

Lately there has been resurgent interest in forms of SE which, because they involve assistance being channelled to developers (rather than consumers) of housing, can be classed as a supply-side approach. The Build to Rent to Buy (BtRtB) proposal recently devised by NHFIC exemplifies such a model. It envisages enabling a community housing organisation to develop a dwelling for renting out to an aspiring first homebuyer for up to a decade, while the occupier accumulates a mortgage deposit to take ownership of the dwelling, with this achieved not only through a savings plan but also designation of a share in property appreciation over the period.

Recent Australian debate on the role of land-use planning in relation to first home ownership has tended to focus on contended over-regulation as an impediment to housing supply—and therefore a cause of the problem that FHB-assistance schemes are designed to ameliorate. However, while there is scope for land-use planning powers to *facilitate* first home ownership, such powers have been largely unexploited outside South Australia—and even there to only a limited extent.

1 If it is assumed that the unit cost (typically small) of a social housing dwelling is $400,000, and that a not-for-profit developer could support debt equating to 15 per cent of the capital cost.
2 Assuming a 30 per cent government stake in a $500,000 home.

By comparison with FHB-assistance approaches in contemporary Australia, supply-side tools play more significant roles in several comparator countries (see Table 2). Australian not-for-profit housing providers might well view with envy the government-funded shared-ownership —as opposed to shared-equity—programs found in Finland and the UK. However, from the consumer perspective, the UK model has lately become quite tarnished. In any case, how far such models could be translatable to Australia is doubtful.

Efforts of comparator countries to promote first home ownership through land-disposal conditions and land-use planning powers could be of more relevance in Australia. However, it should be recognised that in a country like the UK, well-established planning powers enabling local authorities to require inclusion of homes for affordable sale as part of market housing developments are often used in tandem with similar stipulations for social or affordable rental units. Utilisation of such powers exclusively for homes for low-cost sale would be hard to justify or recommend.

Table 2: FHB-assistance measures 2021: frequency/scale of use, Australia and comparator countries[3]

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Demand-side								
Financial regulation			Limited		Limited		Limited	
Grants, concessions	Heavy use	Limited	Moderate	Limited	Moderate		Heavy use	Moderate
Savings schemes	Limited	Limited	Moderate	Moderate			Heavy use	
Loans	Limited			Moderate	Limited	Limited	Heavy use	
Guarantees	Limited		Moderate			Moderate		Limited
Shared equity	Limited	Limited			Moderate	Limited		Heavy use
Supply-side								
Public assets: social-housing privatisation					Limited	Limited		Moderate
Government housing development			Limited					Heavy use
Public assets: land development			Moderate	Limited	Limited	Limited	Heavy use	
Land-use regulation				Limited	Limited	Limited		Moderate

Key: ■ *Heavy use* ■ *Moderate* ■ *Limited*

Source: Authors.

Policy development options

Policy development implications for Australia that arise from this report are informed not only by our research on contemporary practice internationally, but also from revisiting home-ownership promotion policies earlier in this country's post-war history. Additionally, to the extent that the report highlights certain practices that are operated in some Australian jurisdictions but not others, there could be scope for their adoption more broadly across the country.

As indicated earlier, there is nowadays a striking one-sidedness in Australian efforts to assist FHBs. As also indicated in the main body of the report (see also Table 2), supply-side measures are very thinly represented. The only notable instances currently in operation (or officially proposed) are Build to Rent to Buy (proposal); land-rent schemes (ACT), and developer contributions to affordable homes for sale (SA). All of these appear to have strengths that should commend them for consideration by other Australian governments.

3 Note that weighting in this table and in other tables is necessarily impressionistic being informed by our review of published sources and qualitative research involving country experts.

Although typically in concert with requirements for affordable rental housing contributions, practice in some of our comparator countries is also instructive on how land-use planning powers can be effectively used to stipulate development of low-priced dwellings for sale within market housing developments.

Drawing inspiration from historical approaches in Australia, as well as contemporary practice in some comparator countries, the research also highlights the scope for active supply-side contribution to affordable home ownership through state land-development agencies. However, unlike counterpart entities in countries such as Germany, Finland, the Netherlands and Singapore, such Australian bodies nowadays lack the authority to pursue such a role on any scale. Objectives of this kind are constrained by commercial imperatives of state and territory government Treasury frameworks, which have seen dividend objectives prioritised over broader social and economic policy goals.

When it comes to demand-side assistance, there is a strong consensus among industry experts and academics favouring models such as government-backed loans and SE instruments over cash grants and stamp-duty concessions. The latter may be administratively simple, but they are inflationary and yield no return to government.

In Singapore and other comparator countries, including Canada, Ireland and England, home-ownership policy —including FHB assistance—is to some extent framed within broader national housing strategies. Since it lacks any equivalent overarching framework, Australia is out of step here. This links to the wider reality that aspirations for sustainable growth in home ownership cannot be fulfilled solely through adoption of more effective FHB-assistance mechanisms. Indeed, pursuit of such approaches may serve as a form of displacement activity: a distraction from the need to countenance the much more far-reaching reforms needed to fundamentally enhance home-ownership affordability.

While some currently operational Australian FHB-assistance measures benefit recipients without representing unjustifiable and inflationary expenditure, significantly widening home-ownership access cannot be achieved without substantial changes to tax and social-security policy settings that currently preference existing homeowners over aspiring homeowners.

The study

The research was largely based on a large body of in-depth interviews with academic, government and industry experts, both in Australia and in seven comparator countries: Canada, Finland, Germany, Ireland, the Netherlands, Singapore and the UK. This testimony is framed and elaborated through a comprehensive review of academic and policy literature of generic relevance, as well as specific to Australia and the comparator nations. In addition, we undertook a secondary data analysis drawing on the Housing, Income and Labour Dynamics in Australia (HILDA) survey to explore the changing cohort of FHBs in Australia and first home acquisitions.

1. Introduction

1.1 Research purpose and questions

This primarily qualitative research forms part of a wider AHURI Inquiry Program on Financing First Homeownership. It provides a strategic international review of first homebuyer (FHB) assistance programs in Australia and seven comparator countries. For the purposes of this research, FHB-assistance mechanisms are defined as government interventions that enable households to access home ownership; that is, to aid the acquisition of a household's first owner-occupied dwelling.

Such mechanisms span a wide range of policy instruments, including homebuyer grants and tax concessions, low-deposit mortgage products and shared equity (SE) arrangements, as well as supply-side interventions to boost the development of suitable homes. This diversity in part reflects the fact that housing policy may be enacted in a variety of ways—through tax and regulatory settings, as well as through explicit expenditure programs.

Beyond the pathways into home ownership that are specifically government assisted, there are also growing numbers of 'innovative home ownership' models that aim to ease access to owner-occupation, through frameworks entirely developed and operated by non-government actors. Examples include SE schemes where the minority interest is held by a developer, institutional investor or not-for-profit entity (Ehlenz and Taylor 2019, as well as cooperative forms of home ownership such as the Nightingale model (Sharam, Moran et al. 2017). While such exemplars are briefly touched on in this report, they are investigated in greater depth elsewhere (e.g. Raynor, Palm et al. 2018), including in parallel AHURI research (Palmer forthcoming).

Three main research questions are addressed in this report:

- **Research question 1:** How have Australia and comparator countries assisted first homebuyers to access housing?
- **Research question 2:** How have Australia and comparator countries sought to avoid or mitigate risks for first homebuyers?
- **Research question 3:** How do first homebuyer assistance programs operate in the wider context of countries' housing and economic systems, and what transferrable lessons do they yield?

The remainder of this section is structured as follows. Section 1.2 briefly discusses international trends in home-ownership rates and the Australian-specific policy context for home-ownership policy. This is followed by a short discussion on some of the inherent challenges in designing instruments to assist potential FHBs. In Section 1.3 and Section 1.4 we specify our analytical framework and research methods. Finally, in Section 1.5 we outline the structure of the report as a whole.

1.2 Policy context

1.2.1 Background

In Australia, as in most developed countries, the promotion of home ownership has been an express housing policy goal for many decades. Owner-occupation has been seen by governments and households alike as 'a means of providing … not only a stable home, but also the means to accumulate assets and economic security through housing market mechanisms' (Arundel and Ronald 2020: 3).

Generally, home-ownership rates in industrialised countries rose steadily for much of the postwar period. In Australia and elsewhere this trend was supported through various forms of preferential treatment for FHBs particularly, and homeowners generally (Lawson 2006; Lawson and Milligan 2008; Pawson, Milligan et al. 2020).

Specific measures favouring FHBs included:

- insurance and guarantees
- home-purchase grants
- government build-for-sale programs
- public housing sitting-tenant sales
- land auctions restricted to eligible cohorts
- tax concessions for owner-occupied housing
- exemptions from transfer payment means tests.

Importantly, promoting housing affordability was implicitly a key aim of the Australian Land Commission program and remained a stated goal for state land agencies over time—see Appendix 1 (Davison, Milligan et al. 2010). Lately, however, as far as housing is concerned, land agencies have become overwhelmingly focussed on estates for market sale, and the commercial demands of state Treasuries.

These measures were accompanied, at least in some places and at some times, by controls on rental housing that tended to suppress investment by landlords. They also operated in a wider context of controls on credit, which generally supported home ownership, but often in highly discriminatory ways—for example, women and their incomes were routinely excluded from inclusion in loan applications.

Homeownership promotion has a long history in other countries (Lunde and Whitehead, 2016), pursued through a variety of policy approaches. High-level OECD reviews of homeowner support measures (OECD 2019a, 2019b) indicate that various forms of demand and supply-side support are still offered to FHBs across many developed countries (by national or regional/municipal authorities). Indeed, fieldwork undertaken for this research suggests that in a number of comparator countries, as well as in Australia, recent years have seen a renewed emphasis on such measures. One specific objective of Australian FHB assistance, again shared with countries including Canada and New Zealand, has been the promotion of home ownership among Indigenous populations (Lawson and Milligan, 2008: 73 Memmott, Moran et al. 2009; Sanders 2008).

However, in recent decades, home-ownership rates have declined in many countries, with a significant reduction in Australia from the late 1980s, and sharper downturns in NZ, Ireland, the UK and the USA—particularly after the GFC (AIHW 2019; Goodman and Mayer 2018). This decline in home ownership has been driven by a range of policy and market factors. Finance sector reforms have decoupled housing finance from real construction activity (Kohl 2021), and the use of targeted supply policies has declined (Ryan-Collins, 2019). In Australia, pro-ownership policies were, from the 1980s to 2000s, reconfigured to advantage existing owners, including as investors in rental housing: notably the 1986 exemption of owner-occupied housing from the then-new capital gains tax (CGT), and the 1999 CGT discount for investor landlords.

As home-ownership rates have declined, governments in Australia and other countries have sought to provide specific assistance to FHBs through a variety of targeted programs including tax concessions, specialist mortgage products and cash grants, as well as forms of intermediate tenure housing. At the same time, the experience in countries where housing markets crashed post-GFC also demonstrates FHB vulnerability to negative equity, default and foreclosure, which may require assistance oriented to mitigating individual and systemic risks (Immergluck 2015; Scanlon and Elsinga 2014).

Critics of explicit policy settings to incentivise or reward home ownership have sometimes instead contended that housing policy should be 'tenure neutral', with no particular form of housing unduly favoured in terms of effective public financial support (Yates 1989). On the other hand, beyond the general statement of asserted home-ownership advantages in the earlier Arundel and Ronald quotation, arguments for explicitly favouring owner-occupation via tax, social security or other policy settings have been frequently made on the basis that this form of housing is beneficial in terms of:

- fulfilling consumer choice and enhancing self-esteem
- residential property upkeep and improvement
- community engagement.

Contesting doubts about the robustness of underlying evidence for such claims (Rohe, Van Zandt et al. 2001), Wood (2003: 129) argued that, by the turn of the millennium, calls for tenure neutrality had partially subsided due to 'the growing number of studies offering empirical support for the idea that encouraging owner-occupation yields significant social benefits'. Subsequent Australian assertions consistent with this view included statements by an influential Senate Select Committee and by the Henry Review of Taxation (Henry 2010; Senate Select Committee on Housing Affordability in Australia 2008).

Further investigation of these debates is beyond the remit of this research. Thus, in analysing the ways that governments have sought to assist FHBs, this report makes no judgement on the principle that there is justification for preferentially targeting material support to households seeking to enter, or already living within, the owner-occupied housing sector. Our focus is on the extent to which the various forms of such assistance are effective in their own terms—that is, in expanding access to home ownership to those whose entry would be otherwise delayed or impossible, or in making more affordable and less risky the cost of home ownership.

1.2.2 Australian policy and market context

The central status of home ownership as an Australian housing policy aspiration was encapsulated by the well-known 'Forgotten People' speech of then Prime Minister Robert Menzies in 1942:

> One of the best instincts in us is that which induces us to have one little piece of earth with a house and a garden which is ours; to which we can withdraw, in which we can be among our friends, into which no stranger may come against our will. (Menzies 1942: 4)

This sentiment was re-asserted by then Treasurer Scott Morrison in 2016:

> There are three important economic goals that Australians aspire to. To have a job to support and care for your family, to be independent in your retirement, and to own your own home. (Morrison 2016)

Morrison's comment reflected that endorsement of home-ownership aspirations had became embedded in policy platforms of both main Australian political parties in the intervening period. Subsequently, the policy and electoral resonance of the issue was re-emphasised by a prime ministerial decision to announce a new first home ownership assistance initiative in the heat of the 2019 federal election campaign: government-guaranteed mortgages.

More recently still, the economic downturn resulting from the COVID-19 pandemic, and associated concerns about the possible impacts on the construction industry, provided a fresh impetus for stimulus measures for homebuyer activity. In response, new schemes, largely taken up by people entering home ownership, were initiated by several state governments as well as by the Australian Government (Rowley, Crowe et al. 2020).

The inherent attractions of home ownership in providing security and control over one's immediate environment have been widely rehearsed in Australia (see, for example, Senate Select Committee on Housing Affordability in Australia 2008: 16–17). However, residential property ownership is especially beneficial in the Australian context because of its highly tax-advantaged status and because of the favoured treatment of the principal (owned) home in the age-pension eligibility test (Daley, Coates et al. 2018).

Further, with Australia's relatively low rate of age-pension payment predicated on very high rates of retiree home ownership (Castles 1994), people living out their retirement years in the private rental market are exposed to the risk of pensioner poverty from which owner-occupiers (with fully repaid mortgages) are strongly protected. Beyond this, unlike other countries covered in this report—such as Germany, the Netherlands and Finland—Australian households do not have adequate alternative housing options available to them, such as long-term affordable rental or cooperative housing provided by commercial, not-for-profit or public sector agencies. Thus, too many Australian households can be considered as the 'missing middle', falling between extremely scarce and stigmatised options of social housing and the out-of-reach ideal of home ownership.

For all of these reasons, declining rates of young adult home ownership in Australia have caused considerable public disquiet. In particular, the proportion of the 25–34 age cohort owning their own home declined from 60 per cent in 1988–89 to only 40 per cent in 2015–16 (Pawson, Milligan et al. 2020, Figure 5.2). Within this, it has also been demonstrated that among young adults and every other pre-retirement age group, home-ownership rates have fallen most substantially for lower-income households (Daley, Coates et al. 2018, Figure 4.3), thus exacerbating wealth inequality.

While falling home ownership rates among younger adults may be to some extent influenced by changing lifestyles, educational and career trajectories, there is near universal agreement that generally declining house purchase affordability is the main explanation. One well-known measure of this is the well-publicised Demographia claim that Australian cities are among the most unaffordable in the developed world (Demographia 2021). Exemplifying numerous similar claims of Australia's 'over-expensive' housing is the recent Grattan Institute observation that 'Australians now pay 23.3 per cent of median incomes on housing costs, higher than all other comparator countries except the Netherlands (23.9 per cent)' (Coates and Crowley 2021: 4).

However, even accepting the general case that 'declining house purchase affordability' is the main issue, the terms on which mortgages are available in the marketplace are an important consideration. One aspect of this is the perception that Australian lending institutions operate relatively conservatively:

> [Australia lacks] the diversity of financial institutions [of the UK]; our institutions are very conservative and don't feel the need to do anything … because they've got the … mortgage market wrapped up. (Industry expert)

> If the private finance industry is just doing very well out of conventional home-ownership finance, they don't have to experiment or try new models. (Academic expert)

Leaving this aside, much as they may compete vigorously for market share, commercial lenders must balance risks (to themselves, and to borrowers) with rewards. In making such judgements they must also comply with the regulatory constraints set down by the Australian Prudential Regulation Authority (APRA) with respect to 'stress testing' of buyers' financial means in relation to future interest rate rises or other changes in circumstances.

Crucial here are regulations and practices on the allowable value of home loans in relation to acquired property value—known as the loan to value ratio (LVR). Here, FHBs, inherently lacking their own accumulated housing equity, are at a structural disadvantage to established homeowners as well as to most investor landlords in the market. This fact, together with the pattern of house price inflation has running ahead of wage growth, has tended to inflate the real cost of a standard mortgage down payment (see Section 2). This has increasingly spotlighted the deposit barrier as the main focus of FHB-assistance policy, both in Australia and elsewhere.

1.2.3 Assisting FHBs: some inherent policy challenges

Underlying this research is the issue of whether many FHB-assistance programs mainly benefit existing homeowners rather than new homeowners, thereby compounding the problems of access and risk that such schemes are ostensibly meant to address. Here we are alluding to the concern that, in a market where supply responsiveness is inherently sluggish or inelastic, assistance for FHBs that boosts their purchasing power is liable to be capitalised into residential property values. Rather than assisting FHBs, such help is captured by sellers and exacerbates a perceived need to further ramp-up FHB support.

FHB-assistance measures also face other challenges in relation to equity, efficiency and effectiveness. Particularly in today's Australian housing market, marginal homebuyers—people potentially in need of government assistance to achieve home ownership—are typically middle-income earners rather than low-income earners. By whatever means it is pursued, channelling material assistance to this group raises questions about the equitable targeting of public funds or equivalent resources—the so-called 'middle-class welfare' problem (Pinnegar, Easthope et al. 2009: 81). At the same time, a counterargument has been mounted that, if they remain trapped in the private rental sector, households at the margins of ownership have access to fewer subsidies than both very low-income earners in social housing and higher-income home-owning households (Pinnegar, Easthope et al. 2009: 82). This issue, which primarily relates to the distributional aims and implications of FHB-assistance schemes, is distinct from the market failure arguments that have at times been used to justify such measures.

Under contemporary governance thinking that prevails in Australia and other market liberal nations, state intervention is justifiable as a means of countering market failure; that is, the inability of a particular market to allocate resources efficiently. However, as reflected in this comment from a government economist interviewed for this research, such an 'in principle' justification for FHB assistance may be elusive:

> We've done work in quite a purist way, saying, 'If you were taking a purist view as an economist, what would be the economic arguments for … doing something to help people into home ownership?' And it's actually quite difficult to list those … first-order economics arguments; it's not clear to me it's correcting a market failure …[Government economist]

Finally, in relation to both efficiency and effectiveness, FHB-assistance measures need to be designed to maximise 'additionality'—that is, the proportion of those assisted who would have been otherwise unable to access home ownership at that time. This concern (sometimes termed the need to minimise 'deadweight') refers to the concern that assistance that boosts homebuyer purchasing power may in fact enable a beneficiary to buy a larger, better located or in some other way superior home to the one they would otherwise have purchased.

This discussion also raises questions about the precise objectives of FHB-assistance policies. The United States, under the Clinton presidency (1993–2000), provides a well-known instance where enabling access to home ownership for lower-income households was an explicit policy priority (Lawson and Milligan 2008: 71–72). Similar sentiments underlay the UK Government's Right to Buy program for social-housing tenants, when this was introduced in 1980 (Lawson and Milligan 2008: 69).

With FHB assistance high on the Australian policy agenda, there is a case for defining more clearly the factors impeding home-ownership access. It is important to assess the efficacy of assistance and the form such measures should take in Australia in the context of other housing market and policy factors and types of support. This can also be informed by experience of FHB-assistance programs internationally. Attention is also given to growing understanding of causal influences that drive unaffordability and social exclusion, such as the important role of systems mitigating or enabling the volume and direction of credit flows and their relationship with real-estate prices and new housing supply (Kohl 2021; Ryan-Collins 2019).

1.3 Analytical framework

The main components of our analytical framework are:

- a typology of FHB-assistance interventions
- a set of evaluation criteria.
- FHB-assistance scheme typology

Our typology distinguishes FHB-assistance interventions primarily according to whether they bear on the demand side or the supply side of the housing market. Here, emphasis is placed on how government assistance, of whatever kind, is channelled under the scheme in question. Where the intervention involves a benefit directly received by the consumer, effectively boosting FHB-purchasing power, then it is a demand-side instrument. Accordingly, as shown in Table 1 (in the Executive Summary), this is how cash grants to FHB consumers are classified.

Conversely, supply-side instruments are those that directly relate to the provision or use of housing—for example, where government support is channelled to the development of FHB-appropriate or FHB-designated homes. Thus, as shown in Table 1, this covers the disposal of government-owned assets, funding channelled through property developers or suppliers, and regulatory instruments that affect housing production or use of housing assets.

It is, of course, recognised that the typology is imperfect because, in the way that the assistance interventions are configured in practice, some may combine both demand-side and supply-side features. This would be true in the case of any demand-side program restricted to new-build housing—for example, an FHB grant available only for the purchase of a newly constructed home.

The same arguments could apply to a SE scheme where state (or other third-party) assistance is provided in a form that boosts a purchaser's purchasing power in the market, on the condition that it is directed to newly built housing. However, despite its hybridity, a product of this kind is treated in our typology as a demand-side instrument, since assistance is channelled through the consumer, not the supplier or provider of the dwelling. Contrastingly, a shared ownership product where government support is channelled through the housing developer (rather than the consumer) is treated in our typology as a supply-side instrument.

Further, this typology is merely a framework for categorisation of policy foci. In order to understand their effectiveness in application, a more long-term, contextualised examination has been undertaken.

1.3.1 Assessment framework

Our taxonomy in 1.3.1 is further elaborated in Table 3. This builds on a recently published review of FHB-assistance measures, primarily in the UK, authored by two internationally renowned experts in the field. It has been customised in accordance with our research questions set out earlier. The framework is also predicated on an understanding that, for most FHBs—for instance, those who borrow to fund the purchase—there are two distinct financial dimensions to achieving home ownership:

- the cost of *getting into* home ownership
- the cost of sustaining, or *staying in* home ownership.

The cost of getting into ownership is primarily represented by the amount of value (or 'equity') that purchaser themselves must bring to the transaction—the deposit or down payment needed to secure the mortgage. This is the dimension of wealth, and access. Sustaining that ownership comprises a range of costs that must be met from the owner's income over time, including servicing the loan (and repairs, maintenance, utilities and rates, but for present purposes we focus on the loan); this is the dimension of income, and affordability.

	Access	Affordability
Financial hurdle	Wealth	Income
Related first home ownership objective	Getting in	Staying in

Would-be homeowners may have problems in one or both these dimensions. In the current market context of high house prices and low interest rates, many households must confront an access problem, even where they would face no affordability problem.

	Affordability problem	No affordability problem
Access problem	Low-income person with no savings	Moderate income, younger workers (i.e. no savings)
No access problem	Older person with some savings/super but low/no income	High-income household with some savings or access to substantial family wealth

As well as clearly differentiating between home-ownership access and affordability, our assessment framework as set out in Table 3 also incorporates considerations of efficiency and effectiveness. An 'effective' FHB-assistance mechanism or instrument is one that can be credited with 'additionality', as it makes first home ownership possible for people who would be otherwise excluded or—in fact far more likely—significantly accelerates access to owner-occupation. An 'efficient' initiative is one that is effective at an acceptably modest unit cost and with minimum administrative complexity.

Table 3: Assessment framework

Criterion	Explanation
Access	Does the scheme lower the cost of access to home ownership?
Affordability	Does the scheme reduce recurrent housing costs for participants?
Targeting and eligibility	Who qualifies for assistance and on what basis?
Administrative simplicity/complexity	Is the scheme simple or complex? What legal and administrative arrangements are involved?
Risk	What risks are associated with the scheme: for purchaser, for funder, any systemic financial risks?
Subsidy and subsidy effectiveness	Who subsidises whom in the scheme, and how? Does the scheme generate windfalls (for participants), or deadweight losses (for government)? What is its 'additionality' in terms of accelerating or facilitating access to people otherwise impeded or excluded?
Associated outcomes	Does the scheme have housing policy or other objectives and outcomes other than assisting FHBs?

Source: Adapted from Whitehead and Williams (2020).

1.4 Research methods

The research is largely based on a large body of in-depth interviews with academic, government and industry experts, both in Australia and in seven comparator countries. This testimony is framed and elaborated through a comprehensive review of academic and policy literature of generic relevance, as well as specific to Australia and the comparator nations.

Domestic fieldwork

Our Australia-focussed research primarily looked at FHB-assistance schemes in operation since 2000. These were identified and assessed via:

- review of relevant literature—including AHURI reports and other academic material, grey literature, and government webpages
- in-depth interviews (12) with subject experts from academic, policy maker (state/federal/NHFIC) and industry (e.g. mortgage provider) backgrounds.

Using a structured topic guide, the interviews sought to flesh out published information on relevant schemes in relation to:

- scheme context, objectives, targeting and structure
- scheme administration
- perceived or proven efficiency or effectiveness—for example, unit cost, budgetary impact, targeting, take-up, administrative complexity, likely additionality, housing market impacts.

Interviews, undertaken online, were recorded and transcribed with interviewee permission.

International expert workshop

Initial orientation on FHB-assistance approaches operated internationally was aided through an online workshop involving four international expert academic colleagues: Richard Ronald (University of Amsterdam), Michelle Norris (University College Dublin), Hannu Ruonavaara (University of Turku, Finland), and Marissa Plouin (OECD).

Comparator country selection

Given established thinking on international policy transfer (Pawson and Hulse 2011), the selection of comparator countries acknowledged that Australia's administrative and economic setting bears similarity with other anglophone countries. It thus accounted for the fact that institutional settings as well as market conditions influence policy functionality.

At the same time, our decision to encompass seven countries recognised the importance of including non-anglophone nations particularly noted for innovative housing policies. While some countries that could qualify as such tend to be overlooked by Australian policy makers, they face many similar housing challenges, even if these may be approached from different cultural perspectives. They also offer different and contrasting approaches to mortgage market regulation, ensuring adequate tenure choice, and proactive land policy, with the potential to stimulate new Australian thinking on problems not yet effectively addressed.

Bearing these considerations in mind—and also informed by our international expert workshop (listed earlier) as well as OECD research (OECD 2019a, 2019b)—the following jurisdictions were selected as comparator countries:

- Canada—academic country expert: Prof David Hulchanski, University of Toronto
- Finland—academic country expert: Prof Hannu Ruonavaara, University of Turku
- Germany—academic country expert Prof Michael Voigtländer, Institut der deutschen Wirtschaft [Institute for German Economy], Köln
- Ireland—academic country expert: Prof Michelle Norris, University College, Dublin
- Netherlands—academic country expert: Prof Richard Ronald, University of Amsterdam
- Singapore—academic country expert: Assoc Prof Kwan Ok Lee, National University of Singapore
- UK—academic country expert: Kath Scanlon, London School of Economics.

Comparator country fieldwork

The international research has involved a historically informed, contextualised, institution-focussed approach, which appreciates the differing role of home ownership within each type of national housing system, and aims to understand exogenous factors that have influenced the formation and development path of that system—particularly by examining links between characteristics of the housing system and national political systems, welfare regimes, institutional arrangements and housing market conditions (Lawson and Milligan, 2008: 2). Such a contextualised analysis is critical to explaining how FHB policies emerge and are applied in such different ways. For this reason, attention is given to their path-dependent emergence—that is, when and why a particular national approach to FHB-assistance may be successful.

As will be noted, the above grouping importantly represents both anglophone (liberal market) and non-anglophone (social market) countries, as well as Singapore as an East Asian (strong state) case study.

For each comparator country, two to three expert interviews were undertaken, as in Australia, encompassing academic, policy maker and industry perspectives. The first and most important interviews were with the chosen expert academic colleague. As well as their contribution in terms of housing policy documentation and analysis, these meetings also yielded valuable recommendations for government and industry interviewees, as well as for relevant grey literature.

The base topic guide was an adapted version of that developed for Australia. Beyond this, the agenda for industry and government interviews in each country was tailored by academic expert testimony and intelligence on relevant FHB-assistance schemes gleaned from recommended literature.

Evidence compiled for each comparator country was organised into a thematically structured country working paper, with further added value derived from academic country expert review of initial drafts.

1.5 Report structure

The remainder of this report is structured as follows. Sections 2 to 5 relate to Australia, while sections 6 to 8 recount international experiences. In each of these parts of the report, the evidence is divided according to the demand-side versus supply-side distinction discussed in 1.3.1.

In Section 2 we present a statistical analysis of recent trends in FHB activity and an analysis of home-ownership affordability across Australia. Some appreciation of these patterns and relationships is important in appraising Australian FHB-assistance programs and mechanisms, as discussed in sections 3, 4 and 5.

The international comparative component of the research is introduced in Section 6, which describes the broader home-ownership policy settings in each comparator country. In sections 7 and 8, FHB-assistance programs are examined in more detail. In Section 9 we revisit the research questions in the light of the evidence set out in the main body of the report.

It is acknowledged that the report is longer than might be considered ideal. However, even when attention is generally focussed on currently operational (rather than historically significant) measures, there are many models of assistance that such a review must encompass and, at least in some cases, several distinct interpretations of each model. We have also judged that a degree of program-specific detail is necessary for a policymaker readership keen to understand at least the basics of scheme operation. Although this increases the extent of the report, we have judged that semi-repetition of our typology table at the start of sections 3, 4, 5, 7 and 8 is useful, as it will allow the reader to clarify the scope of the section.

2. First homebuyers in Australia's housing market

Key points

- **FHBs typically accounted for around 20 per cent of total residential property transactions during the 2010s.**
- **A 2020/21 surge in FHB numbers triggered by targeted financial stimulus is likely to have brought forward latent demand, with a subsequent dearth of activity in prospect over the next one to two years.**
- **The likelihood of achieving home ownership by age 30 has substantially fallen in recent decades.**
- **Historic changes in the cohort of homes purchased by FHBs (more units, fewer houses) and the means of financing these (more people receiving parental assistance) have been much more apparent in Sydney and Melbourne than elsewhere.**
- **While mortgage repayment affordability has been largely cushioned by falling interest rates, mortgage deposit affordability has become more constrained.**

2.1 Section introduction

In Section 2, we set out some stylised facts on the changing scale and nature of FHB activity in Australia's housing market, and analyse trends in home-ownership affordability for those entering the market. The section's main purpose is to frame our documentation of Australian FHB-assistance approaches, as detailed in sections 3 to 5. The reasons for this are two-fold.

First, an understanding of the circumstances and experiences of FHBs is central to the broader question considered by this Inquiry—financing home ownership for FHBs.

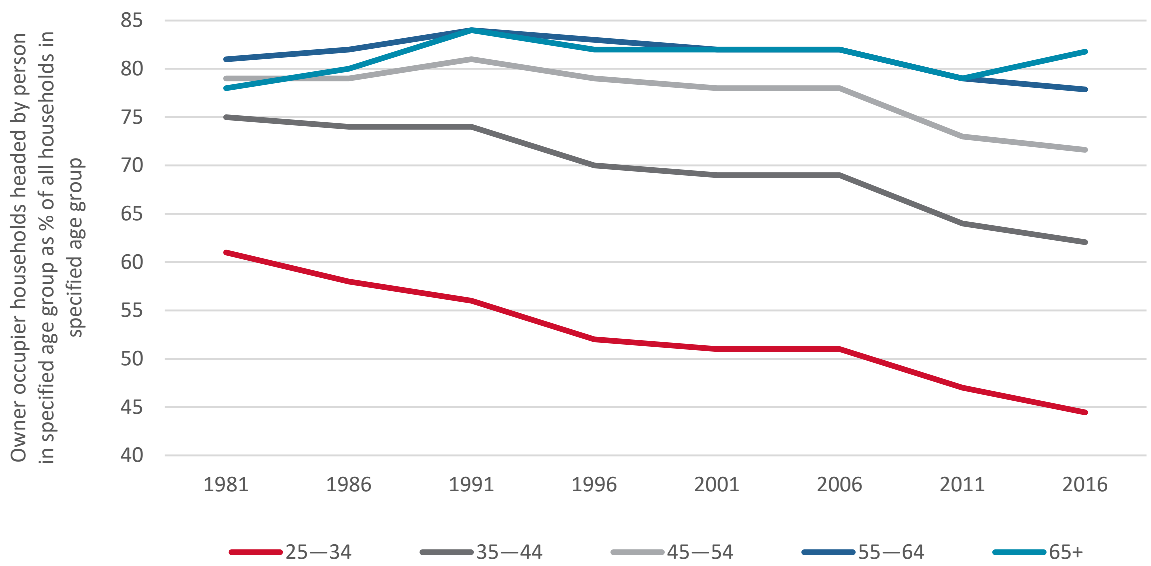
Second, there is a consensus that affordability has played a key role in explaining the outcomes experienced by FHBs in Australia over the past few decades. Policy responses in Australia and internationally have focussed on addressing the affordability for FHBs, and assessing the utility of those policies requires an understanding of the affordability challenge faced by FHBs.

This section draws heavily on the analysis of secondary data from various sources, including the Australian Bureau of Statistics (ABS) and HILDA. It also incorporates existing published work on housing affordability, notably as published by the Reserve Bank of Australia (RBA) and CoreLogic.

As noted in Section 1, a critical dimension of the context for the current research is the gradual decline in Australia's home-ownership rate since the early 2000s. While the overall reduction has been fairly modest to date (see Figure 18 in Section 6), this conceals highly diverse trends across different age groups. Crucially, the rates for young adult cohorts have been falling much more steeply, which is a trend that has been established over several decades—see Figure 3. The relative stability of the overall home-ownership rate over this period has been due to a cohort effect resulting from historically high rates among owner-occupiers who were young or middle aged during the 1980s and 1990s, as this group has fed through into older age groups, replacing predecessors for whom rates were somewhat lower.

It is the substantially declining home ownership rates recorded for both young and middle aged adults over the past 30 years that have been of key importance in stimulating concerns about home ownership affordability, and in motivating efforts to assist aspiring FHBs to realise their ambitions.

Figure 3: Age-specific home-ownership rates, 1981–2016



Notes: Figures show percentage of occupied private dwellings. Household age group according to age of household reference person. Excludes households with tenure type not stated.

Source: Daley, Coates et al. (2018); original data from Yates (2015) and ABS (2016).

The remainder of this section is structured as follows. Section 2.2 charts the changing scale of FHB activity in the Australian housing market, at both national and state levels. Next, in Section 2.3, we analyse trends in the profile of FHB households and in FHB property acquisition transactions. Finally, ahead of our section conclusion, we analyse home-ownership affordability in Australia over the past 20 years.

2.2 First homebuyer market activity

FHB purchases constitute a minor but nonetheless significant component of housing transactions on an annual basis. As noted in the following discussion, there is evidence of both temporal and spatial variation in FHB activity. This highlights important factors when considering the FHB housing consumption behaviour and the outcomes that result.

First, the FHB experience is far more nuanced than suggested by an analysis undertaken at the national level. While understanding national trends is important, there are a number of geographically distinct markets that display unique patterns at any given point in time, driven by a range of economic and related factors.

Second, there is evidence that policy settings have important implications for the behaviour of FHBs, and which shape the housing outcomes experienced over time.

Typically, over the past decade approximately 92,000 households have become FHBs annually (ABS 2021a). Setting this value against the total number of residential property sales for the period 2011–2020, FHB transactions have typically represented around 20 per cent of total annual residential property transactions (CoreLogic 2021). Importantly however, FHB activity has varied significantly over time and space, reflecting both market conditions and policy settings.

As highlighted in Figure 4, distinct peaks of FHB acquisition activity were seen at the beginning and end of the past decade. These outliers are noteworthy because of the targeted policies put in place during these periods that were motivated by acute macroeconomic developments, but which were specifically targeted to FHBs. In particular, the pattern is generally understood as reflecting the impact of time-limited FHB-cash-grant schemes that formed components of economic stimulus programs associated with the response to the GFC and, more recently, the economic downturn associated with the COVID-19 pandemic.

Figure 4: FHBs: new loan commitments, seasonally adjusted

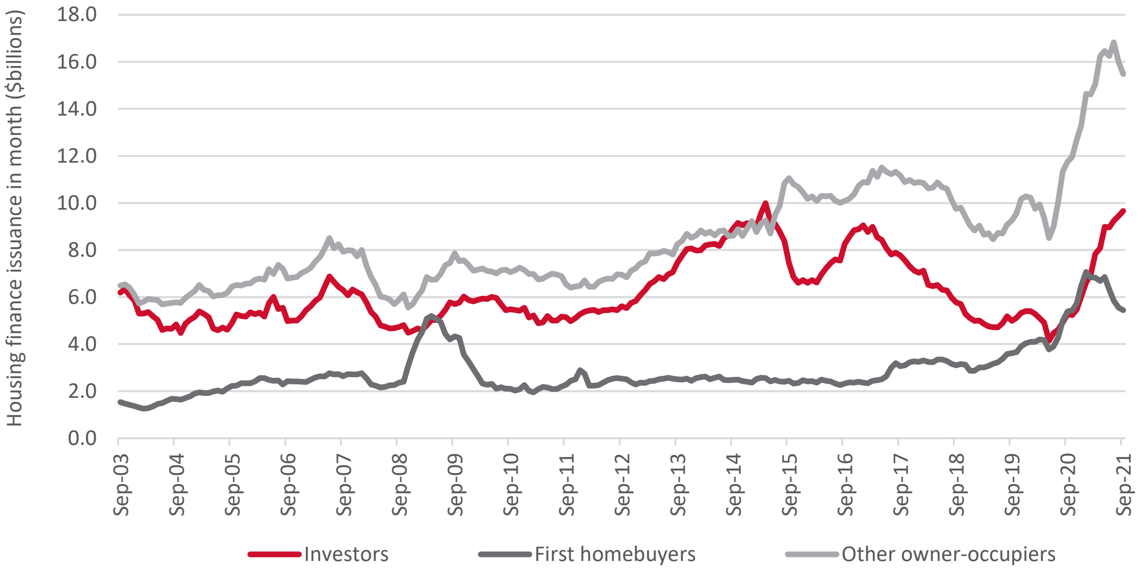
Source: ABS (2021a).

While a detailed discussion of FHB grant schemes is deferred to Section 3, a key question to consider is the extent to which the higher rates of FHB activity observed in the 2008–09 period represented simply a change in the timing of home purchases rather than a systemic increase in home-ownership entrants. For example, in the three years prior to December 2008, the average monthly number of new loan commitments by FHBs was approximately 9,700. The introduction of enhanced FHB cash grants in the third quarter of 2008 coincided with an increase in that number to over 14,000 per month, representing around 55,000 loan approvals for FHBs over and above the number that would have eventuated from a continuation of the 2007–2008 trend (ABS 2021a).

Equally, however, the following two years from January 2010 saw FHB activity fall substantially below the pre-GFC rate at around 7,000 per month. This is consistent with zero net increase in FHB activity over the three-year period beginning with measures implemented at the start of the GFC. Importantly, it would appear there was simply a change in timing of FHB purchases rather than a net increase in home ownership associated with the temporary support for FHBs. It remains too early to discern whether the 2020–21 grant-boosted boom in FHB activity will see this pattern repeated, but it is a distinct possibility.

Between the two peaks in FHB activity at the start and end of the 2010s—and treating housing finance issuance as a proxy for market activity—FHBs generally constituted a much smaller proportion of homebuyers than either investors or existing owner-occupiers throughout the decade (see Figure 5).

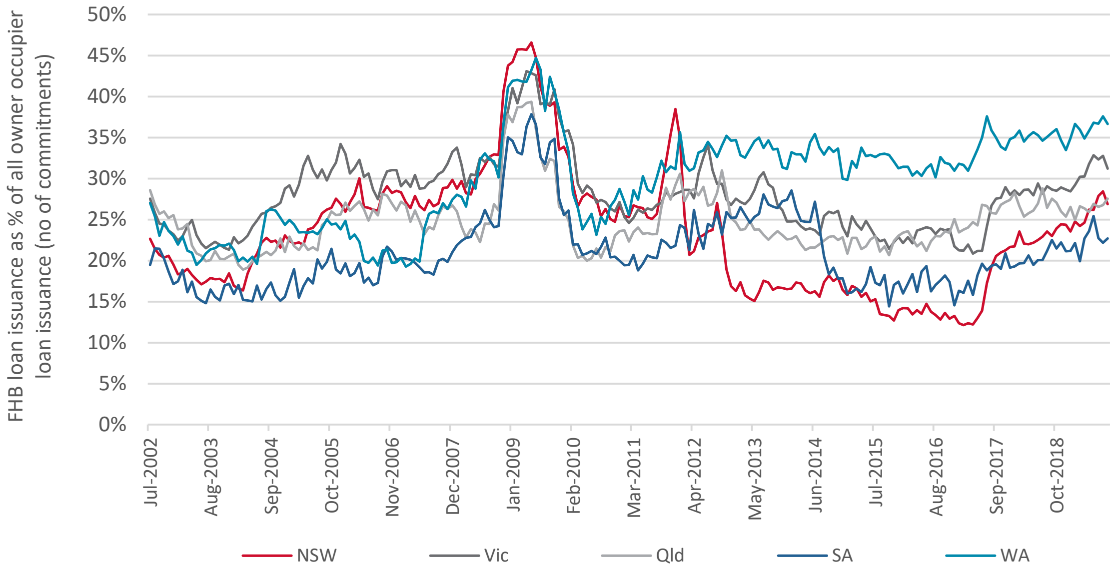
Figure 5: FHBs: housing-finance issuance by value



Source: ABS (2021a) Lending indicators https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release.

Spatially, there is evidence of significant variability in FHB activity across Australia. Measured in terms of the FHB share of total owner-occupier finance in late 2019, FHBs accounted for 37 per cent of the owner-occupier market in WA, but only 22 per cent in SA. Moreover, for most of the 2010s, FHB activity rates in WA ran significantly ahead of those in other states—see Figure 6. FHB activity in the NSW market is also particularly notable not only in relation to its especially low level in the period 2012–2017, but also for its relative volatility by comparison with other states. Market conditions are likely to have played an important role in these patterns. WA saw a prolonged housing market downturn for much of the period 2011–2022, heavily influenced by mineral industry cyclicality. Conversely, residential property prices rose by approximately 10 per cent per annum in Sydney in the period of particularly depressed FHB activity in NSW.

Figure 6: Proportion of housing finance issuance to FHBs, mainland states, 2002–2019



Source: ABS (2019) Lending indicators, October 2019. https://www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/5601.0Main%20Features3Oct%202019?opendocument&tabname=Summary&prodno=5601.0&issue=Oct%202019&num=&view= (series discontinued September 2019).

2.3 The changing first homebuyer cohort and associated property transactions

It is important to note that FHBs differ from other homebuyers—they are generally younger, have fewer children and typically report lower incomes than existing owner-occupiers (although both groups are highly segmented by income). These characteristics reflect life-cycle considerations and it is important to consider context when examining FHB housing consumption behaviours and resulting outcomes.

The analysis of FHB behaviour in this section draws on national survey data. Our two key sources are:

- the ABS Survey of Income and Housing (as published in the series 'Survey of Housing Occupancy and Costs')
- the Melbourne Institute's HILDA survey.

As highlighted earlier, households purchasing their first home constitute only a small proportion of the national population in any one year, and are therefore represented comparatively thinly in such surveys. As a result, the 'cohort characteristics' figures set out below need to be treated with some caution.

We begin by considering how the age at which home ownership is initially attained has changed over time. While overall home-ownership rates have remained relatively stable, Figure 3 highlighted the declines in home ownership rates among younger Australians. An alternative means to capture this is to consider how the age at which individuals report purchasing their first home has changed over time, as shown in the following table. While individuals who purchased their first home in the late 1960s had an average age of 26 years, this increased by approximately six years over the following five decades.

Table 4: Age at which first home purchased

Year first home purchased	Age of buyers in years (mean)
1965–69	25.76
1970–74	26.11
1975–79	26.13
1980–84	27.17
1985–89	27.85
1990–94	28.25
1995–99	29.96
2000–04	30.57
2005–09	30.16
2010–14	31.75

Source: Authors' own calculations, HILDA survey release 19.

The decline in home-ownership rates among younger Australians is highlighted by considering how the attainment of home ownership has changed for individuals at a given age across birth cohorts—see Table 5. For example, among those born between 1959–1968, nearly two-thirds (65 per cent) had attained home ownership by age 32. In comparison, for the cohort born between 1979–1988, this was true for only just over half (53 per cent).

Table 5: Home-ownership attainment by age, birth cohort

	Age (years)				
Year of birth	18-22	23-27	28-32	33-37	38-42
1929–1938	0.11	0.27	0.21	0.13	0.07
1939–1948	0.15	0.32	0.21	0.10	0.06
1949–1958	0.18	0.29	0.19	0.10	0.06
1959–1968	0.16	0.27	0.22	0.12	0.06
1969–1978	0.12	0.26	0.20	0.10	0.06
1979–1988	0.09	0.23	0.21	0.06	-

Source: Authors' own calculations, HILDA survey release 19.

The patterns reported in Table 4 and Table 5 highlight the delayed entry into home ownership that has been identified elsewhere, and which reflects a range of social, demographic and economic considerations. There also appear to have been changes in the choices (however constrained) made by FHBs over the past three decades. The proportion of those buying 'attached dwellings' (properties other than separate houses) has somewhat increased, although the difference between the 2010s and the 2000s appears modest in this respect—see Table 6. In any event, it has remained the case that the vast majority of FHB transactions continue to involve existing rather than newly built detached houses.

Table 6: FHB properties purchased

	1990s	2000s	2010s
Separate house	83.0	76.3	75.5
Semi-detached/row or terrace house/townhouse	8.8	11.3	12.8
Flat/unit/apartment	8.2	12.1	11.6
New property	19.7	16.5	17.0
Existing property	80.3	83.5	83.0

Note: Figures are mean values taken from the survey reports published during each decade (from 1994–95 to 2017–18).

Source: ABS Survey of Housing Occupancy and Costs, various years.

Table 6 display national trends and mask some important differences across distinct geographic markets. Drawing on the longitudinal information available in HILDA, key outcomes and behaviours of FHBs are presented for Sydney, Melbourne and Perth (Table 7), and for other parts of Australia (Table 8). Those descriptive statistics highlight some marked spatial differences in relation to the financing of property acquisition and the nature of the homes acquired. In particular, we make the following observations.

- Over time, the nominal price paid by FHBs has more than doubled although, as expected, the Sydney, Melbourne and Perth markets are associated with significantly higher prices than other parts of Australia. Moreover, the prices paid by FHBs are less than the average or median transaction prices commonly reported for housing markets.
- The loan size taken by FHBs to finance a first home purchase has increased in a similar manner to house prices over time, so that the LTV ratio has remained relatively stable. Interestingly, the LTV for FHBs is higher in more moderately priced markets, most likely reflecting the debt-servicing constraints in the form of loan to income limits imposed by financial institutions.
- It has become increasingly common for FHBs to report the receipt of large parental transfers at the time they enter home ownership, with the proportion doubling from the early 2000s to the late 2010s—for example, from 8 per cent to 15 per cent for Sydney, Melbourne and Perth. Significantly, parental transfers are much more likely to be reported for FHBs in higher-priced housing markets (Table 7).
- The proportion of FHB purchases involving units rather than houses rose substantially in Sydney, Melbourne and Perth, but remained relatively stable in the remainder of the country.

Table 7: FHB characteristics, Sydney, Melbourne and Perth

	Year first home purchased			
Characteristic	2001–2005	2006–2010	2011–2015	2016–2018
House price ($)	330,349	404,895	544,881	730,411
Loan size ($)	257,004	315,766	423,760	580,474
Loan to value ratio (LTV)	0.82	0.81	0.80	0.80
Received non-bank loan (%)	8	11	10	11
Parental transfer received (%)	8	8	14	15
Purchase unit/apartment	15	24	24	27
Purchase house	85	76	76	73

Source: HILDA tabulations by authors.

Table 8: FHB characteristics, rest of Australia

	Year first home purchased			
Characteristic	2001–2005	2006–2010	2011–2015	2016–2018
House price ($)	196,735	299,702	383,968	410,428
Loan size ($)	162,611	256,439	317,203	348,782
Loan to value ratio (LTV)	0.84	0.87	0.83	0.86
Received non-bank loan (%)	10	7	11	11
Parental transfer received (%)	3	4	5	7
Purchase unit/apartment	7	7	10	8
Purchase house	93	92	90	92

Source: HILDA tabulations by authors.

Regarding parental assistance with first home purchase, the dollar value of such help is unfortunately unrecorded by HILDA, or by other official surveys. However, according to a long-running finance industry survey, this was averaging $100,000 in 2021–22 (Collett 2022).

Beyond this, the patterns reported in Table 7 and Table 8 reveal a number of important developments that should be highlighted when examining the experiences and outcomes of FHBs.

First, there is substantial variation across Australia. The experience of FHBs in higher-priced cities such as Sydney and Melbourne is systematically different from those in more moderately priced housing markets.

Second, the patterns that emerge over time highlight the behavioural responses by FHBs to the challenges of entering home ownership. For example, there appears to be an increasing reliance on financial support from parents, while FHBs in more expensive markets appear to have adjusted their behaviour to access more affordable opportunities. These patterns are consistent with RBA research findings estimating the stock of houses that may be affordable for a typical FHB (RBA 2017). Over time, such properties have tended to be smaller in terms of number of bedrooms, and more distant from capital city CBDs. Moreover, this pattern has been particularly marked in Sydney where average house prices have trended up consistently over time.

The outcomes observed reflect the evolving set of feasible choices available to those seeking to enter home ownership. Central to understanding those outcomes is the question of affordability, which we will now consider.

2.4 Calibrating changing rates of home-ownership affordability

Governments and commentators have consistently acknowledged the affordability challenge faced by FHBs, and argued that this plays an important role in understanding declining home-ownership rates among younger Australians. Few would challenge the conclusion of RBA analysis demonstrating that falling interest rates over the past 30 years have been the main driver of rising house prices (RBA 2019). Beyond this, there is less consensus on other factors underlying the perceived decline in affordability. Among the asserted contributory factors are:

- constrained supply due to over-restrictive land-use planning (e.g. Tulip 2021; Urban Task Force 2021)
- property tax settings (e.g. Stilwell 2014; Mares 2021)
- demand arising from immigration (e.g. Birrell and Healey 2018)
- speculative bubbles (Bangura and Lee 2020).

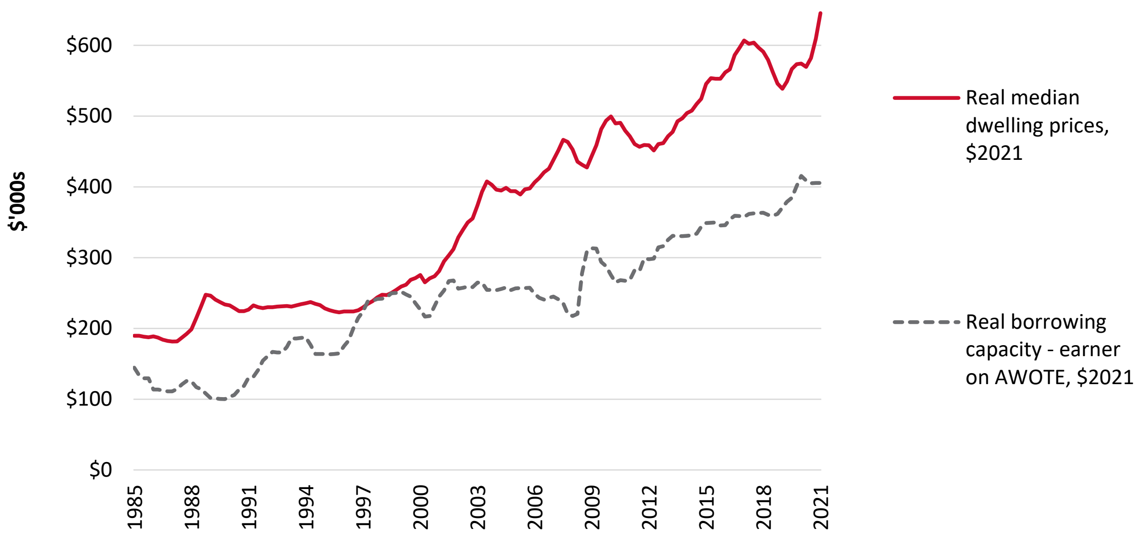
Arguably, affordability is itself a somewhat nebulous concept, which must be carefully defined to understand the behaviours and outcomes experienced by FHBs. For potential homeowners, the price of home ownership will reflect a range of considerations—only some of which lie in the direct control of the individual or household.

The purchase of owner-occupied housing generally represents the largest single transaction that households enter into over the course of the life cycle, and credit market imperfections mean that it generally requires a deposit or down payment coupled with the use of long-term debt instruments in the form of a mortgage. Loan instruments for owner-occupiers in Australia have traditionally been self-amortising 25-year variable-rate mortgages. Developments over the past two decades have seen longer-term mortgages and fixed-rate mortgages become increasingly popular. For the FHB, the level of interest rates and general level of prices in the housing market are exogenously determined and have important and, in some cases, offsetting implications for affordability. For example, a higher-priced dwelling may become affordable if mortgage interest rates decline. Similarly, institutional or regulatory constraints on maximum levels of debt and repayment ratios constrain the set of affordable dwellings.

Though exogenous constraints limit the set of dwellings that may be available to potential FHBs, the choices that are made also reflect the preferences of individuals and households in light of all of those constraints. For example, among the dwellings that are potentially affordable, FHBs may face important trade-offs in dimensions such as location, size and dwelling amenities. For example, FHBs may choose a larger dwelling that is located further from places of employment or other amenities. When analysing the experiences of FHBs and the challenge of affordability, it is important to keep in mind that observed outcomes reflect both those externally imposed constraints and the trade-offs chosen by households.

For a number of reasons, no single 'home-ownership affordability' metric is perfect for all purposes. Two simple metrics widely used are presented in Figure 7. The first considers a measure of dwelling prices, the second the real borrowing capacity of a FHB. The first measure captures in a crude manner how the affordability of housing changes over time by focussing on the price of an 'average' dwelling. The key limitation of such a measure has been alluded to previously, namely that with the use of a debt instrument to finance a purchase an increase in house prices may be offset by a decrease in interest rates, which leaves a higher-priced dwelling equally affordable. The second measure attempts to capture the process by which home ownership is attained, namely through a debt instrument that must be repaid with interest using the borrower's income. That is, it measures what a median earner could (theoretically) borrow, factoring in standard mortgage-lender rules and prevailing interest rates—which changed markedly during the period covered by the analysis.

Figure 7: Home-ownership affordability: overview of change, 1985–2021



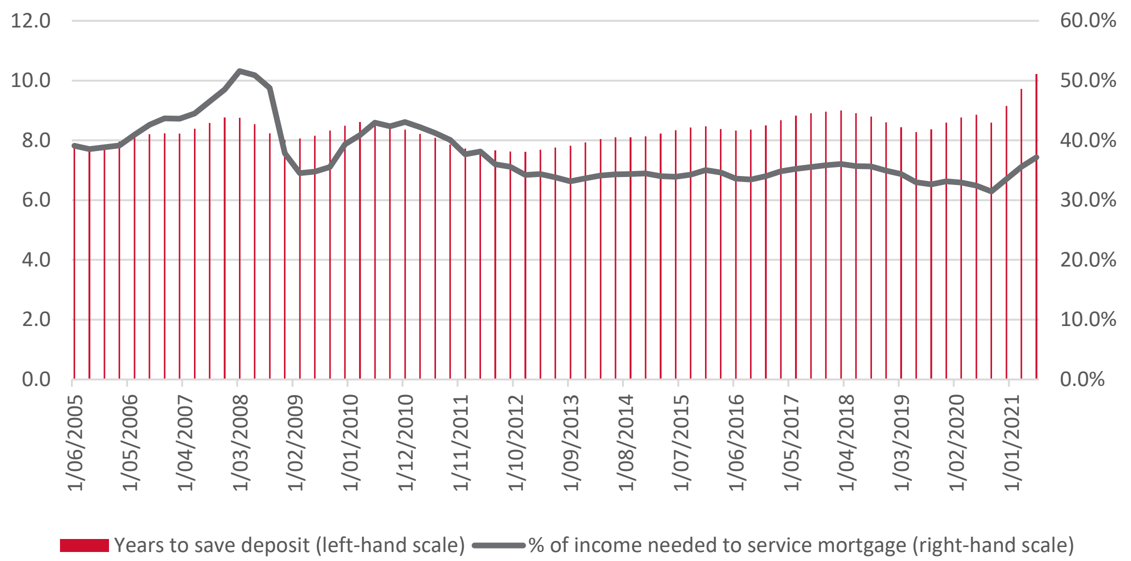
Sources and notes: Drawn by Judy Yates. 1. Base dwelling prices for June 2021 taken from CoreLogic Home Value Index July 2021, backcast to 1985 using ABS dwelling price indexes—capital cities only; 2. CPI adjusted to June 2021 using all groups CPI. 3. Real borrowing capacity based on these assumptions: 25-year loan; 30 per cent repayment to income ratio standard bank variable rate for housing loans holds for borrowers on full-time adult average weekly ordinary time earnings (AWOTE) (NB = $1,737 pw in June 2021; cf median household income $1,654 in Sept 2020 from ANU modelling for CoreLogic). 4. AWOTE treated as approximation for median household income.

The data presented in Figure 7 highlight important features of the environment faced by FHBs in Australia over time, and the difficulty of measuring affordability trends over time. While there was a rapid and significant increase in house prices from the late 1990s, this does not capture the substantial mitigation of the cost of housing, as interest rates declined from historic highs in the early 1990s. A similar pattern has characterised the most recent boom in house prices, with historically low interest rates boosting the borrowing capacity of FHBs—although this same development feeds through into further price rises.

Nonetheless, Figure 7 highlights that from the end of the 1990s, a large gap opened up between real prices for a 'typical property' and the size of the home loan that could be taken out by a 'typical' household. To put this another way, this gap represents the extra amount a median earner would need to find on top of their maximum allowable mortgage to afford a 'typical house'.

The more challenging environment faced by FHBs and the difficulty of defining affordability is highlighted by considering an alternative set of metrics, presented in Figure 8. The first such measure relates to the proportion of income needed to service a typical mortgage. After reaching a peak just prior to the GFC in 2007, this has trended down over time as interest rates have declined. Although this suggests that servicing a mortgage has become easier, the second data series highlights the challenge faced by FHBs to attain a mortgage. Recall that borrowers can typically borrow only a proportion of the purchase price of a property. At a national level, this indicates that the time required to save a typical deposit of 20 per cent of the purchase price for a home has increased over time from around 8 years to 10 years, as household incomes have failed to grow at the same rate as house prices.

Figure 8: Home-ownership affordability: 2005–2021



Sources and notes: CoreLogic and ANU Centre for Social Research and Methods. Series capturing time required to service a mortgage is calculated assuming the owner has borrowed 80 per cent of the median dwelling value and is paying the average discounted variable mortgage rate at that time for a term of 25 years. We measure the proportion of gross annual household income required to service the mortgage. The time required to save for a deposit considers a household on median income and the time required to save a 20 per cent deposit, assuming the household can save 15 per cent of their gross annual household income.

However, any conclusions about declines in affordability should be tempered by recognition of a number of important factors that ultimately determine affordability as experienced by FHBs. FHBs tend to be younger, less wealthy and earn lower incomes than the 'average full-time adult weekly earner' assumed in Figure 7. Further, the 'typical home' captured by the median dwelling price commonly used to measure affordability is not representative of the 'entry-level' property we would expect to be purchased by first homebuyers. As noted in Table 7 and Table 8, there has been a decreasing tendency to purchase freestanding dwellings, especially in the more expensive capital cities. Apartments tend to be cheaper than freestanding dwellings, and the evolution in FHB behaviour reflects both the constraints imposed by changes in affordability and the 'choices' made by FHBs.

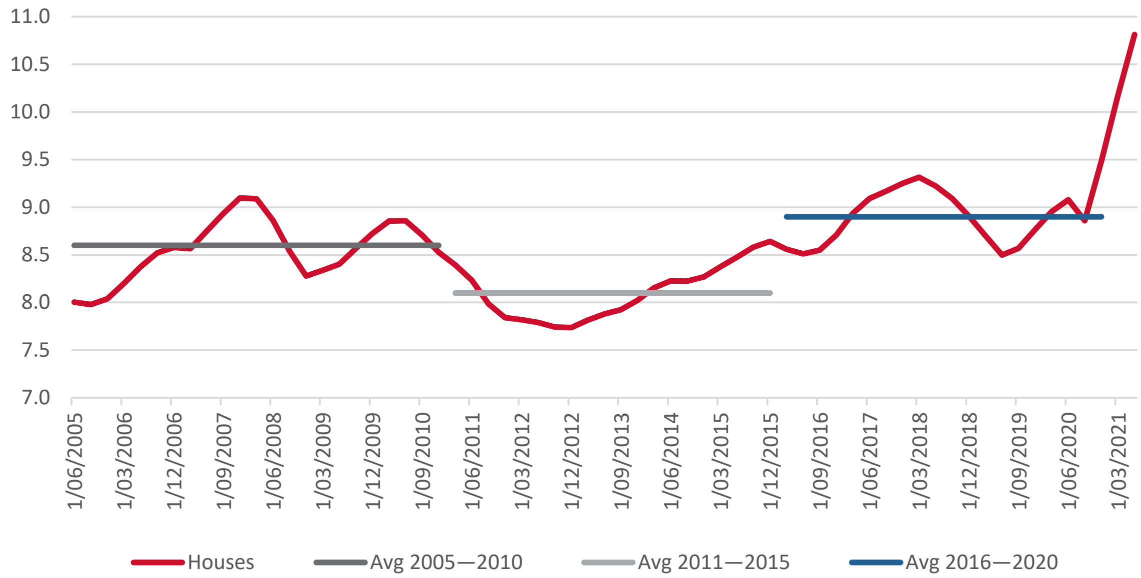
Both in Australia and in comparator countries that have experienced similar housing market developments, this deposit hurdle is often identified as one of the key barriers to financing the purchase of a dwelling (CoreLogic and ANZ 2021; Ong Viforj 2021; Wilcox 2011). This consideration is highlighted by identifying the time taken to accumulate the deposit required to purchase a 'typical' home for a 'typical' wage-earner. Such an exercise is presented in Figure 9 to Figure 11, where the time needed to accrue the deposit required for a typical dwelling nationally and in specific submarkets is considered. As noted previously, it is important to note that FHBs are in general atypical.

There are a number of key take-aways from those figures. First, the time required to accumulate the funds for a deposit has increased since the mid-2000s as wages growth has not matched the increase in dwelling prices. Over this period, therefore, the time required to save for a deposit for a house has increased from a notional 8.3 years to around 8.7 years notwithstanding a small decrease in the early 2010s (Figure 9). Second, this trend has been somewhat more pronounced for apartments, with the time required to save for a deposit for a dwelling of this type increasing from 7.6 years to 8.1 years (Figure 10).

Third, since the mid-2000s, higher priced capital city markets such as Sydney and Melbourne have experienced more significant declines in mortgage deposit affordability according to this metric. The time required to save for a deposit in Sydney reached approximately 14 years in early 2021, and over 11 years in Melbourne (Figure 11). Fourth, as highlighted by the Grattan Institute's related analysis cited below, it is important to bear in mind the time period covered by the data from which our graphs are drawn. Crucially, the start date of the series (2005) postdates a rapid rise in real house prices as seen during the early 2000s (see Figure 7). Arguably, therefore, the analysis somewhat understates the scale of the historic inflation of the deposit barrier that has taken place.

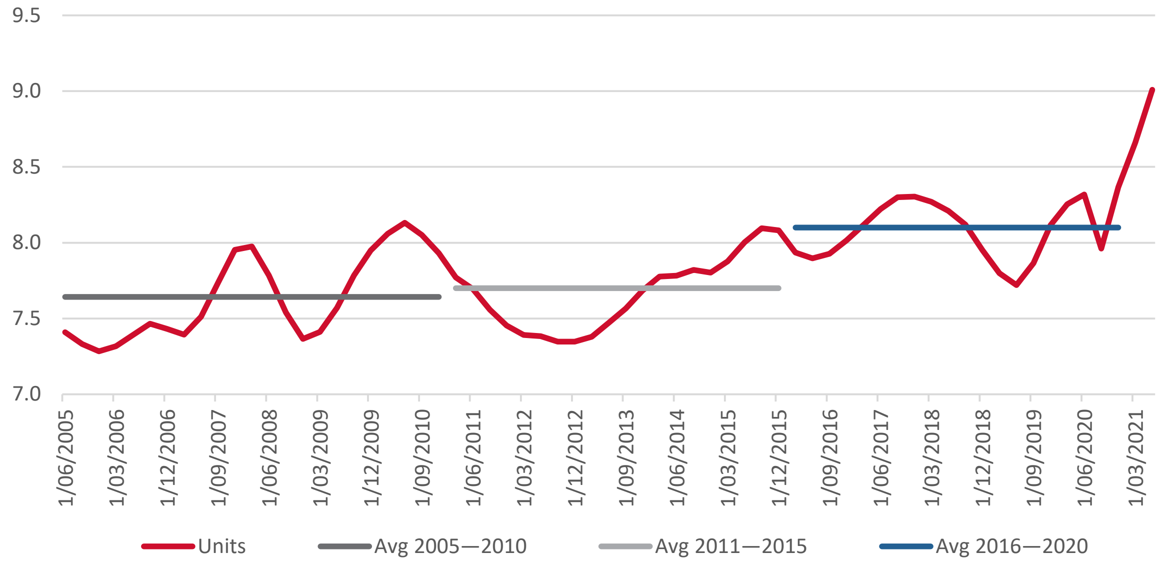
Finally, it is important to note that the growing size of standard mortgage deposits that has resulted from rising property prices represents a downpayment that must paid from savings (or third party assistance). Since the deposit cannot be borrowed from the bank, falling interest rates bring no associated relief as regards this component of home purchase. Indeed, the associated decrease in interest rates on savings will tend to lengthen the period required to accumulate the savings for a down payment.

Figure 9: Australia, years needed to save for deposit: houses



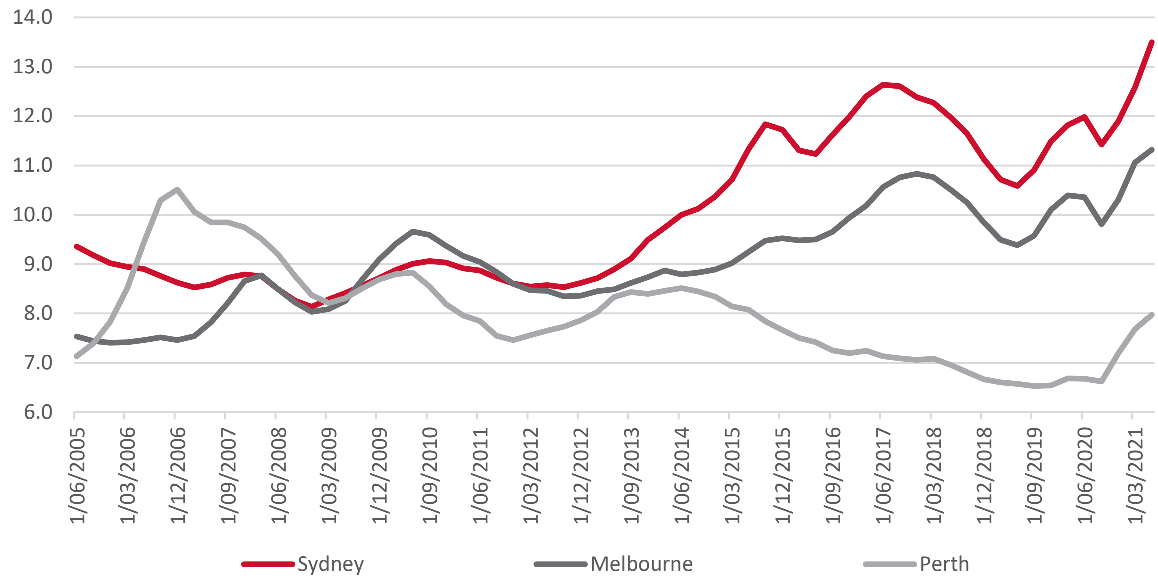
Sources: CoreLogic and ANU Centre for Social Research and Methods. See notes to Figure 8.

Figure 10: Australia, years needed to save for deposit: units



Sources: CoreLogic and ANU Centre for Social Research and Methods. See notes to Figure 8.

Figure 11: Selected capitals, years needed to save for deposit: houses and units



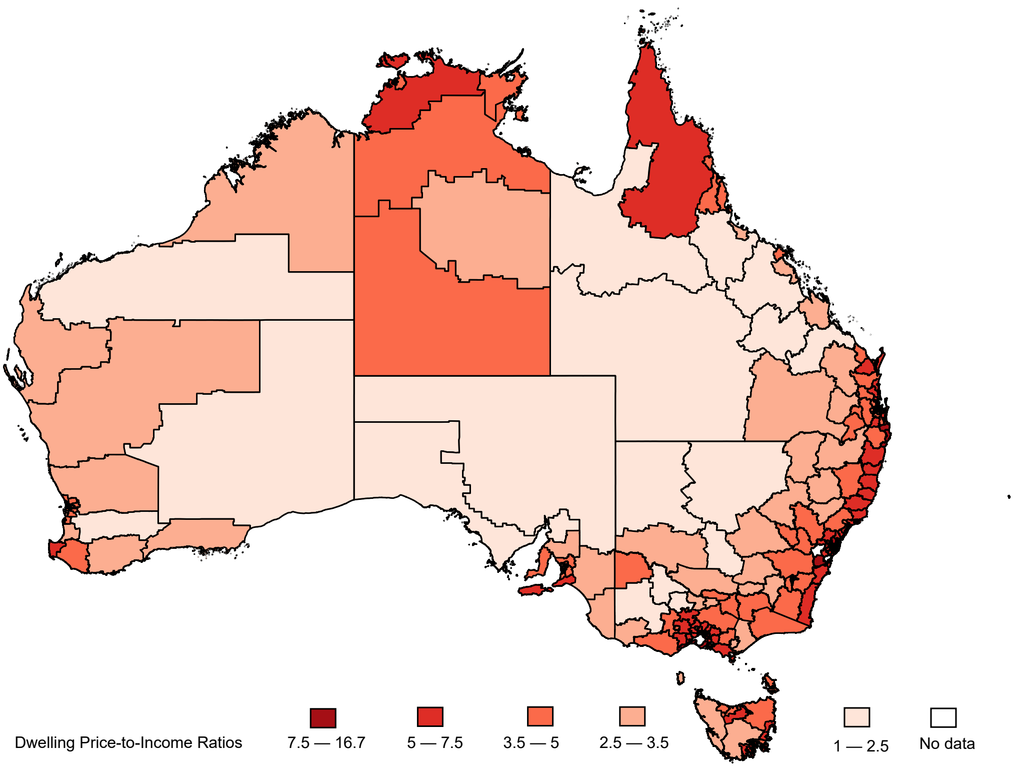
Sources: CoreLogic and ANU Centre for Social Research and Methods. See notes to Figure 8.

The deposit hurdle has been recognised as one of the key barriers faced by FHBs seeking to finance home ownership. Consistent with this analysis, the Grattan Institute argued in 2018 that, by comparison with the historic norms, 'it is harder to save a deposit for a first home, a first home loan now entails more risk, borrowers live with that risk for longer, and inflation is unlikely to erode the cost of repayments as quickly as in the past' (Daley, Coates et al. 2018: 14). That study noted that where it would have taken the average household six years to save for a deposit in the early 1990s, this would have risen to 9–10 years by the late 2010s. Thus '[t]he challenge of saving an initial deposit is now typically a bigger barrier to home ownership than the initial burden of mortgage repayments' (Daley, Coates et al. 2018: 21).

2.5 The spatial pattern of home-ownership affordability in 2020

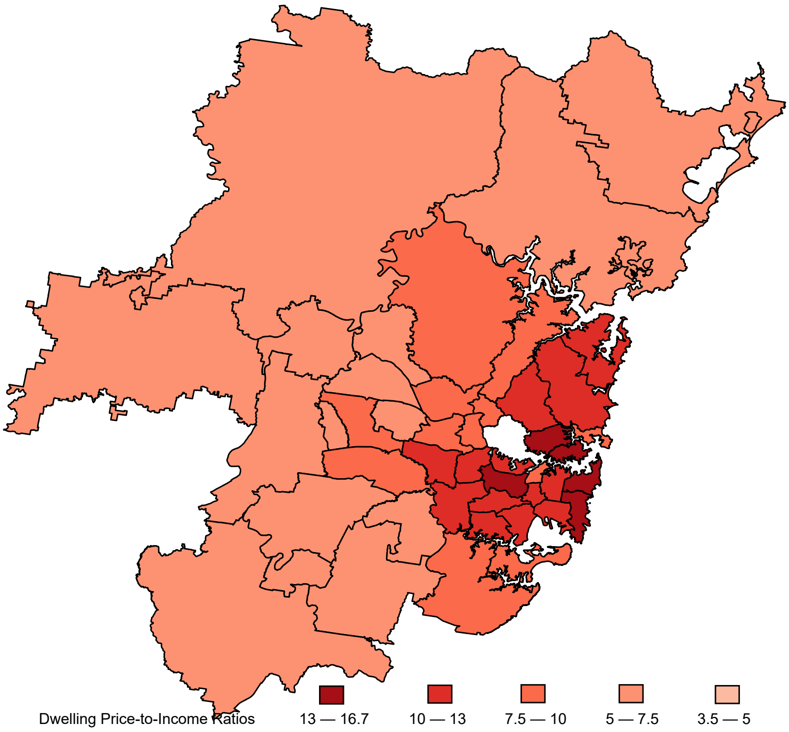
The final metric by which housing affordability is assessed is presented in Figure 12 through to Figure 15. A comparison of dwelling prices to median income highlights the challenge for FHBs in accessing housing in high-priced markets such as Sydney and Melbourne where a dwindling proportion of dwellings may be considered to be affordable. For reference, the RBA reported that the ratio of average disposable household income (Australia-wide) to median house prices has increased from approximately 3.3 in June 1981, to just over 7 in June 2015. Figure 13 and Figure 14 indicate that those measures are easily exceeded in many parts of Sydney and Melbourne, highlighting the more limited set of dwellings there that remain affordable to FHBs as property prices have escalated.

Figure 12: Housing affordability, Australia, 2020



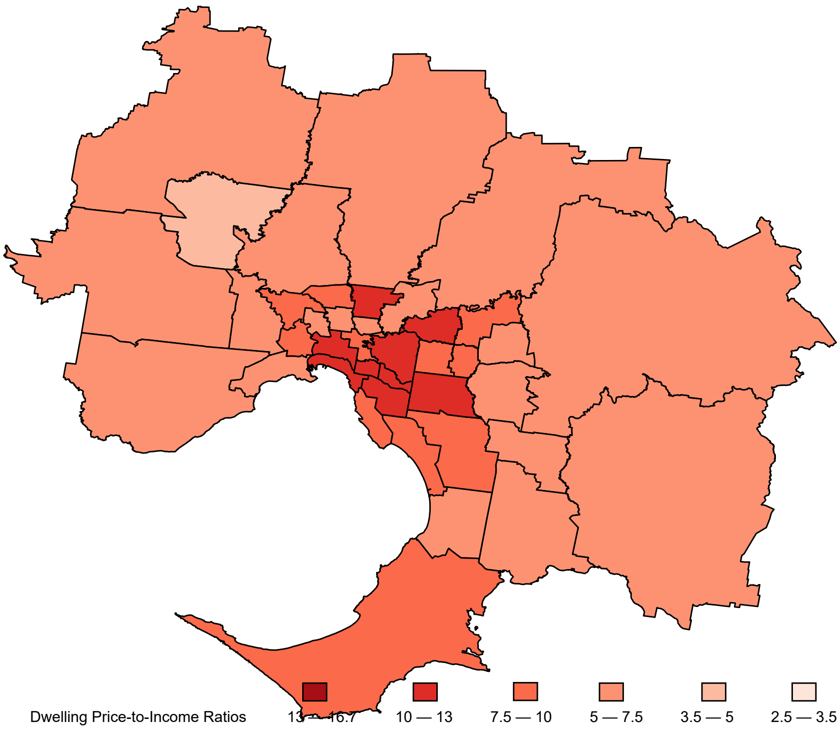
Source: Calculations using 2016 Census with income extrapolated to 2020, and CoreLogic house price data.

Figure 13: Housing affordability, Sydney, 2020



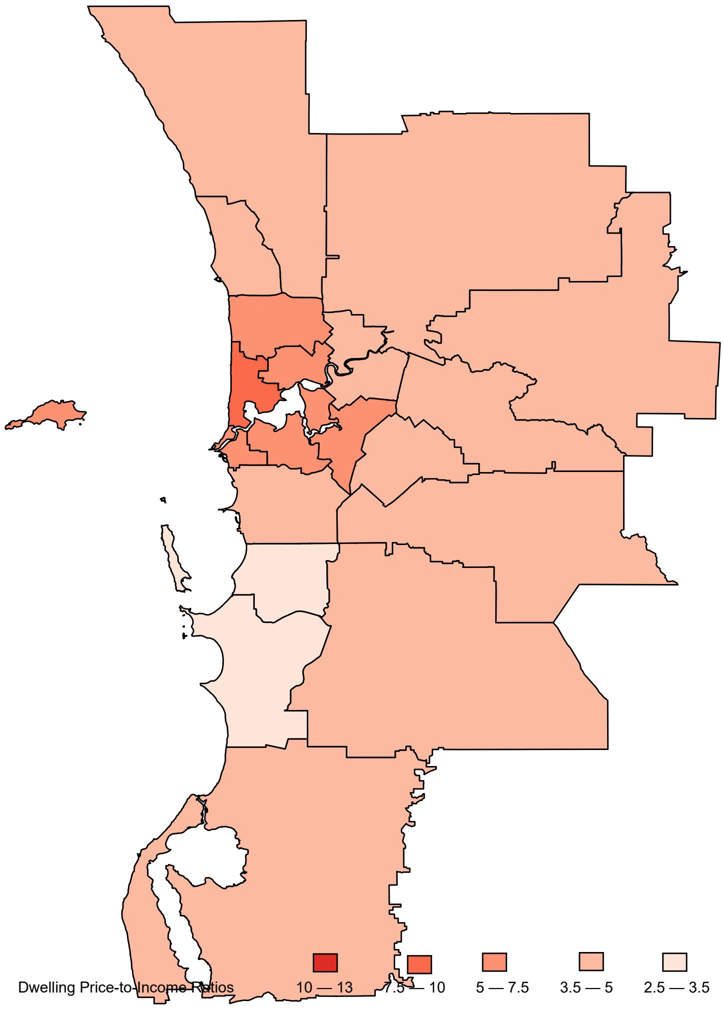
Source: Calculations using 2016 Census data with income extrapolated to 2020, and CoreLogic house price data.

Figure 14: Housing affordability, Melbourne, 2020



Source: Calculations using 2016 Census data with income extrapolated to 2020, and CoreLogic house price data.

Figure 15: Housing affordability, Perth, 2020



Source: Calculations using 2016 Census data with income extrapolated to 2020, and CoreLogic house price data.

As noted earlier, housing market outcomes for FHBs reflect both the constraints they face and the choices feasibly open to them. An analysis of the changing environment faced by FHBs during the period 1996–2016 led the RBA to conclude that 'there has been some structural decline in the quality of housing that is affordable to FHBs' (RBA 2017: 25). That analysis highlighted the decreasing proportion of dwellings located close to the CBD that were accessible to FHBs, especially in Sydney and Melbourne, a finding graphically illustrated in relation to Sydney by our own work (van den Nouwelant, Pawson et al. 2015). This analysis emphasises that FHBs face increasingly constrained choices for entry-level dwellings, with buyers likely to trade off characteristics around the size, quality and location of dwellings.

Despite its apparently conceptual simplicity, housing affordability is challenging to define and measure. Affordability encompasses a number of dimensions and the RBA has argued that a better metric is housing accessibility, which identifies 'the ability of non-home owners to buy their first home' (RBA 2017). On that basis, at least at the national scale, housing accessibility has not deteriorated to the extent suggested by some commonly used metrics. As of 2017, the Bank considered that it remained within a historically normal range. That analysis of course predated the most recent acceleration in house prices. Moreover, in markets such as Sydney, Melbourne and Perth, the proportion and quality of houses accessible to FHBs has undoubtedly declined over time.

2.6 Section 2 conclusion

FHB transactions typically accounted for around 20 per cent of total residential property transactions during the 2010s. However, their numbers are highly susceptible to targeted financial stimulus in post-downturn market conditions—a phase in the market cycle when doubts about short-term price appreciation also tend to dampen the acquisition activity of investor landlords. Nevertheless, the experience of the period 2009–12 suggests that any resultant FHB activity spikes do lead to a subsequent dearth of activity that reflects the time-limited stimulus and the bringing forward of transactions.

At the national level, the past 20–30 years has seen relatively modest changes in the cohort of FHBs, in the profile of FHB-acquired homes, and in the means of financing FHB acquisition. However, while the likelihood of achieving home ownership by age 30 appears to have substantially fallen in recent decades, changes in the cohort of homes purchased by FHBs (more units, fewer houses) and the means of financing these (more people receiving parental assistance) have been much more evident in Sydney and Melbourne than elsewhere.

It also needs to be remembered that most of the analyses in this section focus on households that were successful in achieving first home ownership. When considering, for example, the rising average age at which first home ownership occurs, we must also factor in that this 'population' excludes the growing proportion of any given 'young adult' age cohort remaining in the rental market.

As expected, rising house prices have seen the typical mortgage taken out for first home purchase increasing substantially. However, while mortgage repayment affordability has been largely cushioned by falling interest rates, mortgage deposit affordability has become more constrained. As a result, it could be said that over the past 20 years it is increasingly wealth that has become the key constraint on access to home ownership, rather than income.

3. Demand-side assistance for Australian FHBs: grants and concessions

Key points

- **Cash grants and stamp-duty concessions are long-established forms of FHB assistance in Australia; in the period 1965–2021, cash grants alone consumed $36.8 billion in public expenditure (at AU$2021 values).**
- **While grants and concessions were historically complemented by both regulatory and supply-side assistance measures, today they form by far the most significant form of help directed to FHBs.**
- **Even setting aside HomeBuilder and associated state and territory programs to incentivise new homebuyers to aid post-COVID-19 economic recovery, expenditures on cash grants and stamp-duty concessions were on a fast-rising trajectory in the late 2010s—up from $1.2 billion to nearly $3 billion in only four years to 2020.**
- **Over the 2010s as a whole (and including HomeBuilder), FHB assistance disbursed through such schemes has totalled more than $20.5 billion.**
- **Lately, FHB cash-grant expenditure (nowadays largely restricted to newly built homes) has been exceeded in value by FHB stamp-duty concessions (largely paid out on purchases of existing dwellings).**
- **While assistance of these kinds has the capacity to enhance access to home ownership at the margin, there is a strong expert consensus that such help contributes little to enhancing affordability and, despite their attractive simplicity, such schemes are hard to justify in terms of value for money.**

3.1 Section introduction

Section 3 focusses mainly on forms of government assistance for FHBs that increase FHB-purchasing power, specifically through grants or concessions from liabilities that would otherwise limit purchasing power (see Table 9). These are:

- cash grants, including First Home Owner Grant (FHOG)
- stamp-duty concessions
- savings schemes with tax concessions.

The first two of these forms of assistance have been by far the most prominent forms of FHB assistance in Australia during the past two decades. Our analysis includes estimates of total expenditures by Australian governments on the FHOG (and its predecessors), and stamp-duty concessions.

Table 9: Forms of FHB assistance: Section 3 focus

Demand/supply	Assistance type	Example schemes/programs
Demand-side	Financial regulation	• Rules governing mortgage lending
	Expenditure programs	• Cash grants
	Tax concessions	• Stamp-duty concessions • Tax-privileged savings schemes
	Institutional innovations and financial instruments	• Loans assistance schemes • Mortgage guarantees • Equity investment and similar products
Supply-side	Use of publicly owned assets	• Public housing sale to tenants • Land-rent schemes
	Government-funded housing development	• State-resourced development of shared ownership homes by non-government entities
	Land or property occupancy regulation	• Inclusion of 'affordably priced' homes in developments required via land-use planning powers • Restrictions on occupancy of privately owned homes • Use of publicly owned assets: land development

Note: The highlighted area of this table (and equivalent tables) is to indicate the coverage of this Section within the context of our wider FHB assistance policy typology (as explained in Section 1).

Source: Authors.

However, before moving to that discussion, we first look at the potential role of policy intervention in FHBs' favour that can be implemented through financial regulation.

3.2 Financial regulation

Through their potential influence on the availability and cost of mortgage debt, financial regulatory policies and controls can have significant housing market impacts. In the contemporary context, the key institution here is the Australian Prudential Regulation Authority (APRA). The scope for the exercise of APRA housing market influence was illustrated in 2014 and again in 2017, when the regulator's intervention temporarily curbed bank lending to investor landlords to a substantial degree (APRA 2019; Pawson, Milligan et al. 2020: 188–191). Significant market cooling resulted while the controls remained in place.

By restraining investor landlord purchasing power, interventions by APRA in 2014 and 2017 were indirectly to FHBs' advantage, as competition in the market was thereby somewhat blunted. However, historically, mortgage regulation in Australia was more overtly structured to benefit FHBs.

Until the 1980s, banks providing mortgages operated under widespread direct controls. These included: interest rate ceilings, asset restrictions, quantitative lending guidelines and qualitative controls (Beer 1993; Dalton 2002). Qualitative controls ensured lending favoured new construction and FHBs (Pawson, Milligan et al. 2020: 139).

Fostering preferential treatment for FHBs via regulation in this way complemented other forms of pro-FHB housing finance assistance important in the early postwar era. Running through to 1973, for example, the Commonwealth Government encouraged state governments to operate home-purchase assistance schemes targeted at aspirational buyers excluded from accessing mortgage finance in the private market.

While regulatory settings explicitly favouring FHBs are long gone in Australia, it is timely to observe that they played a significant role in the postwar expansion of home ownership, and to acknowledge that such powers remain available to modern-day APRA regulators.

3.3 Cash grants

3.3.1 First Home Owner Grants

The First Home Owners Grant (FHOG) is a cash grant paid to FHBs by state and territory governments, and probably Australia's most high-profile form of assistance for FHBs. Demonstrating the electoral saliency or resonance of such policies, polling evidence cited by Sheppard, Gray et al. (2017) showed that such grants at that time commanded the support of more than 80 per cent of the Australian electorate—higher than for any other proposed 'pro-affordability' housing policy.

Across the country, some form of grant has been available to eligible FHBs[4] for most of the period since 1965, with the current national scheme dating from 2000. The FHOG introduced at that time, and which operated throughout the 2000s, was a $7,000 payment for all first-home acquisitions. Its original rationale was as compensation for the introduction of the Goods and Services Tax (GST) in 1999, and the resulting inflationary impact on house prices (Productivity Commission 2004). The cost was, from the start, met by state and territory governments as part of the wider GST settlement (Productivity Commission 2004). Despite calls for the payment to be means-tested for efficient targeting (Senate Select Committee 2008), FHOG eligibility has remained unrestricted by income.

In 2008, in response to the GFC, the FHOG was used as an economic stimulus, with the First Home Owner Boost temporarily doubling the grant for FHBs of existing dwellings, and tripling it for the FHBs of new properties (Milligan and Pinnegar 2010). Federal funding of both the FHOG and the Boost ceased in 2010. Since then, states and territories have continued to operate FHOG programs on their own terms and at their own expense. (A late exception is the ACT which, in 2019, discontinued its FHOG and replaced it with a Home Buyer Concession Scheme.) FHOG payment levels and eligibility criteria vary somewhat across jurisdictions (see Table 10). Generally, however, the 2010s saw a move towards targeting entitlement to purchasers of newly constructed dwellings falling below specified value thresholds. No jurisdiction has limited FHOG eligibility by purchaser income.

4 Historically, some schemes incorporated means tests and restrictive definitions of 'first homebuyer' e.g. disqualifying women who had previously lived in a shared marital (owner-occupied) home.

Table 10: FHB grants payable by state/territory governments, mid-2021

			Eligibility conditions			
State/ territory	Scheme name	Grant(s) payable ($)	New home?	Max property value ($)	Type	Additional
NSW	FHOG	10,000	Y	750,000	To build a home or being an owner-builder	
QLD	FHOG	15,000	Y/ substantially renovated	750,000	For buying or building	
VIC	FHOG	10,000	Y	750,000	Urban areas	
VIC	FHOG	20,000	Y	750,001	Regional areas	With contracts signed from 1 July 2017 to 30 June 2021
WA	FHOG	10,000	Y	750,000	South of 26th parallel	
WA	FHOG	10,000	Y	1,000,000	North of 26th parallel	
SA	FHOG	15,000	Y	575,000		
TAS	FHOG	30,000	Y		New homes or off-the-plan properties only	$20 000 grant: for transactions commenced 1 Jul 2016 to 31 Mar 2021
NT	FHOG	10,000	Y	N/A		
NT	BuildBonus	12,000	Y		Contracts signed 1 Jan 2021–31 Mar 2021	$20,000 for contracts signed before 31 Dec 2020. Grant closed Apr 2021
ACT	None	Not available for applicants entering into a transaction with commencement date after 1 Jul 2019.				

Source: State/territory government websites.

3.3.2 HomeBuilder

In 2020–21, once again triggered by the perceived need for stimulus investment to aid economic recovery, the Commonwealth Government briefly returned to funding home-purchase grants with its HomeBuilder program. The effect was to compound the effect of 'business as usual' FHOG entitlements payable by state and territory governments (see Table 10), already temporarily enhanced in some jurisdictions because of COVID-19 (Rowley, Crowe et al. 2020).

Unlike the GFC-triggered 2008 First Home Owner Boost, HomeBuilder was not formally limited to FHBs: existing owner-occupiers buying a new dwelling, or carrying out a major renovation also qualified. In practice, HomeBuilder applications primarily involved new construction—of the 137,000 applications submitted by 25 June 2021, 110,000 (81 per cent) were for such activity (Australian Government Treasury 2021a). Also, although not specifically restricted as such, it is believed that scheme eligibility criteria (see below) will have resulted in most new construction applications having involved FHBs. Qualification conditions included the following:

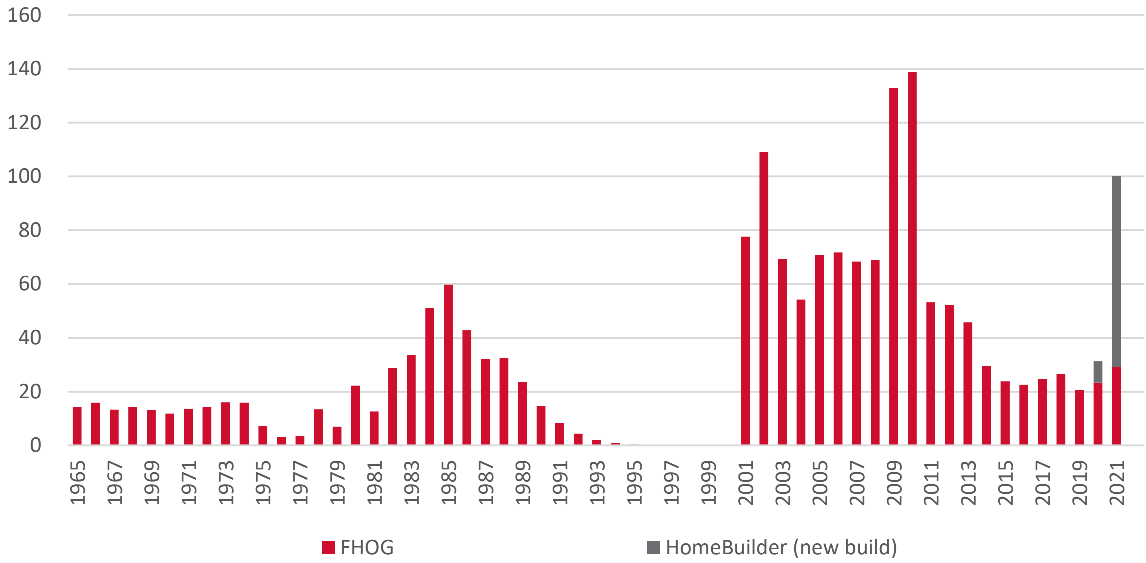
- Household income capped to $125k p.a. for individuals, and $200k for couples.
- For new home construction, property value must not exceed $750k.
- Renovation contracts ranged between $150k and $750k and pre-renovation property value below $1.5 million.

With take-up having substantially exceeded initial (June 2020) Treasury projections, by April 2021 the estimated overall cost of the scheme had grown from an initial $680 million to $2.5 billion (Australian Government Treasury 2021b).

3.3.3 Cash grants expenditure

We estimate that over the period since 1965, Australian governments have spent a total of $34.3 billion on the FHOG and all of its predecessor grant schemes (in $2021). If HomeBuilder was included, the figure would be $36.8 billion. Figure 16 presents annual expenditures on the FHOG and, for scale, the new-build component of HomeBuilder, on a per capita basis. It shows how relatively large the post-2000 FHOG expenditures were. Even after the withdrawal of federal funding, FHOG expenditure has been larger than in most years of the twentieth-century versions of the scheme. The occasional 'boosts' are also notable. It is worth noting too that this relatively high level of expenditure has been paralleled by sharply falling young adult home ownership (see Section 1.2).

Figure 16: FHOG and HomeBuilder, total annual expenditure per capita ($2021), Australia, 1965–2021



Source: Eslake, 2013; Australian Government Treasury (2021a), state/territory government budget papers for years from 2011.

3.4 Stamp-duty concessions

Across jurisdictions in Australia, there is an absence of a broad-based land tax applied to owner-occupied residences (in addition to their exemption from CGT). Instead, the primary form of taxation is the transaction tax or stamp duty levied on buyers by state governments when ownership is transferred. In this way, the legal incidence of stamp duty falls on the buyer. The tax is generally structured so as to have relatively large tax free thresholds for property purchases of a relatively low level. In keeping with longstanding practice (Dungey, Wells et al. 2011; Senate Select Committee 2008), most jurisdictions offer exemptions or concessional rates for FHBs (see Table 11). The current exception is South Australia, which offers no concession to FHBs; the ACT is a partial exception, as its Home Buyer Concession is available to purchasers who have owned property previously, but not in the two years prior to purchase, and is subject to income and property-value thresholds that implicitly direct it to FHBs.

Like the FHOG, concession terms vary between jurisdictions—for example, in relation to property value and whether the property is newly built. While the ACT is the only jurisdiction with an income eligibility criterion, it might be argued that property-value limits perform this role in an indirect fashion. In NSW, for example, under the rules in place in mid-2021, FHBs were liable for no stamp duty on existing homes under $650,000 and new homes under $800,000, and benefited from a concessional rate on existing homes under $800,000 and new homes under $1 million (see Table 11). At standard NSW stamp-duty rates, a buyer purchasing a $650,000 dwelling thereby benefited from a tax exemption worth $24,457. Taking the most recently available data, the average value of the concession for every benefiting FHB was $15,600 in NSW (in 2020–21) and $16,300 in Victoria (in 2018–19).

Table 11: Stamp-duty concessions for FHBs, mid-2021

State/ territory	Transfer duty concession details	Eligibility
NSW	Exempt	New dwelling valued at <$800,000
NSW	Concessional rate based on property value	New dwelling valued at $800,000–$1 million
NSW	Exempt	Existing dwelling valued at <$650,000
NSW	Concessional rate based on property value	Existing dwelling valued at $650,000– $800,000
NSW	Exempt	Vacant plot valued at <$400,000
NSW	Concessional rate based on property value	Vacant plot valued at $400,000–$500,000
QLD	Concessional rate based on property value	Property valued at <$550,000
VIC	Exempt	Dwelling valued <$600,000,
VIC	Concessional rate based on property value	Property valued at $600,001–$750,000
WA	Concessional rate based on property value	Property valued at <$530,000
TAS	Concessional rate based on property value	Established property valued at <$500,000
ACT	Concessional rate based on property value	Income cap based on number of dependent children

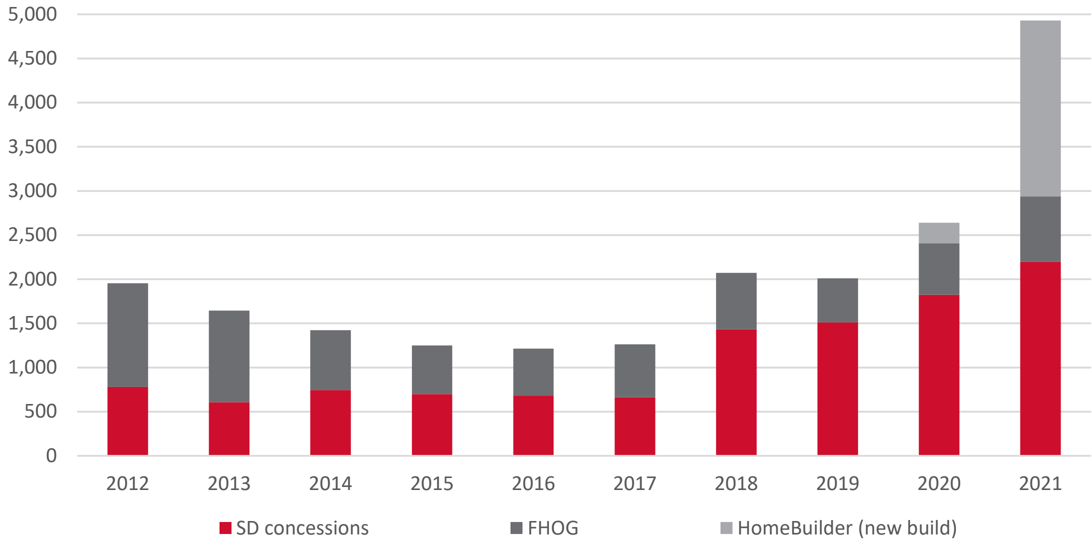
Note: In all cases, at least one of the FHBs must be an Australian citizen or permanent resident; the buyer must move into the new home within 12 months and must live there for at least six continuous months.

Source: State/territory government webpages.

While state and territory governments have been offering FHBs stamp-duty concessions for decades, details about such schemes and associated effective outlays are less available than those about cash grants. For that reason, we confined our expenditure data search to the past 10 years (and had to exclude the ACT and the NT, because their available data is incomplete). We find that states' expenditures on stamp-duty concessions have been rising over the past decade, to a total of $11.1 billion for the decade ($2021), overtaking total expenditures on the FHOG ($7.2 billion, including the territories, in $2021). NSW and Victoria, in particular, have since 2017 shifted the delivery of FHB assistance decisively towards stamp-duty concessions.

Thus, total expenditures on stamp-duty concessions, FHOG and HomeBuilder (new build) over the decade to 2021, therefore, stand at over $20.5 billion ($2021). Relevant here is the earlier Grattan Institute estimate that abolishing all FHB subsidies could generate a combined saving for Commonwealth and state budgets totalling $1.3 billion a year (Daley, McGannon et al. 2013). By the end of the 2010s, this was looking like a substantial understatement—see Figure 17.

Figure 17: Stamp-duty concessions, FHOG and HomeBuilder, annual expenditure ($2021m), Australian states, 2012–2021



Note: ACT and NT not included (complete data unavailable). HomeBuilder estimate based on average payment over 10 months of the scheme. SD = stamp duty.

Sources: State budget papers, various years.

For the purposes of state and territory finances, stamp-duty concessions are regarded as tax expenditures, and affect budgets in the same way as grant spending. While the legal incidence of stamp duty falls on the buyer, it is generally accepted that the economic incidence falls on the vendor. In effect, sellers are required to accept a lower price for a property, with the buyer making the payment to the government revenue authority rather than the seller. In turn, a reduction of stamp duty benefits the vendor through a higher sale price offset by a lower tax payment being made by the buyer. Hence such concessions tend to increase, not reduce, the amount a FHB may spend on their purchase:

> All stamp-duty concessions do is inflate the price vendors receive. If you're a first homebuyer bidding at auction, and the government has said to you, 'If you win, you don't have to pay $25,000 in stamp duty,' you just spend it bidding on the house. (Finance sector expert 1)

Thus, as we have previously argued (Martin 2015), the complete removal of stamp duty on residential property transactions—widely advocated as a means of reducing property-acquisition costs—would be to inflate property values by an equivalent amount.

3.5 Tax-privileged savings schemes

In its original (1960s) form, the FHOG was paid as a matched contribution to a recipient's savings. Post-2000, the Commonwealth Government has twice returned to the theme of special savings schemes for FHBs, each time using concessional tax rates to deliver the subsidy.

Under the First Home Saver Accounts scheme (2008–2014), individuals could open special First Home Saver Accounts at participating banks and, provided they saved at least $1,000 per annum, the Commonwealth Government would pay a 17 per cent contribution on deposits up to $5,000 per annum, with account interest earnings also subject to a concessional rate of tax. After four years, savers could access the funds for home purchase only; otherwise, funds would be diverted to the saver's superannuation account. Scheme take-up was poor—with fewer than 50,000 accounts opened, which was about 6 per cent of anticipated demand—and the scheme was terminated in 2014.

Since 2017, the First Home Super Saver Scheme (FHSS) has allowed Australia's system of compulsory superannuation to be used as a vehicle for first home purchase. Individuals may make voluntary contributions (above the compulsory contributions paid by their employers) into their super accounts of up to $15,000 per annum, where they are taxed at a concessional rate (15 per cent), up to a total of $30,000 in additional contributions; these contributions plus 3 per cent deemed interest can be accessed for the purpose of buying a home. In the May 2021 Budget, the federal government proposed increasing the maximum total releasable amount to $50,000. At that date, just over 18,000 individuals had used the scheme to assist with the purchase of homes. When set against the annual total of approximately 100,000 FHB purchases, this seems to indicate relatively low take-up.

As assessed by Daley, Coates et al. (2018: 137), the FHSS scheme 'brings the tax treatment of the savings of potential FHBs a little closer to the tax treatment of owned homes'. Instead of being liable for tax on investment returns at their marginal rate of income tax, participants are instead benefiting from the very lightly taxed regime that applies to most residential property in Australia. However, at the same time, Daley, Coates et al. believed it unlikely that the scheme would evoke substantial take-up because 'households are reluctant to give up access to their savings because if they decide they can't afford to buy a home, they will be unable to withdraw the money until they turn 60' (Daley, Coates et al. 2018: 137). This refers to the standard rules that limit withdrawal of superannuation savings.

Beyond the existing Australian mechanisms that facilitate saving towards first home acquisition, recent years have seen growing calls for the wider deregulation of (tax-privileged) pension savings to this end. The broader argument here is that younger Australians should be afforded special permission to draw on accumulated superannuation savings to facilitate access to home ownership. The case is further justified on the argument that 'home ownership does more for security in retirement than does super' (Murray 2022a). While this is a long-running debate, it has been further fuelled by the federal government's 2020 decision to allow access to super balances as a contribution towards income support during the COVID-19 pandemic (Pawson, Martin et al. 2021).

However, recent 'super for housing' advocacy comes in three forms. While none of these is sufficiently well-defined to properly evaluate, they represent a potentially important strand in current Australian debates, and each is therefore briefly reviewed below.

First, there is the straightforward call for the relaxation of superannuation-fund withdrawal rules to allow young adults to extract balances to help fund first home purchase deposits (Farrer 2020; Wright 2021).

Second, there is the more limited proposal that super balances could be utilised as 'collateral for a housing loan' (House of Representatives Standing Committee on Tax and Revenue 2022: 85). This would mean that FHBs' super account money is not used in the purchase but, like the property itself, is pledged as security for the loan, and would be at risk in the event of default.

Third, there is the more far-reaching proposal inspired by the Singapore housing system to allow prospective first homebuyers to access superannuation balances to fund both a home-ownership deposit and ongoing mortgage payments (Murray 2022a, 2022b). (Singapore's system is discussed in more general terms in Section 6 and Section 7.)

Although the feasibility of these proposals would partly depend on the size of superannuation balances typically held by aspiring FHBs, 'super for housing' proponents have provided little or no evidence on this. However, Murray (2022b: 5–6) asserts that '[m]ost households can save $10,000 to $20,000 in super quite easily while still in their 20s but may find it near impossible to save $100,000 or more outside of super for a house deposit'.

Other questions raised by these ideas include the attitude of the banks to the idea of mortgage loans secured against super balances as proposed by the House of Representatives proposal. Super funds, regulators and governments might also see these proposals as dangerously opening the door to much more far-reaching superannuation-system deregulation.

Economists have also argued that if it significantly enhanced housing consumers' ability to pay, 'freeing up access to super' would be problematic due to its inflationary impacts (Farrer 2020). However, this concern is arguably less valid in relation to the Murray proposals because, in that case, the homes to be purchased would be newly built dwellings developed outside the mainstream market by a government agency (Murray 2022a, 2022b). Finally, as argued by Leishman, Kim et al. (2021), cash invested in home ownership is liable to compound at a lower rate than if invested in a superannuation fund—which means that households making such a choice would likely face being worse off over the long term.

3.6 Grants, tax concessions and savings schemes: assessment

Table 12: Grants, tax concessions and savings schemes: overview

Scheme	Access	Affordability	Targeting and eligibility	Administrative simplicity	Risk	Subsidy effectiveness	Associated objectives
FHOG	Potential to aid access to home ownership if grant applied to deposit rather than used to enhance purchasing power	Potentially enables a marginal buyer to reduce minimum required mortgage to affordable level, but benefit may flow through into upmarketing. Also inflationary impacts damage affordability for others	Income eligibility criteria applied only indirectly—via property price caps; exclusively targeted to newly built dwellings or building plots	Simple to administer; compliance with ongoing owner occupancy requirement unlikely to be rigorously policed	Buyer risk exposure unaffected by receipt of grant—no recipient obligations	Significant direct subsidy effective as construction stimulus (if targeted as such); open eligibility means large deadweight in terms of enabling home ownership for households otherwise excluded (as many beneficiaries could have bought without it)	Targeting to newly built dwellings only boosts new housing construction demand
Stamp-duty concessions	Aids access to home ownership through enhanced purchasing power rather than reduced cost threshold	Potentially enables a marginal buyer to reduce minimum required mortgage to affordable level, but benefit may flow through into upmarketing. Also inflationary impacts damage affordability for others	(Other than in ACT) income eligibility criteria applied only indirectly—via property price caps; preferential rates for newly built dwellings or building plots	Simple	Buyer risk exposure affected only to the extent of being barred from renting out property shortly after purchase, should this become desirable for personal reasons	Large direct subsidy	Preferential terms for new dwellings boost new housing construction demand
Savings schemes	Aids access to home ownership by enabling faster deposit accumulation	Not significantly	Other than being a FHB, none	Some complexity	None	Small direct subsidy	

Source: This and other equivalent tables in subsequent chapters represent author assessments.

3.6.1 Access

The general view of our expert interviewees was that the FHOG and stamp-duty concessions very effectively added to housing demand, but did not expand access to home ownership to persons otherwise excluded. Interviewees saw these forms of assistance operating to either bridge the deposit gap sooner or—particularly during one of the occasional boosts in support—by encouraging FHBs to bring forward a purchase.

> The reaction I've always had to first homeowner grants [is] it's something that actually brings forward a decision that will be made anyway. And so, yes, it works very well as an economic stimulus, it serves its purpose entirely. But in terms of increasing [home ownership] over a 10-year horizon, I'm not so sure … (Academic expert 1)

> A lot of the schemes [to assist FHBs] are targeted at people who would have bought anyway —they're just bringing forward that decision by overcoming the deposit barrier. (Government sector expert 1)

Concerns about the inflationary impact of homebuyer grants are both longstanding and widely shared (Daley, Coates et al. 2018; Eslake 2013; Productivity Commission 2004; Senate Select Committee 2008). Similarly, there is a consensus view among housing economists that, especially when implemented in time-limited programs, such payments act very largely to bring forward latent demand—which then results in a subsequent 'hangover': a deficit of FHB purchasers.

Some interviewees in the current study contended strongly that the mortgage deposit gap-bridging assistance claimed for grants and stamp-duty concessions was illusory: these measures increased house prices and hence the size of down payments required, and ultimately made access and affordability problems worse.

> They [grants] have probably negated home ownership more than they have contributed, by virtue of increasing prices over and above what they would otherwise have been. (Academic expert 2)

> Overwhelmingly their impact has been to inflate the price of the housing we've already got. The result is, a) a rampant house price inflation, and b) a decline in the home-ownership rate. So, from the standpoint of their stated objectives, policies to assist FHBs have been an abject failure. It is hard to think of another area of Australian policy where governments have persisted with policies that have failed for as long as they have. (Finance sector expert 1)

A property sector expert acknowledged the price effects—that is, boosts in grants and concessions—'create a sense of urgency' among purchasers in the short-term, but when grant programs run for long periods 'they end up being priced in' (Property sector expert 1).

The relatively low-profile First Home Saver Super Scheme attracted less comment from interviewees, but one of the academic experts said similar criticisms applied to the FHSSS as to the FHOG.

> Savings schemes are useful for people who are already in a position to be able to save. So again [this] doesn't make a tremendous amount of difference to getting people into ownership. (Academic expert 3)

3.6.2 Affordability

None of our interviewees saw a case for the FHOG and stamp-duty concessions improving the affordability of purchasers' ongoing housing costs. However, some highlighted that these schemes had become more targeted to purchasers of newly constructed dwellings, and that this encouragement of additional supply was marginally better for affordability generally than an untargeted subsidy.

3.6.3 Targeting, eligibility and administrative simplicity

FHOG and FHB stamp-duty concessions, as implemented in Australia, are widely criticised on the basis of their largely untargeted disbursement of public resources. By the same token, they are administratively—and electorally—attractive for their simplicity. One of our property sector interviewees characterised the FHOG as, 'here's a cheque and off you go' (Property sector expert 3). Similarly, an academic expert observed:

> An up-front grant is politically attractive to governments because it's a very tangible and visible form of assistance. It's also conceptually simple and most probably easy to administer. (Academic expert 1)

A stamp-duty concession is likely even simpler than a grant to a purchaser who then must pay stamp duty anyway.

There is some administration in ensuring compliance with basic features of these forms of assistance, which involve checking:

- that the recipient is buying for the first time
- that the dwelling is to be used for their own home
- that they remain in occupancy for any specified minimum period of residence.

3.6.4 Risk

Interviewees generally did not see the FHOG and stamp-duty concession posing any special risks for FHBs—precisely because they were ineffective in expanding access to otherwise excluded, and hence riskier, purchasers.

One academic expert identified a different set of risks particularly associated with grants offered via time-limited stimulus programs. Because of the typically longer development lead times involved in apartment block development, acquisition of such homes is liable to be excluded from support under such programs—because of the priority placed on stimulating schemes that can be initiated at short notice. For this interviewee, therefore, bursts of demand pulled forward by occasional boosts in assistance were liable to channel activity into suburban fringe development, presenting risks around infrastructure provision and environmental outcomes. Both individual households, and society generally, were exposed to costs from this pattern of development.

> We've established these you-beaut systems for carving up lots of land for single detached housing, where the roads—much less the public transport system—are struggling to keep up, and we're struggling to put schools and so on, with implications for food-growing, water, flora and fauna. And we've got an urban growth boundary with years and years of subdivision growth still there. And FHOG programs just feed into that kind of urban development. (Academic expert 2)

3.6.5 Subsidy

As shown earlier in this section, the scale of the public subsidies being devoted to assistance of these kinds is now substantial. Even if HomeBuilder is discounted from the analysis, Australian governments devoted almost $3 billion to FHB grants and stamp-duty concessions in 2020—well over double the $1.2 billion being expended as such only four years earlier (see Figure 17). Interestingly, however, while several interviewees lamented that grant entitlement had become embedded within the system, there was apparently less awareness of the rapid recent expansion in stamp-duty tax expenditures:

> I don't think there's any way [governments] could remove First Home Owner Grants or stamp-duty relief—I think [these are] firmly embedded within the system now. (Academic expert 3)

> FHOGs have just become an embedded feature. And it's the thing treasurers reach for if they need to get some demand going. (Academic expert 2)

> I don't think it is a coincidence that the home-ownership rate in Australia actually peaked at the first census after the first homebuyer scheme was introduced, because that actually marks a really important turning point in Australian housing policy. (Finance sector expert 1)

However, viewed from more of a government perspective, the following interviewee acknowledged concerns that the largely untargeted format of FHOG and stamp-duty concessions make such programs hard to justify in value-for-money terms:

> There's a camp that really, really frets about the deadweight loss and the impact on prices of these sorts of mechanisms and more or less says, 'Waste of money.' And there's a camp that says, 'Well, I'm not worried about deadweight loss,' or 'I'm not worried about price increases, I'm just seeing happy people, heading in a life direction that I know is good.' (Government sector expert 2)

3.6.6 Associated objectives

As noted earlier, FHB grants and concessions have had several express objectives since 2000, apart from access to home ownership—with economic stimulus being the most notable. There is also, as the finance sector expert put it, 'the unstated objective of higher prices' (finance sector expert).

As an academic expert explained, 'what FHOGs do is, they can trigger demand really quickly in the system':

> There's a baseline FHOG and then we peak them, and it pulls in the tradies really quickly because you can get a house going in a couple of weeks … I was talking to someone at one of the volume builders, and she said, 'These schemes, they're like magic. We get people coming through the door before we've even read about it in the newspaper. And we just respond to that demand.' (Academic expert 2)

However, FHOGs and stamp-duty concessions are weak levers for other policy objectives in the development and construction sectors.

> To the credit of Victoria, we've got the Big Housing Build, and one of the things they're doing which you can't do with FHOG, they're saying to the builders, 'You've got to employ some women. You've got to get over the gender discrimination. You want social-housing dollars, you've got to do something about it'. FHOG [schemes] don't have any of that. There's no leverage on other objectives, and I think that's important. In the GFC, there was a bit of debate about whether they could hang other things off [the Boost]. Like, 'Here's a bucket of money, let's also talk about the energy rating and the star rating and see if we can take it up a notch. Let's think about employment policy.' But none of that happened. Treasury wasn't interested: they just wanted to get the money out there—this other stuff was making it too complicated. (Academic expert 2)

3.7 Section 3 conclusion

By comparison with FHOG and stamp-duty concessions for FHBs, there can be few policies in housing or any other field that so sharply polarise opinion between economists and policy makers on the one hand, and the broader public, on the other. These policies are self-evidently a 'fair', direct and attractive means of advantaging young 'get ahead' adults, keen to realise the Australian home-ownership dream. For the former, they are useful in stimulating economic recovery when necessary, but otherwise are of highly debatable value. Or, as pithily contended in one recent heavyweight contribution to housing policy analysis, 'voter instincts about the key policies to improve housing affordability are misguided' (Daley, Coates et al. 2018: 135).

Notably, as our research reveals, state and territory government tax expenditures incurred via stamp-duty concessions have recently overtaken FHOG outlays.

Taking both these forms of assistance together, recent growth in associated expenditures has been striking. Even leaving aside HomeBuilder, they now sum to over $3 billion annually, having risen rapidly during the late 2010s. Strikingly, when HomeBuilder is also included, such outlays totalled $20.5 billion over the past decade—an amount which, by common consent among our expert interviewees, has been capitalised into the house prices the schemes were ostensibly designed to alleviate.

4. Demand-side assistance for Australian FHBs: loans, guarantees and equity instruments

Key points

- **Loans, guarantees and SE models are forms of FHB assistance that differ from grants and tax concessions in that they do not amount to simple gifts from the public purse.**
- **As usually configured in Australia, state-backed mortgage loan assistance enables a purchaser to obtain housing finance at a high loan to value ratio—that is, involving a relatively small deposit.**
- **The national First Home Loan Deposit Guarantee Scheme (FHLDS) effectively enables a beneficiary to access a low-deposit home loan from a (participating) mainstream lender.**
- **Government-backed SE schemes enable a homebuyer to access home ownership with only a small deposit, and—at the cost of sharing equity gain—to take out a smaller mortgage than would be otherwise needed.**
- **SE schemes may make home ownership slightly more affordable; loan assistance and guarantee schemes are purely aimed at enabling potential FHBs to bring forward their access to home ownership.**

4.1 Section introduction

Section 3 discussed the types of FHB assistance that have been the main forms of targeted intervention in twenty-first century Australia—cash grants and stamp-duty concessions. In Section 4, we document and evaluate three other forms of demand-side help that operate in Australia for FHBs—see Table 13. Fundamentally distinct from cash grants and tax concessions, assistance delivered via loan, guarantee and equity assistance does not constitute a simple transfer from the public purse. Rather, at least as they are nowadays delivered in Australia[5], these forms of financial help must be repaid.

5 Preferential interest rate loans, as historically provided, were different on this count.

Loan, guarantee and equity-assistance instruments are accordingly somewhat more complex than grants and stamp-duty concessions. Thus, as characterised in Table 13, they can also be classified as institutional innovations and financial instruments. They are each operationalised through, or associated with, some form of specialist mortgage product. Importantly, as discussed below, some of these instruments have been employed in programs that specifically aim to boost Indigenous home ownership. Before proceeding to examine the three types of mechanism in depth, they are first briefly outlined below.

Table 13: Forms of FHB assistance: Section 4 focus

Demand/supply	Assistance type	Example schemes/programs
Demand-side	Financial regulation	• Rules governing mortgage lending
	Expenditure programs	• Cash grants
	Tax concessions	• Stamp-duty concessions • Tax-privileged savings schemes
	Institutional innovations and financial instruments	• Loans assistance schemes • Mortgage guarantees • Equity investment and similar products
Supply-side	Use of publicly owned assets	• Public housing sale to tenants • Land-rent schemes
	Government-funded housing development	• State-resourced development of shared ownership homes by non-government entities
	Land or property occupancy regulation	• Inclusion of 'affordably priced' homes in developments required via land-use planning powers • Restrictions on occupancy of privately owned homes • Use of publicly owned assets: land development

Note: The highlighted area of this table is to indicate the coverage of this Section within the context of our wider FHB assistance policy typology (as explained in Section 1).

Source: Authors.

When speaking of 'loan assistance' here, we are referring to concessional mortgage products directly issued by government agencies. In practice, this involves housing loans that can be issued to a borrower on a high 'loan to value' (LVR) ratio basis—that is, requiring a relatively small deposit or down payment.

Similarly, state-backed mortgage guarantees are effectively a form of insurance for lenders where loans issued by a private lender are backed by a guarantee underpinned by the government balance sheet.[6] From the lender's perspective, this can provide a rationale to provide loans that would otherwise be considered unacceptably risky. In the Australian context, such instruments can be seen as an alternative to commercial lenders mortgage insurance (LMI), a product that also enables access to mortgages for homebuyers with relatively little equity of their own for a down payment—but at considerable cost to the borrower.

Within the context of FHB assistance, help provided to a purchaser via 'equity' refers to an arrangement where the buyer shares the value of the acquired dwelling with another party in a 'shared-equity' relationship. Like the 'low-deposit loan' instrument introduced earlier, this is achieved through a mortgage product—in this case, a 'second mortgage' on the home that incurs no repayments until redemption. Importantly, defined as such, SE does not involve shared ownership of the legal title (as embodied by the substantial shared ownership sector that exists in the UK—see further discussion in Section 8).

6 In government accounting, guarantees do not count as public expenditure, but rather as 'contingent liabilities' to be 'counted' when the need to use them arises.

The remainder of this section is structured as follows. In Section 4.2, we present a factual overview of the main loan, guarantee and equity-assistance products and schemes in operation in Australia at the time of writing. Then, in Section 4.3, we analyse these according to the evaluation criteria set out in Section 1. Finally, in Section 4.4 we discuss conclusions and policy development implications.

4.2 Overview: Loan, guarantee and equity instruments

4.2.1 Loan assistance schemes

As they are now configured in Australia, loan assistance schemes aim to enable FHBs to obtain a mortgage loan without the need for a large down payment. This relates to the standard bank lender practice of advancing residential property-acquisition loans only up to 80 per cent of the value of a home (a loan to value ratio [LVR] of 80 per cent). Accordingly, buyers are usually expected to contribute at least 20 per cent of the property's value from their own resources—for example, from savings or family assistance.

Down payments such as this play a number of roles. They limit the exposure of the lending institution in the event of a default—for example, a mortgage holder needing to sell a property taken into possession during a market slump and therefore possibly having to accept a lower price than the outstanding mortgage. Where the original LVR is 80 per cent, only in the event of a property value decline exceeding 20 per cent would an 'in trouble' buyer be unable to repay the mortgage from sale proceeds—thus exposing an uninsured lender to the risk of loss. Deposit down payments can also serve an important function in signalling buyer reliability in relation to future repayments, as evidenced by past savings behaviour.

Low-deposit mortgages are attractive because they can enable a FHB to secure a home loan without the need to commit significant equity of their own. Loans of this type may be available in the market, but usually only at the cost of taking out LMI. This makes the mortgage more expensive in repayment terms, thus limiting its appeal to moderate-income or lower-income earners.

Low-deposit mortgages made available as a government policy instrument are issued by a government-backed agency with the ability to secure (or insure) them against the relevant government's balance sheet. In Australia, there are two longstanding state-based schemes that make available low-deposit mortgages, with loans offered at LVRs of over 90 per cent, and up to 98 per cent: Homestart in SA, and Keystart in WA. Similarly, the Indigenous Home ownership Program (IHOP) run by Indigenous Business Australia (IBA) is a targeted version of this type of product—see Box 1. Initiatives of this kind have a long history in Australia, as represented by, for example, the Home Deposit Assistance Scheme in the 1970s and the First Home Owners Scheme in the 1980s (Pawson, Milligan et al. 2020: 140).[7]

Keystart and Homestart operate at substantial scale in their state housing markets. In 2019–20, some 22,000 Keystart mortgages were 'live', with Homestart having some 19,000 on its books (AIHW 2021). In 2020–21 'just under 4,000' new Keystart loans were issued. Given that the annual total number of FHB mortgages granted in WA during the 2010s averaged around 16,000, this approximates to a quarter of the market.

7 Distinct from schemes of this kind, other guarantee-backed programs were set up by various Australian governments during the 1980s to offer 'low start loans' to lower-income earners—they were aimed at reducing the initial repayments that would be required under a conventional mortgage. However, due to scheme design flaws and unfavourable economic conditions, these were abandoned in the early 1990s (Pawson, Milligan et al. 2020: 145). Prior to that, schemes involving government direct lending for home purchase had operated, often featuring an unrepaid interest subsidy.

Through products of this kind, FHBs lacking substantial savings may access a mortgage where they would be otherwise unable to do so—or where this would be possible only by incurring the additional cost of LMI. Low-deposit mortgage schemes can therefore benefit young adults aspiring to home ownership by enabling them to achieve this at a younger age than would otherwise be the case if they relied simply on accumulating an appropriate deposit through savings. Other than the 'niche' scheme operated by IBA (see Box 1), the state-backed low-deposit mortgage issuance model remains confined to two jurisdictions. However, it remains the subject of much wider interest:

> We've spoken to, I think, pretty much every state and territory [over the past] five years … you know, in picking our brains [about the model]. (Industry expert—low-deposit loan provider)

This reflects that although such schemes require an initial capital injection, they are relatively inexpensive to run after that. They typically utilise a revolving fund financial model, whereby an initial tranche of government support can be repeatedly recycled through mortgage redemptions by beneficiary borrowers transitioning into the mainstream mortgage market.

Keystart and Homestart are 'targeted' to the extent of incorporating income and property price limits. In metropolitan Perth, for example, maximum allowable annual household incomes in late 2021 were $105,000 for single adults, $130,000 for couples and $155,000 for families. The property price cap was $480,000.

Importantly, however, scheme proponents generally make no claim that these instruments lower the income threshold for home-ownership access. Irrespective of the required size of their deposit, beneficiaries still need to be earning incomes sufficient to service loan repayments on a home purchased at market price:

> It's important to realise that we're not providing any financial assistance to people entering the market … All we do is we remove one of the barriers to entry—the primary barrier to entry. (Industry expert—low-deposit loan provider)

In keeping with this principle, and exemplifying the low-deposit mortgage model as operated in Australia, Keystart's loan interest rate is set according to the average of the mainstream lender standard non-discounted rate products. While criticised by some as 'expensive', it must be recognised that the rate that would be offered by any bank willing to lend on a comparable LVR would be significantly higher (and the borrower would also be expected to take out LMI). Importantly, in lending at mid-market interest rates, low-deposit loan providers build in an incentive for borrowers to refinance through a mainstream lender at the earliest opportunity (potentially accessing funds at a more competitive interest rate). Funds are thereby released for recycling to new low-deposit loan customers.

As represented by Keystart, Homestart and IHOP (see Box 1) products, low-deposit loans are very much seen as home-ownership gateways for people whose need for assistance is likely to be of fairly short duration. Thus, as noted earlier, beneficiaries are encouraged (and expected) to transition into the broader market by refinancing their mortgage through a mainstream lender within a few years:

> We are there to help anyone who is dealt out of the market. We are not a competitor to traditional lenders … We effectively act as an incubator for future customers of mainstream or traditional lenders … We are a transitional lender so our job is to get people in the market. And, when they've built equity, [to have them refinance] as quickly as we can … The sooner our customers transition, the [sooner we are] able to recycle that debt and help the next person along the line.(Industry expert—low-deposit loan provider)

Box 1: Indigenous Home Ownership Program (IHOP)

The low-deposit loan scheme run by Indigenous Business Australia (IBA) represents Australia's main targeted form of support for Indigenous home ownership. Since its establishment in the 1970s, according to IBA, the IHOP scheme has assisted around 20,000 households into owner-occupation. In 2021 it was supporting some 5,500 mortgage borrowers, adding up to a loan book worth over $1.2 billion.

The IHOP program officially targets 'Indigenous FHBs who have difficulty obtaining home-loan finance from other financial institutions'. Another part of the rationale for such intervention is the observation that, since twentieth-century home-ownership rates within the Indigenous population were relatively low, Indigenous people potentially aspiring to become FHBs are relatively unlikely to have experienced community or family mortgage-holding practice.

Importantly, within the context of remote Indigenous communities where land is held on a Community Title basis, IHOP borrowers may potentially secure loans for homes on sites not held in freehold ownership. Despite this, such activity is highly constrained by the fundamental economics of home ownership in the context of remote regional settings, where the cost of constructing a standard house may far exceed its market value.

While sharing many of the features of Keystart and Homestart, IHOP operates within somewhat more flexible rules, allowing loan issuance at even lower deposit rates in certain circumstances—even as low as 2 per cent. Moreover, for eligible low-income earners, IHOP loans may be offered at relatively attractive interest rates—for example, in mid-2021 loans could be offered at starting rates as low as 2 per cent.

In common with the 'mainstream' counterparts in WA and SA, IHOP is expected to be largely self-financing —that is, largely dependent on repayments and discharges of its existing loan book. As an exception to this, there was an equity contribution of $150 million in the 2020 budget to be targeted to newly built homes. Otherwise, IHOP has to be run very much along the lines of a 1970s bank. All lending must be backed by deposits and there is no scope to finance loans from the capital markets.

With program scale being normally restricted as such, IBA generally issues only around 500–600 new home loans annually. Thus, the program is 'capital constrained': there will be substantial unmet demand.

As reported by industry experts familiar with both Keystart and Homestart schemes, there is continuing interest in their model from other state governments. At the time of writing, however, WA and SA remain the only jurisdictions where such help is made generally available.

4.2.2 Mortgage guarantees

Mortgage guarantee schemes are very similar to government-instigated programs that directly issue low-deposit mortgages. This model is exemplified in Australia by the First Home Loan Deposit Guarantee Scheme (FHLDS) initiative established in 2020 under the National Housing Finance and Investment Corporation (NHFIC). Configured as such, selected mainstream mortgage lenders collaborate with NHFIC to offer Commonwealth Government–backed home loans at high LVRs—that is, allowing relatively small homebuyer deposit payments. As phrased by the UK Government in relation to a similar scheme, the aim of a scheme of this kind is 'to increase the appetite of mortgage lenders for high loan to value lending to creditworthy customers' (HM Treasury 2021: 2).

Referring back to Section 1, and irrespective of exactly how it is delivered, there is a potential rationale for a government-guaranteed mortgage scheme on the grounds that the absence of such products in the mainstream market represents a 'market failure'. The market failure in this case being the inability of borrowers to borrow against future earnings in the absence of collateral. While deposit requirements can be seen as part of the response by lenders to such an impediment, there may be too few loans issued from an efficiency perspective in the absence of government action. Launched in 2020, the FHLDS is officially aimed 'to support eligible FHBs to purchase their first home sooner' (NHFIC 2021: 2). As it was functioning in mid-2021, the program involved 27 lenders offering guaranteed loans. Benefiting borrowers may access a loan with as little as 5 per cent deposit and, crucially, without the need for LMI. For its part, NHFIC guarantees scheme lenders up to 15 per cent of the value of the purchased property.

There is a degree of targeting associated with this scheme. Beneficiaries are subject to household income limits and property price caps. In late 2021 income limits were set at $125,000, or $200,000 for couples. For reference, the upper limits of gross household income quintiles 1 and 2 in 2019–20 (for Australia as a whole) were $56,000 and $93,000 (ABS 2021b). Again in 2021, property price caps ranged from $350,000 in regional SA to $800,000 in Sydney.

FHLDS variants were introduced in 2020 and 2021 as follows:

- The New Home Guarantee (NHG) scheme, authorised for one year only from November 2020: unlike the basic FHLDS product, NHG loans were restricted to acquisition of newly built housing only; property price caps were also higher.
- The Family Home Guarantee (FHG) scheme, as launched in July 2021, enabling single-parent households to access a home loan with 2 per cent deposit.

As recently operated, the schemes have been capped according to annual quotas. In 2020–21 these allowed up to 10,000 buyers to benefit from each of the three programs. To gauge the scale of this activity, it is relevant to recall that the annual number of FHB purchases during the 2010s averaged around 92,000, although in 2020–21 it was 171,000 (see Section 2.2). In WA and SA, where state-sponsored programs also operate, the overall market share of guarantee-backed low-deposit loan issuance will be considerable.

Statistics on 2020–21 FHLDS take-up show the following:

- By comparison with all FHBs, those benefiting from these schemes are disproportionately aged under 30.
- Buyers tend to be purchasing in outer suburban locations. Two-thirds of FHLDS beneficiaries in Sydney in 2020–21 purchased more than 30 km from the CBD.
- Beneficiaries tend to be younger than other FHBs and are typically bringing forward a first home purchase by four years (NHFIC 2021).

4.2.3 Shared equity and similar products

As used in Australia and in other countries, the terms shared ownership (SO) and shared equity (SE) refer to a range of models that enable the value of a dwelling to be divided between more than one legal entity. Such products 'enable the main purchaser … to reduce their outgoings at the expense of giving up rights to part of the equity in their home. At the same time they share the risks associated with home ownership between the owners' (Whitehead and Yates 2010: 482).

Although both terms are often used interchangeably, this report differentiates between SO and SE as legally and administratively distinct models. Under SO, as defined in this report, two or more parties share legal title to the dwelling on a 'tenants in common' basis. By contrast, under SE an individual or household occupier holds full title to the home, but 'there is a [second] mortgage with a reduced rate of interest or no interest payable in return for a share of capital gain on the sale of the property' (Shelter NSW 2007: 5). From a legal perspective, SE is potentially more attractive on the grounds of technical simplicity.

Fundamentally, SE arrangements involve a property purchaser entering into a relationship with a third party that holds an interest in the dwelling via a second mortgage. Given this report's central focus on government-sponsored or government-enabled FHB-assistance models, it is SE manifestations of this type that are our main concern. However, in principle, SE may involve third-party entities of different types such as:

- Mortgage providers or other financial institutions—possibly through a shared appreciation mortgage (SAM)
- Developers—for example, those holding completed but unsold units at an unfavourable point in the market cycle
- Not-for-profit agencies—for example, community housing organisations or others operating with philanthropic support
- Owner collectives—for example, via a community land trust (CLT).

From a government perspective, SE has the attraction of being a form of home-ownership assistance that may, over the long term, be profitable—or, at the very least, costless. This refers to the fact that if government holds a stake in an appreciating dwelling it will reap a share of that appreciation when the mortgage is redeemed at property sale (or earlier). As in the example of low-deposit mortgage repayment, an initial tranche of equity may be recycled at this point. At the same time, the limiting factor:

> '[T]he [limiting factor] is how much government wants to invest in it because … that capital outlay is likely to be locked up for a long time—it could be 10, 20 or 30 years before you'll extract that back. (Industry expert—low-deposit loan provider)

Again, as reported by Pinnegar, Easthope et al. (2009), official interest in forms of SE is longstanding in Australia. At that time the model was reportedly subject to growing attention. However, a decade later, it was concluded that '[while] Australia has dabbled in shared equity … [such] schemes have not been marketed widely and, given the relatively low incomes of the targeted homebuyers, [have] had little take-up (Evans 2019: 10).

Although small, the most significant SE activity in Australia in recent times has been that seen in WA under its 'shared home ownership' program. This model involves government taking a stake of up to 30 per cent in a property's value, via a second mortgage issued by Keystart. Over the decade to 2021 '[m]ore than 1,800' households had been assisted as such (Government of Western Australia 2021). Eligibility is income-restricted—at the time of writing, for single people on annual incomes of up to $70,000, and for couples and families receiving under $90,000. These income limits are notably much lower than those stipulated for Keystart and FHLDS, as specified earlier in this section. This suggests that WA has treated SE much more as a means of making home-ownership affordable for lower-income earners.

In WA, units made available on a SE basis may originate through government-enabled development schemes, possibly involving state-owned land:

> [Such schemes] have largely come about through the Department of Communities doing deals with developers … In joint venture [projects] they've picked up units at cost from developers … If you pick up a dwelling at cost, which might be 70 per cent of the sale price … Government is retaining 30 per cent for no actual financial commitment of their own. (Academic expert interview)

Thus, on the WA model, SE is arguably more of a hybrid initiative that incorporates both demand-side and supply-side characteristics.

Other small-scale SE programs have been operated by state governments, mainly to facilitate sitting-tenant purchase of public housing. One such initiative, Goodstart, is run in WA alongside its (at least historically) larger SE scheme involving newly built dwellings. Likewise, the Tasmanian and ACT governments allow public housing tenants to buy 70 per cent of their existing home, or (in the Tasmanian case) a newly built dwelling, with government retaining the other 30 per cent (Rowley, Crowe et al. 2017).

A final variant model that is effectively a type of SE product is the ACT Government's land-rent scheme. However, since this is also a form of government asset disposal—and, therefore, a supply-side instrument—it is further discussed in Section 5.2.2.

Box 2: Government of Victoria—Homebuyer Fund (2021)

Potentially representing the largest new government initiative on FHB assistance via SE seen in Australia for decades, 2021 saw the Government of Victoria announce its shared-equity Homebuyer Fund. Participating purchasers will benefit from a state contribution of up to 25 per cent of the purchase price, with the buyer needing a deposit of only 5 per cent—and with no need to take out LMI. Aboriginal and Torres Strait Islander buyers can benefit from a government contribution of up to 35 per cent, and a deposit of only 3.5 per cent (State Revenue Office of Victoria 2021).

The scheme is largely, but not exclusively, targeted at FHBs. It has been developed from a pilot project, completed in 2021 having provided support to 335 SE buyers. The government plans to invest $500 million in the new initiative, an amount estimated as sufficient to benefit 3,000 homebuyers (Premier of Victoria 2021).

Notably, acquired properties may be existing or newly built homes, and must be valued at less than $950K in Melbourne and Geelong, or $600K elsewhere in the state. Buyer eligibility rules stipulate maximum allowable annual household incomes of $125K for a single person and $200K for couples. Notably, these are the same as for the NHFIC FHLDS scheme, and far above those applied by the WA Government for its shared-equity program (see above).

Buyers must demonstrate continued eligibility through annual compliance return—linked with an obligation to repay the government help if their income exceeds the qualifying threshold, or when any large lump sum is received—for example, through inheritance.

In an Australian development in this policy area emerging at a late stage in this research (February 2022), the Grattan Institute has proposed a new national SE model (Wood, Coates et al. 2022).

In common with other Australian schemes outlined earlier, government (in this case embodied by NHFIC) would take a stake of up to 30 per cent in a home purchased by a qualifying household, enabling the benefiting occupier to reduce the size of their required mortgage. Proposed income thresholds—$60K for single-person households or $90K for couples—emulate the WA Government's SE scheme rules, rather than the substantially higher limits adopted in the Victorian Government's new scheme (see Box 2). As in the Victorian program, however, acquired homes under the Grattan scheme could be existing or newly built dwellings, provided that these are valued at below the median price.

The Grattan Institute justification for an Australia-wide SE program seems to be that this would provide opportunities for residents of states and territories where no such scheme exists. However, given the February 2022 news report of a forthcoming SE program announcement by the NSW Government (Smith and Rabe 2022), that argument may be weakening.

4.3 Loan, guarantee and equity-assistance products and schemes: assessment

Table 14: Loan, guarantee and equity-assistance products: evaluation overview

Scheme	Access	Affordability	Targeting and eligibility	Administrative simplicity	Risk	Subsidy and subsidy effectiveness	Associated objectives
Low-deposit mortgage product: Keystart or Homestart	Primarily aimed at bringing forward home-ownership access; property price limits restrict 'upmarketing'	Not aimed at making home ownership more affordable, only more accessible (at an earlier stage). Affordability benefit purely through avoidance of LMI	Young adults with moderate incomes but low savings; income limits consistent with moderate earner cohort	Mortgage loan issuance is undertaken in similar manner to a private bank; other than income compliance, no special checks	Any low-deposit loan exposes lender to risk; no special risk for buyers; purchase price limits tends to push applicants to urban fringe	Value of loans needs to be secured against government balance sheet; funds issued have opportunity cost	Annual business surpluses returned to government—potentially cross-subsidising social housing (as operated in WA)
Low-deposit mortgage product: Indigenous Homeownership Program (IHOP)	Low- to moderate-income households; primarily aimed at enabling access for people with low wealth/savings	Some affordability effect from 'low start' mortgage offer to lowest income applicants	Applicants are Indigenous FHBs who have difficulty obtaining a loan from a mainstream lender	Mortgage loan issuance is undertaken in similar manner to a private bank; other than income compliance, no special checks	Any low-deposit loan exposes lender to risk; no special risk for buyers	Value of loans needs to be secured against government balance sheet; funds issued have opportunity cost	Not exclusively targeted on FHBs; vehicle for stimulus investment in 2020 Raising Indigenous HO rate in line with broader 'Closing the Gap' policy aspirations
Mortgage guarantee: NHFIC First Home Loan Deposit Guarantee Scheme (FHLDS)	Primarily aimed at bringing forward homeowner access; property price limits restrict 'upmarketing'	Assistance primarily aimed at enhancing access not affordability Affordability benefit purely through avoidance of LMI	Young adults with moderate incomes but low savings. Income limits consistent with moderate earner cohort	Involves formal relationships between NHFIC and private mortgage lenders; from borrower perspective, administrative process similar to any mortgage application	Any low-deposit loan exposes lender to risk; no special risk for buyers	Minimal cost to government—only contingent liability	Stated desire to avoid significantly impacting on LMI business
Shared equity: WA Government 'shared home ownership' scheme	Aims to enhance affordability as well as access	Buying made somewhat more affordable when mortgage needed for only 70% of property value	Targeted to relatively low-income earners	With assistance configured via second mortgage, no special complexity involved; on-selling may be difficult where 'staircasing' not allowed	Risk to government that buyer inability to progress to full ownership means capital remains locked up	No long-term net costs; short-term opportunity cost per beneficiary is substantial	In combination with development policy, has enabled retention of some 'affordable housing' in gentrified Perth inner suburbs
Shared equity: Victoria Homebuyer Fund	Low-deposit requirement aimed at enhancing (bringing forward) access to home ownership	Buying made more affordable when mortgage needed for only 70% of purchase price, and LMI avoided despite small deposit	Targeted to moderate-income earners	Requirement for annual returns on income, to confirm continuing eligibility	Risk to government that buyer inability to progress to full ownership means capital remains locked up	Immediate cost is $500m in initial funding tranche; revenue-generating over the long term	
Grattan Institute national shared-equity program model	Aims to enhance affordability as well as access	Buying made more affordable when mortgage needed for only 70% of property value	Targeted to relatively low-income earners	With assistance configured via second mortgage, no special complexity involved	Risk to government that buyer inability to progress to full ownership means capital remains locked up	No long-term net costs; short-term opportunity cost per beneficiary is substantial	

Source: Authors.

4.3.1 Access

For the most part, the models discussed in this section are mainly intended to enhance access to home ownership rather than to improve affordability—and thereby pushing the scope for home ownership down the income scale. The larger schemes—Keystart, Homestart, FHLDS, Homebuyer Fund—are mainly targeted at moderate-income households with good mortgage paying credentials, but that lack substantial equity for a mortgage down payment.

As freely acknowledged by the policy makers and officials concerned, such schemes largely aim at enabling people to achieve home ownership sooner than would otherwise be the case:

> We're talking about moderate incomes … the reality is we can't help people [on] low incomes—not because we don't want to, but because they just don't have the borrowing capacity. (Industry expert low-deposit loan provider)

However, especially against the backdrop of a rising market, it might well be highly advantageous for an individual to secure ownership 'several years early', even if scheme assistance provides no direct 'affordability' benefit.

4.3.2 Affordability

Generally, the schemes reviewed in this section have only a modest effect on affordability—that is, enabling access to home ownership to people otherwise permanently excluded by low income. Being assisted to purchase a home through a 5 per cent deposit mortgage will require that a purchaser enjoys an income sufficient to support a mortgage on 95 per cent of the price. Moreover, benefiting from 'brought forward' access to home ownership may come at the cost of a mortgage that is relatively expensive in repayment terms—compared with what the purchaser might expect if paying the standard deposit—because repayments are set at a mid-market interest rate.

The recent official review (Australian Government 2021) judged that most FHLDS beneficiaries were 'accelerated buyers'—that is, people who could otherwise have entered the market at the time they did so, only with parental help or by taking out LMI. This assessment was consistent with NHFIC's own analysis, which suggested that FHLDS buyers typically brought forward their acquisition by four years by comparison with the counter-factual scenario (Australian Government 2021).

> [The FHLDS] is useful enough, but it's not going to get anyone into the market who wasn't … going to buy already, and I guess that's the problem with all these first homeowner initiatives. They really do favour people that are already able to get into the market and I'm not sure if [there are many beneficiaries who] wouldn't eventually have bought without these incentives. (Academic expert)

An SE product where a third party holds 25 per cent of the value of the dwelling will have slightly more effect in terms of affordability. For example, under the Victorian Homebuyer Fund scheme, having paid a 5 per cent deposit, a purchaser's income will need to be sufficient to support a mortgage of only 70 per cent of the purchase cost. For an Indigenous buyer under the program, income will need to be sufficient to support a mortgage of only 62.5 per cent of property value.

While considered by one academic expert interviewee as 'very laudable', an applicant for the NHFIC guarantee program for single-parent families would need an income sufficient to support a large loan. For example, in NSW, the first quartile value for strata properties purchased in Q2 2021 was $565,000. Factoring in a 5 per cent deposit, a purchaser of such a property would need a mortgage of $537,000:

> You can understand [what] the government are trying to do here to make it look like they're acting and trying to provide opportunities, but really it's very much tinkering around the edges. (Academic expert)

Under FHLDS and the other larger schemes discussed earlier, 'upmarketing' involving the 'capable buyer' cohort is restricted through property price caps.

4.3.3 Targeting and eligibility

All schemes reviewed incorporated a degree of targeting, so that product rationing is achieved partly through household income maxima, which also serve to limit deadweight—that is, preventing assistance being provided to people who are not in need of it (see below). At the same time, in setting such limits, policy designers must strike a difficult balance, because if eligible income maxima or price caps are set too low, qualifying purchasers will be unable to support a mortgage of the necessary size—or will be otherwise confined to purchasing homes in the least desirable locations.

The relatively low-income limits for participants proposed by Wood, Coates et al. (2022) for the Grattan national SE scheme are in line with the Institute's customary emphasis on highly targeted government support. However, they are likely to restrict the scheme's applicability or relevance to young adult FHBs in higher-priced housing markets because of the limited mortgage borrowing potential of an income-qualifying household. As such, the model could be better suited to people on low incomes, but holding some capital—that is, capable of contributing some limited equity of their own. This could apply to, for example, older single women having fallen out of home ownership as a result of divorce or separation.

4.3.4 Administrative simplicity

From the purchaser perspective, most of the schemes reviewed in this section probably don't entail substantial administrative complexity any more than a mainstream market transaction. The FHLDS may be the most technically complex, in terms of the formal relationships between NHFIC and other parties. At the same time, with the mortgages themselves being issued by mainstream lenders, the FHLDS would arguably score highest as a 'light touch' or market-enabling intervention.

SE homes are liable to be less tradable than dwellings in unencumbered ownership—for example, if there is a requirement to sell to a qualifying buyer—and sale would presumably require the active participation of the third-party owner. The requirement for Victoria Homebuyer Fund beneficiaries to demonstrate ongoing eligibility can be seen as a minimal administrative burden necessary to promote the efficient use of the government's stake.

4.3.5 Risk

Participating in a low-deposit mortgage scheme is liable to incur greater risk for the purchaser, because if a falling market devalues the dwelling by more than 5 per cent, an owner forced to sell would be unable to generate sufficient funds to repay their mortgage through the transaction:

> When a customer does get into trouble and they might fall into default, the loss might be larger [than for a typical customer of a mainstream lender] because … there's not as much equity in the home. (Industry expert low-deposit loan provider)

A falling property market can also pose a risk for any FHB-assistance scheme predicated on the purchaser refinancing so that funds can be recycled to new applicants. This process is somewhat predicated on rising property values. A sustained price decline, as seen in WA during the 2010s, may interfere with this process, also resulting in program participants being 'locked into' relative high interest rates for longer than anticipated.

4.3.6 Subsidy

Compared with FHB grants and tax concessions, subsidy requirements of loans and guarantees are very small. There is a contingent liability that sits on the balance sheet of the government concerned. While there are administrative costs to be met, these will be relatively small in relation to the premium interest rate that may be charged. Keystart and Homestart both run annual surpluses paid back to their respective state governments.

Depending on how they are set up, SE schemes may involve a substantial initial financial commitment. For example, Victoria's HomeBuyer Fund has been launched with a $500 million investment (Premier of Victoria 2021). Given the expectation that the scheme may support 'more than 3,000 Victorians [to] become homeowners'

(Premier of Victoria 2021), the scheme apparently assumes the typical assignment of $167,000 in equity per purchase, on homes valued at $667,000. However, over time, each designated amount will be repaid to the government with an increment, assuming property prices rise in the interim.

4.3.7 Associated objectives

Since most of the schemes reviewed in this section allow the purchase of both existing and newly built homes, the objective of boosting new supply—which is commonly associated with home-purchase grant schemes such as HomeBuilder—does not apply, except in the case of NHFIC's NHG program and the WA Government's small SE program.

It can be assumed that an objective generally associated with FHB-assistance schemes of the kind discussed here will be to minimise 'market distortion'. However, that aim is likely to be somewhat infringed, especially where price caps influence buyer and builder behaviour. For example, builders in WA reportedly tailor their output to some extent according to Keystart property price caps—that is, gauging the size and amenity of new dwellings to fit known limits. At the same time, such caps are liable to have a geographic impact by, for example, confining purchasers within lower-price localities, such as capital city outer suburbs.

A very specific 'market distortion' concern that arises in relation to the NHFIC FHLDS program is the disturbance to the existing mortgage insurance sector. Accordingly, the recent scheme review recommended that 'if the Government were to consider changes to the number of guarantees offered under the FHLDS scheme, or substantial changes to the eligibility criteria, it should continue to carefully assess potential impacts on the viability of the private LMI sector' (Australian Government 2021: 10).

More broadly, as instruments that enhance consumer purchasing power, most of the schemes covered in this section could have some inflationary impact, although it would be small in scale. For example:

> [Providing access to FHLDS assistance] means you're increasing purchasing power. But the scheme's impact on prices is limited by its constrained scale—a ceiling of 10,000 beneficiaries within a first homebuyer market of 80,000 at the time FLHDS was launched. (Industry expert)

4.4 Section 4 conclusion

Loan assistance schemes have been operational for many years in certain parts of Australia, with the availability of this type of assistance substantially ramped up since 2019 through the establishment of NHFIC's FHLDS and FHG schemes. Far from representing a budget burden, it may well be that such schemes can generate financial surpluses. However, their main contribution is to accelerate access to home ownership for moderate-income households rather than to enhance affordability for lower-income groups.

Jurisdictions other than WA and SA might choose to establish similar schemes to Keystart and Homestart—although with the FHLDS and FHG programs now in place, there is perhaps less cause for such consideration. Any expansion of FHLDS/FHG programs could give grounds for concern about inflationary impacts, as well as market distortions in the established LMI sector.

In spite of calling for a substantial up-front investment, SE schemes can potentially achieve more impact in terms of modestly enhancing home-ownership affordability as well as access. Nevertheless, carefully calibrated targeting is required to minimise deadweight—that is, where assistance received effectively enables acquisition of a larger or more desirable home than would otherwise have been purchased.

With the 2021 launch of Victoria's HomeBuyer Fund, the scale of state-based SE activity in Australia is set for a substantial increase. Nevertheless, assuming that beneficiaries typically remain on the books for at least five years before refinancing, even a scheme supporting 3,000 buyers at any one time is small in scale in a state where FHB transactions averaged 29,000 annually during the 2010s.

5. Supply-side assistance for Australian FHBs

Key points

- **Government-instigated supply-side measures to promote home ownership were crucial to postwar growth of owner-occupation, but have been little in evidence since the 1970s.**
- **Small-scale programs that make creative use of government land or land-use planning powers to assist marginal homebuyers remain operative in certain jurisdictions.**
- **Renewed interest in a form of SE where assistance is channelled into housing development for a 'rent to buy' product could see the emergence of an innovative new vehicle for home-ownership access that has no long-term cost to government.**
- **Revived application of supply-side mechanisms to facilitate home ownership at scale would call for engagement with housing markets involving a level of intervention (e.g. in terms of planning and investment) that is nowadays unfamiliar.**

5.1 Section introduction

Having identified and assessed Australian demand-side mechanisms for assisting FHBs, this section turns to supply-side measures (see Table 15). As previously acknowledged, the hybrid nature of some initiatives—where demand-side and supply-side components are combined—means that some approaches cannot be cleanly typologised in this way. For example, as stated in Section 4, a shared-equity (SE) scheme that involves new homes developed on government land (as sometimes incorporated in WA's 'shared home ownership' program) could be argued to embody both a supply-side and demand-side mechanism.

Historically, Australian governments engaged in extensive supply-side intervention to promote first home ownership. As documented by Milligan (2003), particularly in the period 1956–73, this involved both:

- large-scale government-funded and government-commissioned construction of housing for low-cost sale
- the Commonwealth Government encouraging state governments to open up existing public rental housing for purchase by sitting tenants.

As much as two-thirds of all housing built or funded by state housing authorities in the period 1945–1996 appears to have been either sold upon completion or initially rented out but later sold to the occupying tenant or to another party (Pawson, Milligan et al. : 98).

More broadly, as argued by one leading analyst, government development of homes for sale (or for rent and then sale) was a crucial component of the 'very heavy-handed government intervention in housing' during the immediate postwar period that was instrumental in expanding Australia's home-ownership rate 'from … 42 per cent to 72 per cent … over two decades'. Therefore, in this view, regaining home-ownership rates at this level would call for renewed supply-side action at scale (Cameron Murray, evidence to Parliamentary Inquiry on Housing Supply and Affordability, 2021).

Table 15: Forms of FHB assistance: Section 5 focus

Demand/supply	Assistance type	Example schemes/programs
Demand-side	Financial regulation	• Rules governing mortgage lending
	Expenditure programs	• Cash grants
	Tax concessions	• Stamp-duty concessions • Tax-privileged savings schemes
	Institutional innovations and financial instruments	• Loans assistance schemes • Mortgage guarantees • Equity investment and similar products
Supply-side	Use of publicly owned assets	• Public housing sale to tenants • Land-rent schemes
	Government-funded housing development	• State-resourced development of SO homes by non-government entities
	Land or property occupancy regulation	• Inclusion of 'affordably priced' homes in developments required via land-use planning powers • Restrictions on occupancy of privately owned homes • Use of publicly owned assets: land development

Note: the highlighted area of this table is to indicate the coverage of this Section within the context of our wider FHB assistance policy typology (as explained in Section 1).

Source: Authors.

As noted in Section 4, very small numbers of public housing sitting-tenant sales have continued to this day in certain jurisdictions, sometimes on an SE basis. However, their ongoing contribution to first home ownership promotion is minimal. More generally, as demonstrated by the relative brevity of this section, supply-side interventions to assist FHBs are rare in modern Australia, as voiced by the research participant who acknowledged, in relation to FHB assistance, that *'We seem to have been less inventive in Australia in coming up with [supply-side] solutions'* (Industry stakeholder interviewee).

Before moving on to discuss the small-scale instances of such assistance operated (or proposed) today, it is also important to note that when referencing 'supply-side interventions that could assist FHBs' in our Australian stakeholder interviews, several participants interpreted this in relation to the larger debate about the 'excessive house prices' that allegedly result from 'inadequate housing supply', and the belief that unnecessary 'planning restrictions' are largely to blame. One Industry stakeholder interviewee stated: *'I think the way that the different state jurisdictions operate their planning systems should come into this frame as well.'*

For example, in this interviewee's opinion, the significant property price differential between NSW and Victoria has been primarily due to contrasting planning policy and implementation—a differential that 'has a huge impact on FHBs'. These factors are said to be relevant in terms of:

> 'Both in the … input costs that [sub-optimal planning systems] create but also all those inefficiencies, uncertainties and delays and what that means in terms of … what is the price that you're able to produce housing at the other side of them.' (Industry stakeholder interviewee)

The debate of which these sentiments are part was in full flight at the time of writing this report in late 2021, in the guise of the Parliamentary Inquiry on Housing Supply and Affordability. However, since the remit of this research is limited to mechanisms specifically to assist FHBs, further coverage of associated arguments is beyond its scope.

The remainder of this section is structured as follows. First, in Section 5.2, we present a factual overview of the main supply-side measures to assist FHBs in use in Australia at the time of writing. Then, in Section 5.3, we analyse these according to our evaluation criteria as discussed in Section 1. Finally, in Section 5.4 we discuss conclusions and policy development implications.

5.2 Overview: Supply-side approaches to assisting FHBs in Australia

5.2.1 Build to rent to buy

The 'rent to buy' idea is simple: the aspiring FHB leases their home while saving to eventually buy it. Both the rent and the eventual purchase price is fixed at the start of the arrangement, providing housing stability during the savings period. Historically, rent-to-buy arrangements have sometimes been offered by developers on the basis that the agreed rent is higher than the market rate, with the incremental amount accumulating towards the purchase price.

However, such arrangements have been problematic where they place a resident at risk of losing their 'excess rent credit' if they ultimately do not proceed with purchase, whether by choice or because they are denied bank finance necessary to complete the purchase.[8]

In the terms used in Section 4, the rent to buy (or 'Build to Rent to Buy'—BtRtB) model can be seen as a variation on the theme of SE. Being offered purely as a market product—that is, not enabled by any form of state intervention—the BtRtB product made available by Assemble Communities in Melbourne has attracted considerable attention in the past two to three years (Johnston 2019; Paris 2021). Again, as a privately provided 'innovative home ownership' model, this type of scheme is more within the remit of a research project being undertaken in parallel to our own (Palmer forthcoming).

In this report, BtRtB is treated as a 'supply-side' instrument, because in its government-enabled form that is relevant here, it involves officially assisted development of new housing that will be initially occupied on a rental basis as a pathway to ownership. A proposal for such a product has been developed by NHFIC (NHFIC 2022). The specific aim is to enable an aspiring FHB to rent a good quality home and accumulate equity in that property in parallel. In other words, it seeks to utilise (assumed) growth in occupied property value as a contribution to the occupier's eventual mortgage deposit.

The model would involve an equity-share participant, and a CHP as developer and manager of the property until the tenant is able to take full ownership after 10 years (if possible).

8 Consumer advocates have highlighted rent to buy schemes deliberately targeting vulnerable persons on exploitative terms (Consumer Action Law Centre 2016).

The NHFIC model is predicated on harnessing:

- the CHP non-profit-distributing legal format
- low-cost debt accessible through government-backed financial intermediary such as NHFIC
- anticipated scope for capital gains generated by a rising housing market.

The scheme also incorporates an SE dimension, whereby an equity investor (possibly government) would contribute 20 per cent of the initial development cost, taking a commensurate share in property value, to be redeemed—inclusive of capital gains—after 10 years. This is the point at which it is assumed the occupier would ideally convert their status from tenant to owner by taking out a mortgage to buy out both government and CHP. In the event of the tenant being unable (or not wishing) to do so, the lease would end and the property would be sold.

As the property developer or delivery mechanism under this model, the CHP would draw on low-cost private finance accessed through a financial intermediary like NHFIC to develop a portfolio of BtRtB dwellings. The incentive for doing so would be to 'capture the developer margin'.

Again, under the NHFIC model, BtRtB dwellings would be initially let at an affordable rent (74.9 per cent of market rent equivalent, for compatibility with CHP charitable status). Tenants would be enrolled on a tax-privileged savings plan that—together with a share of (assumed) capital gains—would enable accumulation of a standard 20 per cent deposit over a number of years:

> By year 10 there's hopefully going to be an uplift in capital values which can be spread between the tenant who's going to be the purchaser, and also the CHP and the passive equity holder. (Government expert interviewee)

Crucially, by enabling the tenant (as well as the government and the CHP) to benefit from the capital gain accruing over time, the scheme would complement tenant savings in accumulating a mortgage deposit. Assuming average annual property value uplift averaging 3 per cent—which is half that seen in Australia over the past 25 years—NHFIC's modelling suggests that over a 10-year term the following would happen:

- The accumulated capital gain accruing to the resident from property value uplift (assuming this occurs), in combination with their projected savings, would be sufficient to fund a 20 per cent deposit on the property value, enabling them to transition from renting to ownership.
- The equity investor—most probably a government entity—would receive an Internal Rate of Return (IRR) equating to 5.6 per cent; at an average annual value uplift of 4 per cent, the IRR would be 8.2 per cent.

5.2.2 Land-rent schemes

The land-rent model of FHB assistance is exemplified by the ACT Government's 2008 Land Rent Scheme (LRS). The model is a form of SE to the extent that—as in a community land trust—the home is made 'more affordable' through enabling the purchaser to acquire only the building, and not the land. Instead, the land is utilised in exchange for a rent or lease payment to the ACT Government set at 2 per cent of the plot's value. From an economic perspective, it has been argued that the model's key advantage is the way that it 'provides access to land through a mechanism which avoids the monopoly pricing power of landholders, reducing the cost of housing to residents' (Murray 2018: 13).

Because, as in the ACT LRS example, assistance is deployed via use of government assets (in the form of land), the model is again treated here as a 'supply-side' instrument. As in any SE scheme, value appreciation related to the portion of the overall property or land in third-party ownership accrues to that party—in this case, the ACT Government.

Under ACT Government rules, LRS eligibility is conditional on an annual household income of under $160,000 (as at 2021).[9] Notably, these rules also stipulate that a household later exceeding this income threshold is obliged to exit the scheme within two years—either by buying out the government landholding, or by selling to another qualifying purchaser.

9 For reference, the upper limits of gross household income quintiles 1 and 2 in 2019–20 (for Australia as a whole) were $56,000 and $93,000 (ABS 2021b).

Under the LRS model, the economic value of land is retained by the government, which rents out the site to a purchaser who takes on the equity in the dwelling. As operated in ACT, the purchaser has the option of taking full ownership of the land—that is, a nominal Crown Lease, under the ACT landholding framework—at a later date, if affordable and desirable from the purchaser's perspective. At the same time, if the property continues to be occupied on a land-rent basis, purchaser income limits also continue to apply in any resale—in other words, affordability for future buyers is locked in.

In its first nine years of operation, the ACT LRS reportedly benefited 3,200 households (Murray 2018). An analysis of the program over this period estimated that the typical participating family would save 37 per cent of the housing costs otherwise incurred by renting in the private market (Murray 2018). At the same time, the scheme arguably has limitations in terms of enabling full access to the wealth-accumulation quality of home ownership—especially bearing in mind that land is liable to appreciate, whereas buildings depreciate over time. For that reason LRS purchasers may view the model as ideally accelerating access to the utility benefits of owner-occupation, with the wealth-building benefits being acquired at a later date, subject to rising income (and borrowing capacity).

From the government perspective, factoring in borrowing costs (at that time given as 3 per cent) as well as land-rent income (at 2 per cent), while also assuming annual LRS land increases of at least 1 per cent, it was shown in 2018 that LRS rent and capital gains income to the landowner exceeded the cost of borrowing (Murray 2018). In other words, acting in its capacity as landowner, the ACT Government was assisting FHBs without incurring any net cost to itself. While it is true that the ACT Government's landholdings and the territory's legal framework for land ownership have a degree of uniqueness, it is argued that this does not render the model inapplicable in other jurisdictions:

> Other states could also create similar agencies to develop land for such schemes on an ongoing basis to ensure a large pool of available below-market-priced land. (Murray 2018: 19)

This is akin to the broader proposal that government land agencies could be re-mandated to play a leading role in the development of affordable housing, including dwellings for affordable sale, as argued by Davison, Milligan et al. (2010)—see Section 9.3 and Appendix 1.

5.2.3 Developer contributions specified under planning powers

Another form of supply-side intervention aimed at assisting FHBs, and pursued to a small extent in Australia, has involved the use of planning powers to facilitate construction of 'lower price dwellings'. Where such intervention has been implemented by Australian state and territory governments, developer requirements to output a quota of homes at below a given price point have tended to be fulfilled through a scheme's inclusion of dwellings commanding a relatively modest market price due to their small size or other limitations on their utility. Two academic expert interviewees considered that, as a supply-side form of FHB assistance, there could be scope to adopt such an 'inclusionary zoning' approach more widely:

> Governments have to realise that if they want to achieve anything [in getting more people into home ownership] they have to do something about the supply-side issues and the cost of land … There's no reason that they couldn't use inclusionary zoning. (Academic expert interviewee)

> If we're not going to go down to … an inclusionary zoning policy to deliver affordable [rental] housing, it might be more palatable for the industry to deliver a certain proportion of first homebuyer product. (Academic expert interviewee)

Although on a relatively small scale, an approach of this kind is exemplified by the SA Government's inclusionary zoning framework, which aims to facilitate 15 per cent 'affordable housing' in 'significant new developments and growth areas' (Gurran, Gilbert et al. 2018: 31). 'Affordable' in this context refers to prices (or rents) within the means of households receiving up to 120 per cent of the regional median income. Exemplifying the above-mentioned model, required price points have been achieved primarily through reduced lot sizes and dwelling specifications, rather than any explicit 'discount to market' on price. Where infill sites are concerned, the framework has generally succeeded in generating affordable units only on government-owned land (Gurran et al. 2018).

In principle, developer obligations to generate units for 'affordable home ownership' could be framed in a more muscular way through a state or territory government requirement that a proportion of dwellings in a scheme is made available at a sub-market price in the form of a 'development contribution'. As discussed in Section 8, such an approach has been widely practised in the UK to generate units for low-cost sale, as well as for sub-market rent. Importantly, land economics theory demonstrates that costs incurred by such practice fall on landowners, not dwelling purchasers—that is, they will be factored into the price payable for land by developers (Spiller, Mackevicius et al. 2018).

In a different 'supply-side' approach to facilitating first home ownership, certain state and territory governments have continued to task their land development agencies with the promotion of first home ownership—a role that was historically a central function of such organisations. Such activity has been termed 'positive planning' (Gleeson and Coiacetto 2007). Aside from the land-rent model outlined earlier, this may simply involve seeking to produce residential development lots at price points targeted to FHBs (possibly by restricting lot size). Exemplifying a more engineered approach, the ACT's Suburban Land Development Authority requires that developers include a proportion of homes in designated schemes to be made available at designated 'affordable' price points. Aspiring FHBs who fulfil income eligibility (and other) requirements may then make an application for entry into a randomly drawn ballot to be offered such a home at a 'low market' price (ACT Government 2021).

5.2.4 Government as build-for-sale housing developer

Early in Australia's postwar history, state governments acted as housing developers on a major scale, being responsible for 16 per cent of all housebuilding 1945–70 (Pawson, Milligan et al. 2020: 94). And while much of the resulting portfolio consisted of rental dwellings, a substantial proportion was constructed for sale. As noted in subsection 1.2.1 (and more fully illustrated in Appendix 1), in the intervening period certain state and territory administrations have made limited use of government land agencies as for-sale housing developers (for a review, see Davison, Milligan et al. 2010). However, substantially inspired by the Singapore Housing Development Board model (see Box 9 in subsection 8.2.3), new proposals have recently been advocated by Murray (2022a, 2022b), arguing that Australia should reinstitute much larger-scale government-commissioned housing-for-sale development.

Crucially, Murray contends that through this approach to housing procurement, his 'HouseMate' model could enable dwellings to be provided for sale to qualifying FHBs at a cost 20–35 per cent below the market price of equivalent dwellings. This would be achieved by 'build[ing] on underutilised crown, council, and federal land, land acquired by compulsory acquisition, or land purchased at market prices' (Murray 2022a), and also by proceeds from a 15% levy on the sale price of HouseMate homes subsequently sold on the open market. Importantly:

> '[b]y creating a finite pool of eligible buyers that do not need to compete with investor buyers, and by operating on the supply-side of the market, HouseMate is able avoid the pitfalls of many housing subsidies that quickly are captured in higher housing prices. (Murray 2022b: 5)

Nevertheless, while we consider such a model certainly worthy of further investigation, it is also recognised that its acceptance (especially contemplation of compulsory site acquisition for housebuilding) would call for a paradigm shift in established Australian thinking about the proper role of government.

5.3 Supply-side approaches to assisting FHBs in Australia: assessment

Table 16: Supply-side approaches to assisting FHBs in Australia: assessment overview

Scheme	Access	Affordability	Targeting and eligibility	Administrative simplicity	Risk	Subsidy and subsidy effectiveness	Associated objectives
Build to rent to buy: proposed NHFIC model	Aims to accelerate access by enabling faster saving for deposit	No direct benefit	Not yet determined	Not yet clear	Scheme participants shielded from risk	Subsidised by Commonwealth Government equity input at outset for later redemption. Also assisted via government-backed financial intermediary and debt guarantee	Not-for-profit housing sector capacity building; additional homes developed contribute to overall supply
ACT land-rent scheme (LRS)	Accelerated access to home ownership enabled for households on income growth trajectory	Ability to access ownership at lower cost may make home ownership affordable for lower-income households	Facilitates house and land package style home ownership access. Restricted to low-to-moderate-income households	Some legal and conceptual complexity involved in separate ownership of house and land; scheme participant must demonstrate continuing eligibility	No particular risk connotations	Can be achieved at no net cost to government	Contributes to overall housing supply
Developer contributions mandated through land-use planning	Potential for access: depends on the affordable homes for sale model employed	Homes delivered at below given price point potentially aids affordability	Dependent on the affordable homes for sale model employed	Not necessarily complex, but depends on the affordable homes for sale model employed and eligibility rules	Scheme participants not necessarily exposed to additional risk, but depends on the affordable homes for sale model employed	Nil cost to government, although there may be an opportunity cost in the sense that other more profitable opportunities are foregone	Potentially contributes to socially mixed communities objective

Note: The HouseMate model of government-commissioned housing development (Murray 2022a, Murray 2022b) is not included in Table 16, as it exists only as an outline proposal.

Source: Authors.

5.3.1 Access

The NHFIC build to rent to buy (BtRtB) model aims to bring forward home ownership through enabling potential FHBs to save their deposit more quickly. It does this in three ways.

1. Through the proposal for tax-advantaged saving.
2. Through providing a home at an affordable rent, which leaves the household with more residual income from which to save.
3. Through providing a secure tenancy which (other than where tenancy terms are breached) will enable the household to avoid the house move costs incurred by landlord-instigated tenancy termination—an ever-present threat in the mainstream private rental market.

The ACT's Land Rent Scheme (LRS) should also ease access to first home ownership by reducing the amount a beneficiary household needs to save for a deposit—because the purchase price will be significantly lower when the transaction is covering only the building and not the land.

Developer obligations to provide 'affordable home ownership' properties within larger residential developments may or may not impact on access to home ownership. This would depend on the means by which the developer chooses to fulfil such an obligation.

5.3.2 Affordability

The big question is: do schemes reduce recurrent housing costs for participants?

While the BtRtB model may have little impact on recurrent housing costs, the other two supply-side mechanisms discussed in this section could have some impact in reducing such housing costs for participants. Under the LRS, with site ownership remaining with government, the purchaser mortgage needed will be significantly smaller than would otherwise be the case. However, the associated advantage in relation to mortgage payments will be somewhat mitigated by the land-rent payment. In this respect, the LRS is less attractive than a more conventional SE model where there is no charge for the third-party equity component.

When it comes to the use of planning requirements to generate 'affordable home ownership' units, the resulting affordability advantage will depend on the terms of those requirements, and on the precise model chosen for the purpose. The potential advantage would be greater for schemes that mandate the delivery of units to be sold at below market price—that is, implying cross-subsidisation within the project—rather than those where homes for sale at below a given price point may be achieved simply by constructing an unusually small or otherwise less desirable dwelling.

5.3.3 Targeting and eligibility

The next question is: who qualifies for assistance and on what basis?

In common with most other pro-FHB initiatives, the group most straightforwardly in line to be assisted via BtRtB and LRS models will be younger adults with moderate incomes—especially those on an upward career trajectory. Imposition of developer obligations through the planning system could potentially generate housing for sale at significantly below-market prices, thereby enabling the participation of significantly lower-income households. However, that would call for pro-housing affordability market intervention via the planning system on a level beyond anything seen in Australia to date.

5.3.4 Administrative simplicity or complexity

By their nature, all of the types of instruments discussed earlier would, and do, involve a significant amount of administrative complexity—at least from the state or territory government perspective. A scheme like LRS, which requires occupiers to periodically re-confirm their eligibility for continued assistance, will involve some ongoing administrative burden beyond that required in demonstrating eligibility at the outset.

5.3.5 Risk

As they do not (necessarily) involve purchase with a low-deposit mortgage, none of the schemes discussed in this section inherently carry associated risks for the purchaser.

5.3.6 Subsidy and subsidy effectiveness

From the policymaker perspective, perhaps the most attractive aspect of all the models discussed in this section is that, viewed on a long-term basis, they should incur nil cost to government. However, under the BtRtB model envisaged by NHFIC, scheme feasibility would depend on the Commonwealth Government taking a stake in property ownership via contribution to initial development costs incurred by the participating CHP. This would be repaid after a number of years, when the occupier has accumulated equity (both savings and a share of capital gains) sufficient to buy out the other parties. Factoring in a 3 per cent annual uplift in property values over a decade, a property will increase in value by 34 per cent (nominal)—on this basis making such a scheme 'profitable' to government.

Especially since the BtRtB model has yet to come into being, it is difficult to say very much about the instruments discussed in this section in terms of efficiency and effectiveness. How far it would give rise to 'deadweight' expenditure would depend a lot on scheme eligibility rules. Since it involves no subsidy at all, the LRS raises little concern about deadweight expenditure.

Given their main focus on access, as opposed to affordability, the extent to which such schemes might generate 'additionality' would be mainly through bringing forward home ownership rather than (necessarily) enabling home ownership for people otherwise unlikely ever to achieve this.

5.3.7 Associated outcomes

To the extent that all of the models discussed in this section aim to generate additional housing supply, they can all be said to have the 'secondary objective' of helping to make the whole market more affordable, as well as benefiting the individuals directly participating. Another important 'secondary objective' of the NHFIC BtRtB model is to build the housing development capacity of CHPs, assisting them to diversify their business. Also, to the extent that aspirant FHBs participating in the scheme are envisaged as sharing (any) benefits accruing from a rising housing market during their 'tenant status' period, the model also seeks to enable them to start accrual of property wealth even before they technically achieve property owner status.

5.4 Section 5 conclusion

While rising home ownership in Australia in the postwar period was strongly driven by supply-side assistance, interventions of this kind largely ceased from the 1970s. Lately there has been some resurgence of interest in forms of SE which, because they involve assistance being channelled to developers (rather than consumers) of housing, can be classed as supply-side approaches. Debate on the role of land-use planning in relation to first home ownership has recently tended to focus on the asserted role of planning as an impediment to housing supply—and therefore, a cause of the problem that FHB-assistance schemes are set up to ameliorate. However, although they have been historically little represented in Australia, there is scope for the use of land-use planning powers to facilitate first home ownership.

6. Homeownership and FHB-assistance strategies in comparator countries

Key points

- **Like Australia, seven comparator countries experienced rising home ownership over the twentieth century, levelling off—if not declining —over the past two decades. Different national institutional contexts have shaped country trajectories within this general trend.**
- **Australia's recent 'housing financialisation' trajectory is one of high prices, high debt and a once-high rate of home ownership declining to 'middle of the pack'.**
- **Having liberalised housing credit in the late twentieth century, most comparator countries have imposed new rules on credit in the period since the GFC, tightening access to FHBs.**
- **Most comparator countries have a range of demand-side and supply-side measures to assist FHBs. Some have even larger grants and concessions than Australia's, but none use demand-side measures as exclusively as Australia.**

6.1 Section introduction

Sections 3–5 have reviewed the forms of government-enabled FHB assistance that operate in Australia. In this second half of the report, we focus our attention on similarly motivated housing policy measures implemented in our seven comparator countries. In introducing our analysis of these, as detailed in Section 7 and Section 8, this section first provides an overview of home-ownership systems and their recent evolution in each of the specified countries:

- Canada
- Finland
- Germany
- Ireland
- The Netherlands
- Singapore
- The United Kingdom.

We begin by reviewing tenure trends across the seven countries, and commenting on recent international developments in the political economy of housing. Then, in the second part of Section 6, we present a brief account of the role of home ownership in the housing system, society and economy of each comparator country. While some reference is also made here to specific FHB-assistance measures and programs, more detailed accounts of these are to be found in the two thematically structured sections that follow:

- Section 7: demand-side instruments in comparator countries
- Section 8: supply-side measures in comparator countries.

Our country profile section also draws links between characteristics of home-ownership promotion and national political systems, their welfare regimes, and institutional arrangements in the context of housing market conditions. Particular attention is given to the dynamic relationship between mortgage systems and home ownership, which is increasingly recognised as important in understanding housing access and affordability concerns (Kohl, 2021; Ryan-Collins, 2019).

Such a contextual analysis is critical in explaining the varied evolution of housing policies and systems in different jurisdictions. First, it recognises the importance of path-dependency—that is, the idea that 'if, at a certain point in time … [policy] takes one direction instead of another, some, otherwise feasible, alternative paths will be closed —or at least difficult to reach—at a later point' (Bengtsson and Ruonavaara 2010: 193). Second, it also reveals how a particular policy element can operate one way when it is part of a certain configuration of policy elements, but when some of those other elements are removed or adjusted, that particular element—and consequently the wider array of elements—can operate very differently. Policies regarding home ownership are an excellent example of this: policy elements such as exemptions of owner-occupied housing from CGT and land tax worked for a time to promote home ownership, but with other policy elements removed—for example, rent controls—and new elements added—such as liberalised mortgage finance—these policies now operate to promote speculation in housing, to the detriment of home ownership (Hulse, Reynolds et al., 2019).

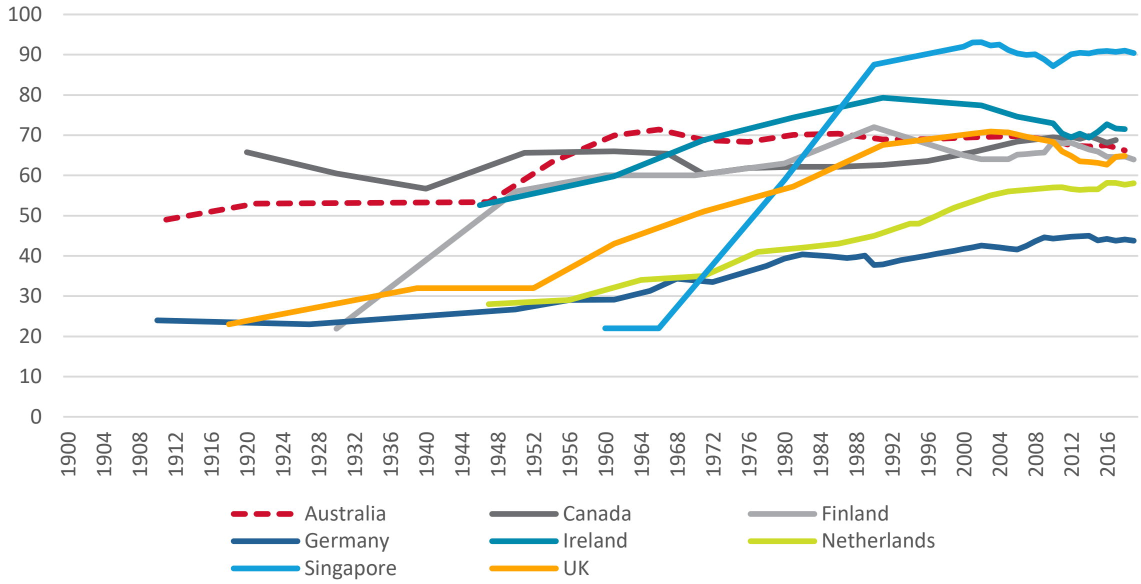
6.2 Overview: home ownership trends in the comparator countries

Figure 18 presents a long view on the evolution of home-ownership across in Australia and the comparator countries, showing home-ownership rates over the twentieth century and into the twenty-first; Figure 19 focusses on the past two decades. In presenting any such internationally comparative data we must acknowledge that home ownership is a socially constructed concept that is not entirely standard across (or within) countries. Most obviously, because of the need to accommodate common property, the legal frameworks for the occupancy and ownership of apartments inherently differ from those for freestanding dwellings. Moreover, legal arrangements relating to units or apartments vary both within and across countries. In Australia, for example, alongside the dominant strata title format, some apartments continue to be held under company title. Meanwhile, in England and Wales leasehold 'ownership' continues to predominate while commonhold is also nowadays represented.

Notwithstanding such diversity, all comparator countries saw rising home ownership for much of the twentieth century, with most recording their strongest growth in the decades after World War II, and most flattening or slightly declining from the late 1980s. Australia's trajectory is similar to the general trend, although it entered the twentieth century with a relatively high rate of home ownership, which grew further to a world-leading peak in the 1960s, since then it has gradually declined and is now middle of the range.

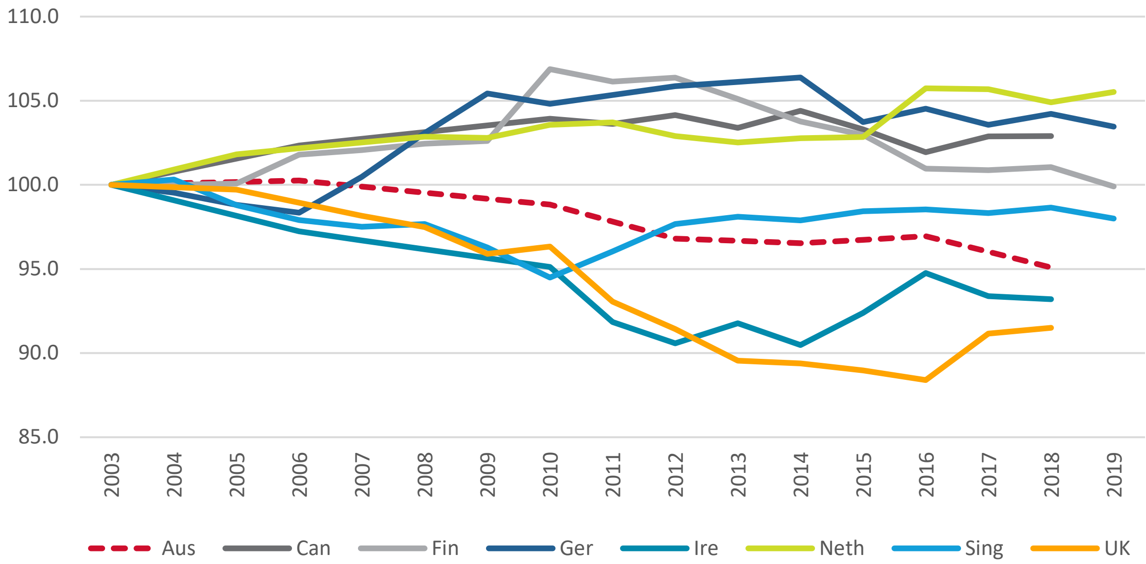
Each comparator country presents its own variation on this theme. Most striking is the relatively late but very strong rise of home ownership in Singapore, where more than 90 per cent of citizens are owner-occupiers (or, rather, long-term leaseholders of public housing). By contrast, in Germany home ownership has grown but has never become the dominant majority tenure, while the Netherlands has recorded steady growth off a similarly low postwar base, lately levelling off. Ireland and the United Kingdom present parallel trajectories of growth and, from the turn of the century, notable decline. Finland, too, had a high home ownership rate, now rather lower than its 1980s peak, while Canada, has maintained a fairly high rate for decades.

Figure 18: Homeownership rates, comparator countries, 1910–2019



Source: Kohl 2020; OECD 2021; ABS 2019; Singapore Department of Statistics 2021.

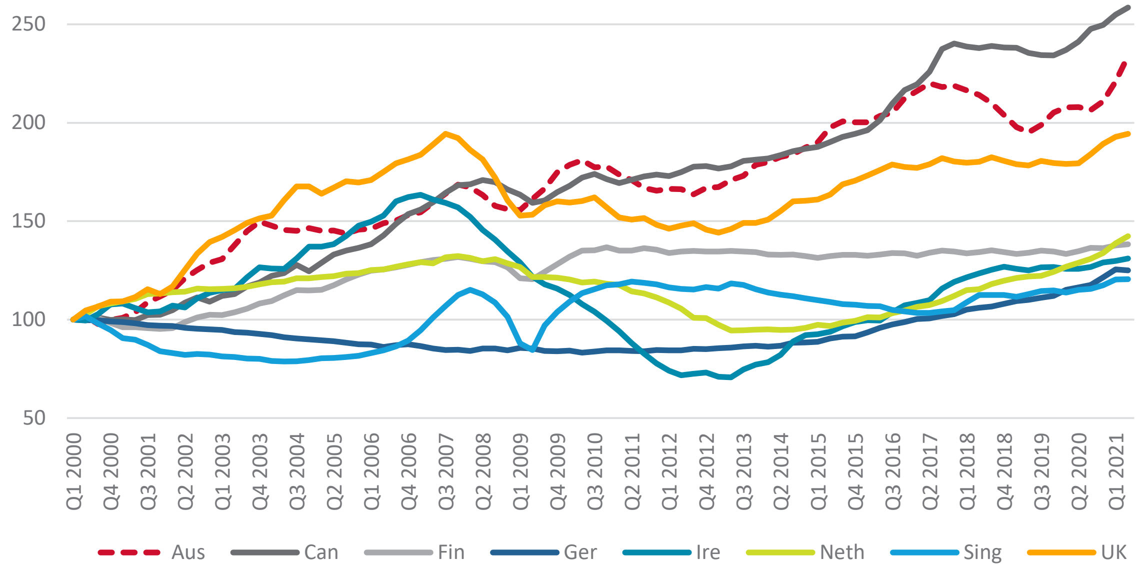
Figure 19: Homeownership rates, comparator countries, 2003–2019, indexed



Source: Kohl 2020; OECD 2021; ABS 2019; Singapore Department of Statistics 2021. Note: missing years interpolated. (2003=100).

There are other dimensions of the comparator countries' home-ownership trajectories. Figure 20 shows movements in real house prices in each country since 2000. Australia's high and rising price trajectory is approximately paralleled by Canada. In the early 2000s, Ireland and the UK were on a similar trajectory, but both turned down significantly in the GFC—especially in Ireland, where house prices fell to half their peak—before resuming rising again. Finland and the Netherlands experienced more moderate increases, with the Netherlands declining and rising again after the GFC. Germany and Singapore have charted distinctive trajectories in which declining prices in the earlier part of the period have been followed by moderate increases.

Figure 20: Real house prices, indexed, comparator countries, 2000–2021

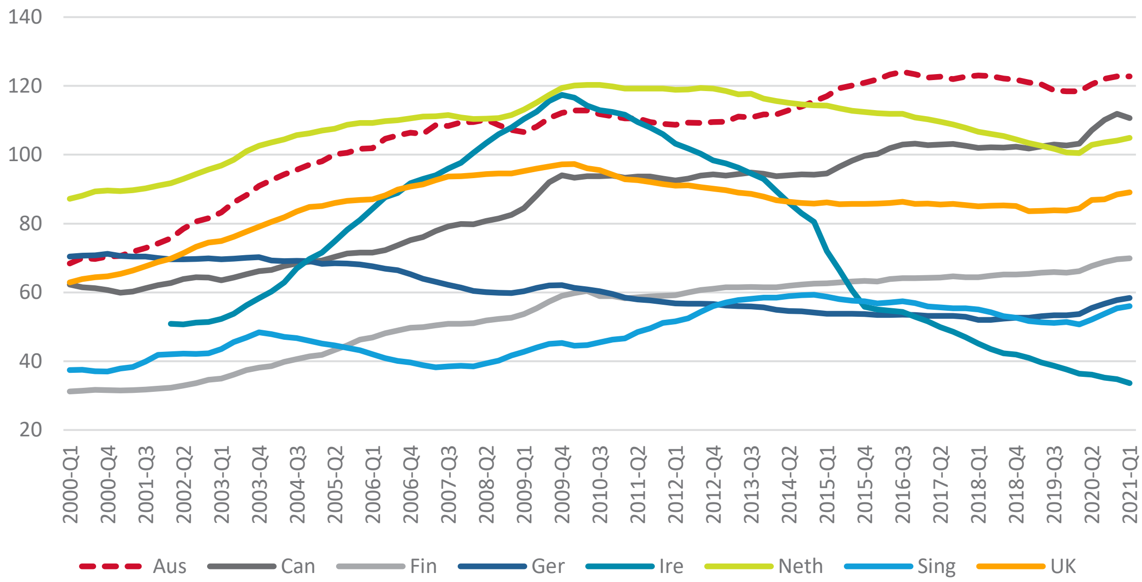


Note: Q1 2000=100.

Source: Bank for International Settlements (2021a).

Another aspect is housing-related debt. Debt for home purchase is the largest part of household debt, shown in Figure 21 in relation to each country's GDP. Currently, Australia's household debt to GDP exceeds all other comparator countries, although Canada has tracked a roughly parallel path. Ireland's rapid debt escalation and post-GFC retrenchment stands out. In the Netherlands, the rate of household debt built up more gradually to a very high level, before gradually unwinding, and has lately begun to rise once more; likewise the UK. Finland and Singapore have moderately increased household debt to GDP from relatively low bases, and Germany has steadily reduced its rate over the period, until very recently.

Figure 21: Household-sector debt to GDP (%), comparator countries, 2000–21



Note: Series for Ireland begins 2002.

Source: Bank for International Settlements 2021b.

To interpret these trajectories, contemporary housing scholarship puts forward ‘financialisation’ as a conceptual framework. This highlights the increasing importance of housing in financial markets and operations, and the increasing participation of households in finance, particularly through owning housing and using it to leverage credit for consumption or investment (Martin, Hulse et al. 2018). From this perspective, Aalbers conceives of housing financialisation as a global force that meets with national-level institutions as ‘filters’, resulting in countries following different ‘trajectories’ within the common trend (2016). The global force is the liberalisation of credit markets for housing—punctuated by the GFC and something of a return to credit regulation for financial system stability (Box 2Box 3).

Box 3: Housing finance: a brief international history

Prior to the GFC, credit provision for housing investment expanded in all of the comparator countries, apart from Germany (Lunde and Whitehead 2016: 36). One aspect of this was innovation in funding for lending. Aside from their own capital, banks in most of the comparator countries had relied historically on the deposits of savers (especially Australia and Ireland). In Europe, banks also obtained funds from bonds issuances backed by pools of mortgages pledged by banks (covered bonds). In North America, bank funding had for decades been available through secondary mortgage markets, in which rights to borrowers’ payments are pooled into mortgage-backed securities (MBS) and sold to investors. Unlike other means of loan funding, mortgage securitisation transfers the risk of default, which improves the lender’s risk-profile and hence their ability to access more funding.

In the 1990s and 2000s these sources of bank funding were augmented by ever greater use of mortgage securitisation, and by wholesale lending to banks by non-bank financial institutions in international money markets (referred to as ‘shadow banking’). Mortgage securities became an important form of collateral in the shadow banking system, enabling non-bank institutions to become significant providers of housing credit in competition with banks, and allowed banks to compete by becoming securitisers. Lenders also expanded markets for housing credit through various products including ‘sub-prime’ lending to previously ineligible FHBs, equity-release loans for existing owner-occupiers, and ‘Buy to Let’ loans for landlord investors. The pooling and parcelling of loans in mortgage securities was thought to reduce default risk; however, the effect was to actually increase the risk of a widespread, even global, downturn.

When US house prices slowed in 2007, default risks rose and mortgage securities lost value as collateral, leading to a run on the shadow banking system and the international collapse of wholesale lending to banks—the 2008 GFC. The immediate impacts of the GFC varied across countries. Some significant banks collapsed, some were placed under state administration (as in Ireland, the Netherlands and the United Kingdom); others were supported by government guarantees over wholesale funding, central bank loans and government purchases of assets, including new mortgage bonds (Blyth 2014).

The GFC exposed the implications of a highly leveraged financial sector to a downturn in asset prices, which in turn underpinned the very instruments used to raise the funds in the first place. After the immediate emergency, those countries worst hit—Ireland and the UK—established programs to acquire and dispose of impaired assets so as to put a floor under values. These assets were subsequently packaged and sold to large corporations, thereby creating a new sector of large institutional owners of housing (Byrne 2016). Most countries—not just those worst affected—increased credit regulation, especially for housing. Post-GFC banking standards by the Basel Committee on Banking Supervision (Basel III) require somewhat higher ratios of capital in bank funding (but still much less than typical capital ratios in other sectors [Admati 2016]), and banks continue to be funded largely by debt (with deposit funding having increased and the use of mortgage securitisation reduced). Regulators have also adopted various ‘macroprudential tools’ that specifically apply to bank provision of housing credit, and such approaches have been adopted in some form in almost every Eurozone country.

Source: Martin, Hulse et al. 2018.

6.3 Comparator countries' trajectories of housing financialisation

6.3.1 Canada

A strong preference for home ownership has been central to Canadian housing policy throughout the postwar era (Chisholm and Hulchanski 2019). As to actively enabling home ownership growth, early postwar foundations were laid through the creation of institutional structures for housing finance with the establishment of the Canada Mortgage and Housing Corporation (CMHC). As in the United States, the federal government subsequently retained an important role in the housing finance system via CMHC's major involvement in the mortgage insurance market. A high and gently rising owner-occupation rate was maintained for much of the past 50 years, although this plateaued in the mid-2000s and fell slightly in the five years preceding the 2016 Census.

House prices have also grown, outpacing price increases in Australia and all other comparator countries over the past two decades. As in Australia and elsewhere, the pandemic has also sparked a 2021 property price boom:

> Things are crazy in the housing system. Housing prices, rents, very little rental supply. And … after almost six years of [Liberal government] there's almost no new social housing … [Housing] is a major discussion point in the [at the time ongoing election] campaign. In the past, it usually has not been. (Academic expert interviewee)

Popular expectations of, and aspirations for, home ownership are such that in recent years '[w]hen young people could not access homeownership, a large expression of alarm echoed across the country, especially in the larger urban areas where price escalation was fastest' (Pomeroy and Lampert 2017: 23). Exemplifying the resulting electoral resonance of housing affordability and concerns over impeded access to home ownership, all three major party platforms for the 2021 general election prioritised the topic, with the governing (and election-winning) Liberal Party according it an especially prominent position in the party's manifesto: 'By helping our young people unlock homeownership, we will grow the middle class and keep moving Canada forward for everyone' (Liberal Party of Canada 2021: 11).

Arguably, it is not only high house prices that have increasingly 'locked out' would-be Canadian homebuyers, but also policy settings regarding housing finance. Since the GFC, the federal Department of Finance has 'implemented multiple rounds of measures adjusting the rules for new government-backed insured mortgages, thereby reducing potential vulnerabilities in the housing market' (CMHC 2021). These include:

- successive reductions in the maximum amortisation period for residential mortgages—from 40 years prior to the GFC, to 35 years (2008) to 25 years (2021)
- increasing required deposits—from 0 per cent prior to the GFC, to 5 per cent (2008) to 10 per cent (2016).

From 2010, 'stress tests' have been imposed on loan applications, in the form of additional percentage points in loan serviceability calculations; the current stress test is the higher of the mortgage rate plus 2 percentage points, or 5.25 per cent. In 2012, loan limits by reference to ratios of debt service to borrower incomes were introduced: 39 per cent of income on gross debt service and 44 per cent of income on total debt service.[10]

10 Limits have also been imposed on home-equity release refinancing, restricting the amount released to 90% (2010), then 80% (2012) of the property's value. Also, interest-only loans have been removed from government guarantees. These measures would bear on would-be landlords.

Since the early 1990s, the national policy stance towards expanding home ownership has been moderate. There have been no large-scale FHB grant or transaction tax concession programs of the kinds familiar in Australia. Perhaps the single most significant measure, enacted in 1991, was the permission given for temporary withdrawal of pension savings to assist with first home purchase—the so-called Home Buyers' Plan, which nowadays allows withdrawal of up to $35K per purchaser for this purpose (that is, up to $70K for a jointly purchasing couple), to be repaid to the individual's pension plan within 15 years. Only since 2018 has the federal government begun to institute or propose a wider range of instruments, which has included:

- a national SE program—First Time Home Buyer Incentive scheme (FTHBI)
- a 'rent to own' scheme
- a First Home Savings Account.

For a brief summary of all 'down payment assistance' programs operated in Canada at the time of the research, see Edison Financial (2021).

6.3.2 Finland

The Finnish housing system has emerged from a tradition of self-building individual wooden houses in rural areas (Doling 1990; Ruonavaara 2019) to settlements of multi-family housing in urban areas, promoted by state-supported investment in infrastructure and house building. The process has taken place through a range of municipal, not-for-profit and private builders. Their involvement has generated different forms of housing consumption:

- owner via individual home occupation
- rental housing, including social housing and housing for special needs groups
- right-of-occupancy housing
- part-ownership housing in multi-family apartments.

The latter intermediate forms of home occupation are unique creations of Finnish housing policy, facilitated by the national housing agency ARA since the 1990s, and involving shares in the ownership of multi-family buildings (see Section 8 for more details).

Over the past 30 years, Finland's mortgage-lending market has seen considerable turbulence, which has included periods of tight credit regulation as well as liberalisation and partial re-regulation. This has shaped the scale, conditions and allocation of credit available and inevitably also affected house prices, their stability and affordability. In this process, the mortgage system has evolved from one based on pre-savings and credit rationing via cooperative and savings banks, to one in which mortgage banks, covered bonds and securitisation play a greater role.

As in other countries, the late 1980s and 1990s saw mortgage-market deregulation and the removal of rent controls. A deep recession in the early 1990s saw the home ownership rate decline. House prices grew faster than incomes until the financial crash of 2008; thereafter, tightened regulatory controls included restrictions on high LTV lending and 'stress testing' requirements to check borrower capacity to sustain repayments in the event of higher interest rates. Alongside these changes, mortgage tax relief has been undergoing a gradual elimination since 2012, with interest payments subject to relief being halved by 2018.[11] However, even in advance of this, with interest rates at historically low levels, the value of the benefit had been substantially reduced.

11 The subsidy is to be removed gradually by lowering the percentage of deductible interest payments, although the pace of lowering has been slower than originally planned. In 2021, 10 per cent of the homeowner's interest payments were tax deductible (Finnish tax authority's home page).

6.3.3 Germany

Germany is well known for the distinctive profile of its housing system: private rental is the largest sector, renting is commonly viewed as a matter of choice, and house prices have been remarkably stable in a period when other countries have experienced booms and busts. For those who do own their housing—and this includes the majority of high-income households, and households with children—first home purchase tends to come relatively late (the average age of German FHBs is about 40) and for many it is their only time purchasing: home purchase is commonly a 'once in a lifetime' thing (Kemp and Kofner 2014).

While the relative attractiveness of rental tenure in Germany has long been supported by strong legal assurances of security for tenants, German governments over the years have also provided subsidies and other policy supports to home ownership. A home-ownership subsidy, *Eigenheimzulage* (home-ownership allowance), was introduced in postwar West Germany in the 1950s, and continued past reunification in 1990. First in the form of tax deductions, and from 1996 as cash grants, the *Eigenheimzulage* subsidised housing construction and financing costs and favoured the purchase of newly built homes (Reisenbichler 2016). Abolished in 2005 for being too costly, the *Eigenheimzulage* has been partly replaced by a range of more targeted subsidies.

German housing finance is also distinctive. Germany is unusual for adopting few macroprudential rules post-GFC, but having a long tradition of conservative lending practice. German banks fund their lending by issuing covered bonds (*Pfandbrief*) backed by pooled loans, and admission to the pool is limited to loans with LVTs of 60 per cent. This means that German FHBs typically must assemble their purchase funds from multiple sources: the relatively small primary bank loan, one or more secondary loans, plus savings. Combined savings and loan contracts, known as *Bauspar*, are a common and longstanding part of German housing finance.

However, all is not well in the German housing system (Rink and Egner 2021). Rents have risen strongly over the past decade, especially in Berlin. The deepening lack of affordable rental housing for low-income households prompted the federal government in 2018 to launch its 'Housing Offensive', a suite of policies including increased funding for new social housing and cost rental housing, and a new home ownership subsidy for households with children, the *Baukindergeld* (DW 2018). Most recently it has reinstated the post of a national Minister for Housing. However, the larger part of public agitation about affordability problems appears to be directed at rental-sector reforms—the most remarkable expression of which is a Berlin campaign for the nationalisation of apartments owned by large corporate landlords, which achieved majority support in a 2021 referendum (Schwerdtner 2021).

6.3.4 Ireland

For most of the century since national independence in 1922, Ireland's housing policy has strongly preferenced owner-occupation, and Irish households have had a high rate of owner-occupation. From the 1920s to the 1980s, Irish local authorities were significant home lenders, national governments operated programs of home purchaser grants, and rent controls repressed rental ownership in a housing system characterised as 'socialised homeownership' (Norris 2015). At its peak in the postwar period, this system offered home purchase and building grants equivalent to about one-third the cost of a new home, social-housing purchase at a one-third discount, local authorities provided about half of loans for purchase, typically on 5 per cent deposits, and mortgage interest was tax deductible (Norris 2015).

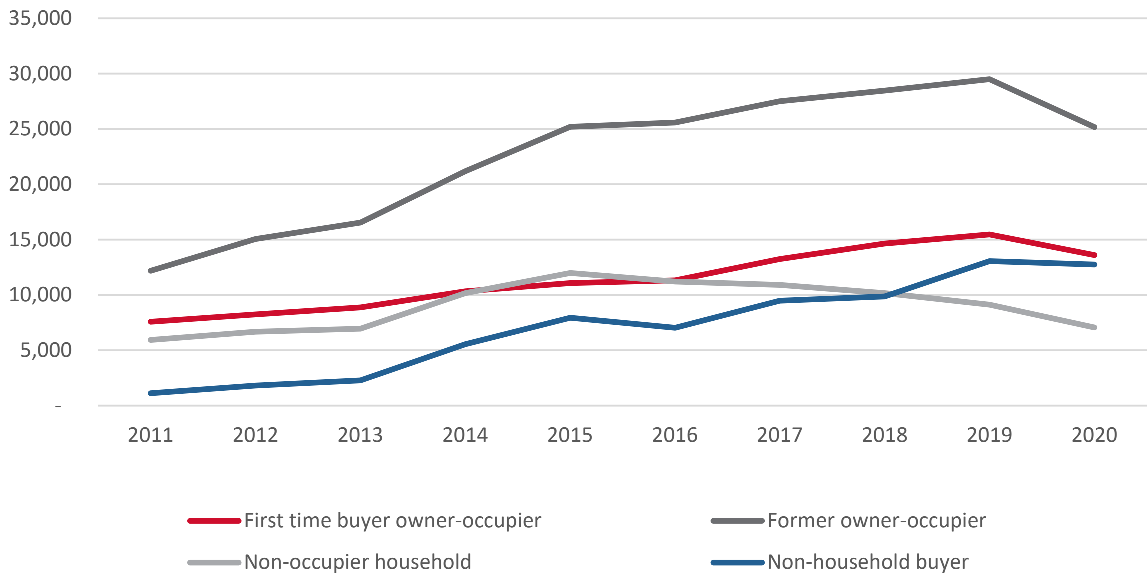
This system began to be dismantled in the 1970s and 80s, as Ireland entered a protracted economic stagnation. The numerous grants were replaced with a grant for FHBs only payable over the first three years of home ownership; local authority lending was cut back and lending by private banks opened up, and rent controls were struck down.

From the 1990s, the Irish economy and housing system underwent further dramatic change. First, in its 'Celtic Tiger' period of rapid economic growth, Ireland experienced a boom in housing lending, speculative housing construction and house prices, during which the owner-occupation rate dipped as more would-be FHBs became priced out. The government formally ended home ownership's favoured status in a 1995 housing policy statement giving equal significance to rental housing, and turned to inclusionary zoning requirements for affordable purchase and rental development. The remaining first homeowner grant was terminated in 2002. Ireland's boom turned to bust in the GFC: house prices crashed, all major banks failed and were effectively nationalised, and austerity policies were imposed. New housing development almost stopped, and the affordable housing development requirements were paused.

In the years since the crash, Ireland has maintained macroprudential rules limiting lending for residential property purchase: generally LTVs are limited to 90 per cent and LTIs to 3.5 times the borrower's income, with some additional scope allowed for FHBs. During the crash the National Asset Management Agency (NAMA) was established to dispose of banks' impaired loan portfolios and property assets to institutional investors, resulting in these institutions taking an increasing role in the housing system, as developers and landlords. Commonly known as 'vulture funds', their very rapid growth and the deepening rental affordability problems associated with them has stirred widespread concerns—more than that, 'fury', according to our country expert—about access to home-ownership (Waldron and Redmond 2017).

Figure 22 breaks down, by different types of buyer, housing purchases in Ireland during the 2010s. For the first half of the decade, FHB purchases represented a declining share of the market, down to 20 per cent in 2015 and behind 'non-occupier households' (i.e. landlords). Since then their share has grown a little, to 23 per cent. The sustained growth of 'non-household buyers'—that is, corporate landlords—is remarkable: from 4 per cent to 22 per cent.

Figure 22: Housing purchases, Ireland, 2010–20



Source: Central Statistics Office (2021) Residential dwelling property transactions HPA02.

The Irish Government's 2016 'Rebuilding Ireland' housing policy reintroduced some FHB-assistance schemes, among a wider suite of programs aimed at increasing housing supply across tenures, and now its successor policy, 'Housing for All', launched September 2021, gives even more priority to FHB assistance. This also includes programs and reforms aimed at rental affordability—relevant to would-be FHBs, and to the landlords with whom they may be competing in the housing market. Additionally the 2021 package introduced tax subsidies to help FHBs save towards down payments, and the sale of 'affordable housing' at cost price to qualified FHBs.

6.3.5 The Netherlands

The Netherlands came relatively late to majority home ownership. After the World War II, Dutch governments made public subsidies for home building available both to social-housing companies and to private builders developing dwellings for sale, and the sectors grew in parallel. In the 1970s, grants for individual home purchasers were introduced, subject to income and price caps. Support for home ownership formally displaced tenure neutrality in the 1989 Heerma Memorandum on Housing Policy, which ended supply-side subsidies in both sectors, but maintained fiscal support for home purchase. Social-housing rents were increased, and sales were encouraged. Around the same, time housing finance was liberalised, with large commercial banks joining a market previously served by smaller specialist home lenders,

A longstanding element of Dutch taxation settings is the deductability of mortgage interest (known as mortgage interest tax relief—MITR). This had been balanced by the taxation of homeowner's imputed rents, but the latter element was abolished in the 1970s. Through the 1990s, Dutch banks competed for the growing homeowner market through the development of loans and lending practices to maximise the benefits of MITR, including interest-only loans and loans at LTVs up to 130 per cent (Elsinga, Priemus et al. 2016). As well as having the strongest growth in home ownership among the comparator countries in the 1990s and 2000s, the Netherlands also took on the highest level of household debt.

The Dutch finance sector was badly affected by the GFC, which resulted in the nationalisation of one major lender (ABN) and extensive state support for others. Housing transactions dropped sharply, and longer declines in housing construction and prices followed (Boulhouwer 2017).

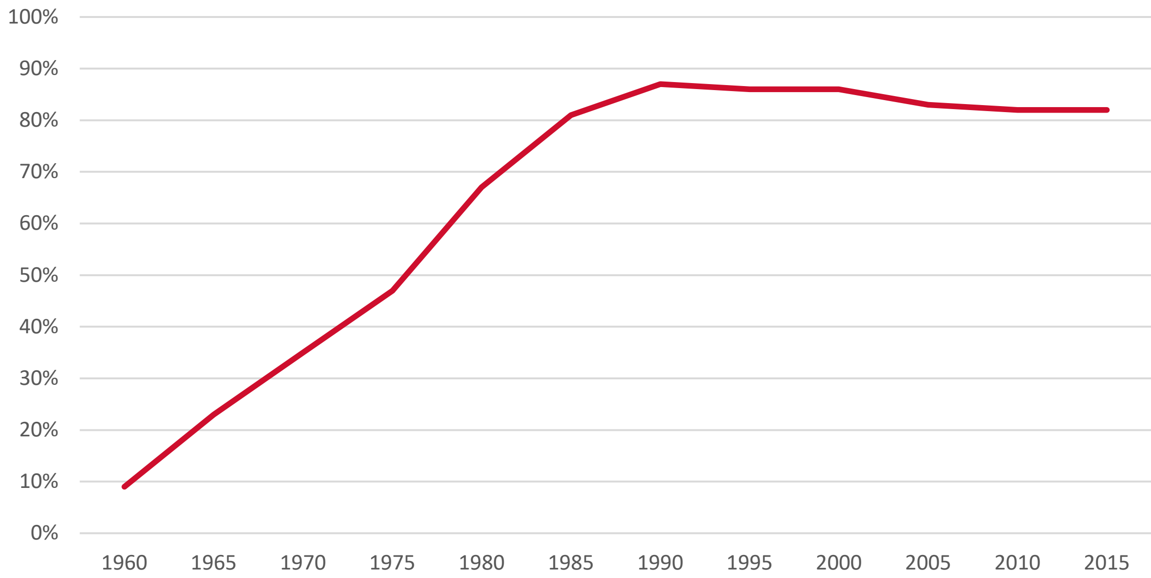
A Code of Conduct for Mortgage Loans was implemented in 2012, which has gradually wound back household debt levels through progressively tighter LTV and Loan to Income (LTI) limits, although these are less restrictive than most other comparator countries: the current LTV limit is 100 per cent, and LTIs vary by income band, from 3.5 for low-income households to 5.5 for high-income households. Similarly, governments have placed successive limitations on MITR claims, such as applying it to the base rate, rather than marginal rates of taxation, and disallowing its use for interest-only loans, although it remains a huge tax expenditure.

6.3.6 Singapore

Singapore's housing system is a unique combination of public provision and owner-occupation. Ninety per cent of all land in Singapore is state-owned, and about 80 per cent of Singaporean households occupy dwellings built by a government agency, the Housing and Development Board (HDB)—but those households are owner-occupiers who own long-term tradable leases (99 years, or the remainder thereof) (Figure 23).

In 2020, just over 1.2 million HDB apartments in 23 'towns' or estates were occupied by Singaporean households (HDB 2021) and the HDB took just over 22,000 'bookings' from homebuyers for new apartments. The 'resale' market for HDB dwellings is an increasingly important source of housing supply, with 26,436 registered resales in 2020–21. A privately developed 'private condo' sector caters to higher-income households and non-permanent residents, and a small sector of social rental housing is provided by the HDB. The HDB also administers grants and provides mortgage finance to purchasers, who can fund their purchase using their savings in the Central Provident Fund (CPF), a government agency that administers the country's compulsory savings and pensions system.

Figure 23: Households in HDB flats, proportion of resident population, Singapore, 1960–2015



Source: HDB 2021.

The main elements of Singapore's home ownership system are longstanding and deeply politically entrenched, but its function has evolved over decades. In the 1960s, Singapore's founding Prime Minister Lee Kwan Yew devised the basic pattern of subsidised public development of housing for owner-occupation, financed by compulsory savings, expressly as a nation-building project for the newly independent country. The HDB was established in 1960 to address a deep housing shortage, and built 50,000 apartments in its first five years, initially for rental occupation. Provision for home purchase was first made in 1964, and use of CPF savings was allowed from 1968. From 1971, owners were allowed to resell to other Singaporean citizens (rather than only to the HDB), subject to income and property thresholds on buyers and a three-year bar on vendors from purchasing again; this bar was lifted in 1979 and replaced with a levy on resale profits, and the resale market became much more active.

By the end of the 1980s, the supply shortage had eased, and income thresholds and citizenship requirements were lifted in the resale market (Phang and Helbe 2016). However, it remains the case that only citizens may buy new HDB apartments, and only singles aged over 35 may buy new or resale, and there are restrictions on using HDB apartments other than for owner-occupation. Only citizens can rent out a whole apartment, and only after an initial occupancy period.

In the 1990s, the HDB began partnering with private developers to create an 'Executive Condo' (EC) sector catering to moderate-income FHBs and other purchasers. It also introduced large cash grants for FHBs of resale apartments, to deliver a comparable subsidy to that embodied in the below-market prices charged for new apartments. Around the same time, home lending was opened up to private banks and prices rose markedly, which the Singaporean government met with anti-speculation measures such as increased stamp duties, 80 per cent LTVs, and increased HDB supply. The HDB slowed its rate of construction in the early 2000s, and introduced a Build to Order (BTO) system to match new construction to demand, with FHBs getting preferential treatment in the ballot of bookings. Since 2010, construction has again picked up.

6.3.7 United Kingdom

For more than 40 years, efforts to assist FHBs have formed a major component of UK housing policy. These have been part of an overt preferencing of home ownership that became especially apparent after 1979 in political aspirations for the creation of a 'home owning democracy' (Gentle, Dorling et al. 1994). However, even by that time, 'the UK [already] had a mature home ownership market with robust legal, financial and professional arrangements and institutions supporting new building for homeowners and a well-developed second-hand market' (Murie and Williams 2015: 657). With some similarity to Australia during the early postwar period, an important element of this institutional infrastructure had involved state-backed mortgages made available by local authorities, often at 100 per cent LTV. However, by the 1990s, these had disappeared because of public spending restrictions and Treasury state aid rules (Bramley and Morgan 1998).

The tax advantages enjoyed by UK owner-occupiers were somewhat moderated by the abolition of Mortgage Interest Tax Relief during the 1990s. However, of equal or greater importance was the deregulation of housing finance already ongoing at that time, which unleashed a fiercely competitive mortgage market. Consistent with the housing market boom psychology prevalent in the early 2000s, this compounded the impact of falling interest rates through lowered home-loan lending standards and increased tolerance for high LTV loans. Thus, in this period it was 'generally possible for households to become first-time buyers without first having to acquire a capital sum to provide a deposit' (Wilcox 2011: 22).

While declining affordability had already triggered the start of home ownership decline by the mid-2000s, this trend was exacerbated by a housing market crash that resulted from the 2008 'credit crunch' (GFC). New housebuilding fell sharply, and many previously owner-occupied homes were acquired by private landlords, as the private rental sector, reactivated following the lifting of rent controls in the 1980s and the emergence of the 'buy to let' mortgage product in the 1990s, continued its rapid expansion into the early 2010s. In 2015, however, 'the government and the Bank of England [took] a variety of steps to curb the expansion of the buy to let segment of the market' (Wilcox, Perry et al. 2017: 73). These moves, involving stamp duty, income tax and CGT changes, were officially said to be aimed at 'rebalanc[ing] the market in favour of homeowners' (2017: 73).

Alongside these post-1980 developments, UK governments have continued to implement a range of programs that actively facilitate entry into home ownership. By far the most significant of these has been the Right to Buy, enabling council housing tenants to purchase their existing home at a substantial discount on the dwelling's market value. By 2018 it had enabled 2.7 million former social renters to become owner-occupiers (Stephens, Perry et al. 2021). However, the greater part of this tenure transfer took place in the 1980s and early 1990s, and it is clear that the contemporary expansion in home ownership (from 58 per cent in 1981 to 68 per cent in 1998) was made possible only through a one-off transfer of formerly government-owned housing at very large price discounts.

Other major or long-running initiatives that have facilitated first home ownership in the UK in recent decades include subsidisation of SO dwellings developed by housing associations, and SE schemes—especially Help to Buy (HtB) from 2013 onwards—which have boosted consumer purchasing power in the private housing market. HtB and other post-GFC initiatives have been justified partly by the observation that, combined with cyclical market factors, tighter mortgage finance regulation during the 2010s severely reduced the availability of high LTV (low-deposit requirement) loans. This was a development that resulted in a 'deposit barrier' to home ownership access 'becom[ing] just as important as the more familiar and continuing "income barrier"' (Wilcox 2011: 22).

In contrast with the Australian experience, neither FHOG-style cash grants nor transaction tax concessions had featured significantly until recent times when, from 2017, the UK Government introduced substantial concessions on stamp duty for FHB purchase of lower-price properties in England, Wales and Northern Ireland (HM Revenue and Customs 2017).

6.4 Section 6 conclusion

While expanded home ownership is widely embraced as an overriding housing policy priority, the past decade saw falling owner-occupation rates in most of the eight countries covered in this research (Australia and seven comparator countries). In some of jurisdictions—Australia, Ireland and the UK—this trend predated the GFC. Subsequently flat or declining owner-occupation during the 2010s may have been compounded by strengthened mortgage regulation imposed in many countries in response to the GFC: these changes will have weighed especially on FHBs, impeding access to home ownership, while other policy settings continue to preferentially treat ownership, and so encourage households with housing wealth to extend their position in housing, either as upgraders or landlords.

The eight countries encompass substantial diversity in terms of policy approaches to the shared goal of supporting home ownership. While the twentieth-century expansion of owner-occupation was substantially a work of policy involving a range of direct interventions, most jurisdictions retreated from such activity at the time of financial deregulation in the 1980s. Among our comparator countries, Singapore is a strong exception to this rule, as it continues to maintain a 'managed market' approach in which a range of institutional structures and policy levers articulate with one another to that end.

Although with much less interventionist approaches to government than that of Singapore, most of our European comparator countries operate a range of instruments and programs aimed at supporting first home ownership, utilising both demand-side and supply-side mechanisms. Neither Australia nor Canada fit this mould. Canada is perhaps most notable as a country that—at least until very recently—has, for decades, taken a fairly hands-off stance when it comes to specific interventions in favour of FHBs. However, despite recording a remarkable level of house price inflation, Canada's home ownership rate has been maintained at a high and largely stable level. Part of the answer may lie in the strength of an institutional framework with an enduring national housing agency at its centre.

Australia, meanwhile, stands out from our comparator countries more on the basis of activity that is one-sided in its orientation (overwhelmingly reliant on demand-side instruments) and that—relatedly—lacks a strategic framework. Moreover, unlike some of the other countries in our study—such as Finland, the Netherlands and the UK—the Australian Government has resisted prioritising FHB interests by reforming tax settings that favour housing market competitors: established homeowners and would-be rental investors.

7. Demand-side assistance for FHBs in comparator countries

Key points

- **While FHB demand-side assistance measures are operated across all the comparator countries, the scale and nature of these vary considerably.**
- **As exemplified in Canada, Finland and Germany, FHB savings schemes in some countries are of greater significance than in Australia.**
- **In the anglophone comparator countries, the past decade has seen strong or growing interest in SE models as yet little represented in Australia.**
- **Some forms of demand-side assistance operated by comparator countries involve little or no cost to government; however, many of those that incur significant expenditure involve disbursements that are weakly targeted in terms of any express objective to enable home ownership for households otherwise excluded.**

7.1 Section introduction

In analysing FHB demand-side assistance measures across our seven comparator countries, this section parallels Australian evidence as set out in Section 3 and Section 4. The remit of Section 7 remit is detailed in Table 17.

Table 17: Demand-side policy tools covered in Section 7

Demand/supply	Assistance type	Example schemes/programs
Demand-side	Financial regulation	• Rules governing mortgage lending
	Expenditure programs	• Cash grants
	Tax concessions	• Stamp-duty concessions • Tax-privileged savings schemes
	Institutional innovations and financial instruments	• Loan assistance schemes • Mortgage guarantees • Equity investment and similar products
Supply-side	Use of publicly owned assets	• Public housing sale to tenants • Land-rent schemes
	Government-funded housing development	• State-resourced development of SO homes by non-government entities
	Land or property occupancy regulation	• Inclusion of 'affordably priced' homes in developments required via land-use planning powers • Restrictions on occupancy of privately owned homes • Use of publicly owned assets: land development

Note: the highlighted area of this table is to indicate the coverage of this Section within the context of our wider FHB assistance policy typology (as explained in Section 1).

Source: Authors.

Consistent with the format of sections 3, 4 5 and 8, the first half of this section outlines FHB-assistance schemes on a factual basis, under the main typology headings set out in Section 1. The second part of this section provides an evaluative assessment of the types of scheme and country-specific exemplars.

7.2 Demand-side measures in comparator countries

7.2.1 Financial regulation

In many countries, the post-GFC period has seen important developments in macroprudential rules—particularly around lending for residential real estate. As discussed in Section 6, as these changes have tended to involve new restrictions on loans to borrowers lacking equity, they have tended to be detrimental to FHBs who normally lack existing equity to use as collateral when purchasing a home. In some cases—Singapore, Ireland and Finland (see Table 18)—the rules make special provisions that seek to favour FHBs, or to at least offset other recent regulatory changes that have negatively impacted on this cohort (see Section 6).

Table 18: Use of financial regulation interventions to assist FHBs in comparator countries

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Financial regulation			Limited		Limited		Limited	

Key: Heavy use   Moderate   Limited

Source: Authors.

For example, the Monetary Authority of Singapore has imposed an LTV limit of 75 per cent on borrowers who have a (non-HDB) housing loan, and 45 per cent for second loans (and 35 per cent for third housing loans). In Ireland, the regulator-advised LTV limit on FHB loans is 90 per cent, rather than the usual 80 per cent for owner-occupiers and 70 per cent for investors, and there is provision for up to 5 per cent of a lender's FHB loans to be above this limit. Similarly, Finland's LTV limit for FHB loans is 95 per cent, rather than the usual 90 per cent. Particularly in Ireland's case, our country expert emphasised the continuing difficulty for FHBs to access finance; the special affordance in the macroprudential rules appears to be highly marginal.

7.2.2 Grants and concessions

Table 19: Use of grants and concessions in comparator countries

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Grants, concessions								

Key: ■ *Heavy use* ■ *Moderate* ■ *Limited*

Source: Authors.

We saw in Section 3 how grants and tax concessions are the predominant forms of FHB assistance in Australia. Several of our comparator countries also operate substantial grant and concession schemes that are, in some instances, even more substantial than Australia's—although not so exclusively to other approaches to assistance. This is exemplified by the case of Singapore.

While renowned for its direct housing market intervention as a housing developer (see Section 6 and Section 8), the Singapore Government also operates a scheme of FHB grants and other forms of demand-side assistance. The main instrument here is the Enhanced CPF[12] Housing Grant (EHG), which pays up to S$80,000 (AUD$82,000) to FHB couples purchasing a new or resale HDB dwelling. The amount of the grant depends on household income; it tapers to S$5,000 for households on S$9,000 per month (the maximum income eligible for the grant). The EHG covers a significant proportion of purchase prices, particularly for small dwellings. For example, the average price for a 3-room (2-bedroom) apartment in Woodlands, a new HDB town in the island's north, is S$206,000: the average grant (just over S$32,000) is 12 per cent of that price and more than covers the deposit required for a HDB loan; the maximum grant is about 38 per cent of the price.

Unlike Australia and other countries where grants are targeted exclusively at new dwelling acquisition, Singapore makes larger grants to FHBs purchasing resale dwellings through eligibility for grants additional to the EHG (Table 20). For example, a Family Grant of up to S$50,000 or a Singles Grant of up to S$25,000, and a S$20,000 Proximity Housing Grant if purchasing a resale apartment near their parents (S$30,000 if living with them). Executive Condo purchasers (see Section 8) are eligible for a Family Grant of up to S$30,000.

Table 20: Grants payable to FHBs in Singapore (Singapore dollars)

	EHG*	Family*	+ Proximity Housing	Maximum total grant
HDB new	5,000–80,000			80,000
HDB resale	5,000–80,000	+ 40,000–50,000	20,000–30,000	160,000
EC		10,000–30,000		30,000

** Singles over 35 years may receive a grant at half rate (but not for ECs; singles not eligible).*

Source: HDB (2021).

12 Central Provident Fund, Singapore's vehicle for retirement savings—see Section 6.3.6.

Grants for resale purchase are larger than grants for new purchase, which reflects that new HDB dwellings are sold at subsidised below-market prices. In 2020–21, almost 13,759 EHG payments were made, in addition to 6,911 Family Grants and 3,609 Single Grants (HDB 2021).

Also significant in Singapore are the steep stamp duties designed to deter speculation in housing. Additional Buyer's Stamp Duty (ABSD) is not levied on the first property an individual or household buys, but on a second purchase ABSD is levied at 17 per cent, and on a third purchase it is levied at 25 per cent.

Ireland's grant scheme Help to Buy (HTB) is currently the country's main FHB-assistance scheme. Unlike the UK program of the same name, which is an SE scheme, Ireland's HTB is notionally a refund of income tax and Deposit Interest Retention Tax paid by eligible FHBs in the preceding four years—but effectively a cash grant with some parallels to Australia's FHOG. The amount of the grant is €20,000 (AUD$32,000) or 5 per cent of the dwelling price or the amount of tax paid in the preceding four years (whichever the lower).[13] To qualify, the dwelling must be newly constructed, priced at not more than €500,000 (AUD$792,000), and purchased with a loan of not less than 70 per cent of the purchase price.

HTB was introduced in 2016 as part of the Rebuilding Ireland suite of policies. It was originally estimated to cost €40m (AUD$63m) per annum and intended to run for three years. The cost was in fact €69m (AUD$109) in its first year, and in 2019 it was extended for a year, and then was extended again and increased during the pandemic (Taxation Strategy Group, 2021). The proportion of FHBs accessing HTB has increased from 36 per cent in 2017 to 46 per cent in 2020, and will likely be higher still in 2021.

Finland and the UK offer significant concessions on property transfer taxes, rather than grants as such. In Finland, FHBs aged under 39 pay no transfer tax, which is otherwise normally 4 per cent of property value. The total value of the concession in 2019 was €105m (AUD$166m). In England and Wales, under rules introduced in 2017, FHBs purchasing dwellings valued at £500,000 (AUD$927,000) or less pay no stamp-duty land tax on the first £300,000 (AUD$556,000) of value, and 5 per cent on any portion above that. The cost of the measure was £540m (AUD$1,002m) in 2019/20 (HM Revenue and Customs 2020). The number of buyers benefiting from the relief in 2019/20 was 222,700 (HM Revenue and Customs 2020)—making the per capita benefit a relatively modest £2,425 (AUD$4,498). For reference, the equivalent figures for NSW and Victoria on the most recent available data were $15,600 and $16,300, respectively (see Section 3).

Other comparator countries offer grants and concessions on a more limited basis. Germany's housing grant, the *Baukindergeld*, has been available specifically to households with children and incomes under €90,000 per annum (AUD$143,000) (plus €15,000 (AUD$24,000) for each child after the first). Administered by KfW, the state-owned development and investment bank that plays a significant role in lending to FHBs (see below), the *Baukindergeld* is a €12,000 grant paid over 10 years. *Baukindergeld* has been dependent on children, so recipients get €12,000 per child (or €1,200 annually over 10 years). Introduced in 2018, the *Baukindergeld* has been a partial successor to a larger grant, the *Eigenheimzulage*, which ran from 1996 to 2005, when it paid €32,000 (AUD$51,000) to four-person households) and 2016–2020, when it paid €24,000 (AUD$38,000) to four-person households. However, the *Baukindergeld* has recently been abolished. The incoming German federal government plans to introduce loans that can be used as equity, and they plan to lower the land transfer tax (or stamp duty) for first-time buyers.

Canada offers a relatively small tax concession to FHBs, known as the Home Buyers Amount, currently $750 (AUD$820), and recently proposed increasing it to $1,500 (AUD$1,640). Other concessions are offered in connection with savings—see subsection 7.2.3.

13 Although as a COVID-19 stimulus measure it was temporarily increased during the early pandemic to €30,000 or 10 per cent of the dwelling purchase price, or the amount of tax paid in the preceding four years.

7.2.3 Savings schemes

Table 21: Use of grants and concessions in comparator countries

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Savings schemes								

Key: ■ *Heavy use* ■ *Moderate* ■ *Limited*

Source: Authors.

Recognising that saving for a mortgage deposit is a major challenge for most aspirational FHBs, most of the comparator countries have established special savings schemes for FHBs. Like Australia (see Section 3), three of them—Singapore, Canada and Germany—involve the country's retirement savings scheme, but on quite different terms.

Singapore's Central Provident Fund (CPF) receives and manages compulsory savings contributions from employers and employees, and has played a major role in financing first home purchases since 1968. FHBs may use the savings in their CPF Ordinary Accounts (OAs) as a deposit for home purchase, and to service their home loan. Funds used for home purchase must be returned to the OA when a property is sold, although they may be accessed again for a subsequent home purchase.

Canadian workers can make voluntary contributions to concessionally taxed registered retirement savings plans (RRSPs). Under the Home Buyers Plan, a provision introduced in 1991, a FHB may withdraw up to CAN$35,000 (AUD$38,400) from their RRSP for a home purchase. The withdrawn amount must be repaid within 15 years, or the owner will be liable to pay tax on the outstanding amount. Where there are two adults in the household, up to CAN$70,000 (AUD$76,800) can be withdrawn.

Box 4: FHB savings schemes in Germany

Germany has two notable savings schemes, neither specifically limited to FHBs, but important for home ownership finance and for the theme of subsidy efficacy.

The first is a provision in the country's private retirement savings system (*Riester*), in which employees make voluntary tax-deductable contributions to *Riester* accounts and the government makes matching contributions, which fund a pension in retirement. The system also allows for *Wohn-Riester* schemes, where the contributions instead pay for home purchase (or the purchase of housing cooperative shares, or home modifications for retirement). In the retirement phase, *Riester* pensions are taxed, so for equivalent treatment the total amount of a person's *Wohn-Riester* payments, plus 2 per cent, is taxed at retirement. A virtual interest rate of 2 per cent is applied to convert the amount of savings (amortisations) in a virtual annual pension, which is taxed. Given that the rate for mortgages is well below 2 per cent, the *Wohn-Riester* is currently considered unattractive.

The second notable German savings scheme is its longstanding system of *Bauspar* savings contracts. Offered by specially regulated credit institutions (*Bausparkassen*), a *Bauspar* contract obliges the customer to make regular contributions towards a nominated amount and entitles them, after a specified minimum time period, to access their savings and a loan for the balance of the amount. The average *bauspar* amount for new contracts in 2021 was €50,000 (AUD$79,400). About 60 per cent of property purchases involve a *bauspar* amount and 30 per cent of Germans have a *bauspar* contract (Verband der Privaten Bausparkassen 2021). There is also a subsidy for *Bausparen* (Voigtländer 2019).

Linked savings and loans are also a feature of Finland's ASP Housing Saving and Support scheme, established in 1982. Through a participating bank, young persons aged 15–39 years may open a savings account and, if they make regular contributions towards a savings target, receive bonus interest and, on meeting the target, access to an ASP loan for up to 90 per cent of the purchase price of a dwelling (in contrast to the usual 70 per cent LTV limit), subject to price caps varying by municipality. The government guarantees the loan, and for the first 10 years subsidises interest payments should they rise above 3.8 per cent (with the government paying 70 per cent of the excess). Because of the area caps on the maximum ASP loan amount, FHBs may need a supplementary unsubsidised loan for purchases above the cap.

7.2.4 Government-facilitated loans

Table 22: Availability of government-facilitated loans in comparator countries

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Loans	Limited			Moderate	Limited	Limited	Heavy use	
Guarantees	Limited		Moderate			Moderate		Limited

Key: *Heavy use* *Moderate* *Limited*

Source: Authors.

Although on widely differing scales, several of the comparator countries make available government-issued loans for first home purchase. Somewhat in contrast with the *low-deposit* loans available to some Australian FHBs—for example, Homestart, Keystart and NHFIC's FHLDS—these tend to be offered on a *low interest* basis. In other words, they prioritise home ownership *affordability* as well as *access*.

Assistance of this kind is particularly important in Singapore. Here, FHBs may benefit from access to HDB state-backed loans for up to 90 per cent of the purchase price of an HDB unit. Moreover, all of the 10 per cent deposit may be furnished from the FHB's CPF account. The interest rate on an HDB loan is 2.6 per cent, and has been for two decades, being set at 0.1 per cent above the interest rate on OA savings. FHBs may also borrow from private banks, which in recent years have offered rates lower than the HDB, but with higher deposit requirements—20 per cent, of which 15 per cent may come from the CPF.

In Ireland, state-backed loans to FHBs were historically provided by local authorities at scale. As recently as the 1980s, such loans still accounted for 30 per cent of the market. Although they are nowadays much less extensively issued, mortgages of this kind remain available today. The 'Rebuilding Ireland Home Loan' is a 25-year or 30-year fixed-interest local authority mortgage for low-wage FHBs. The program is financed by the Housing Finance Agency, with funds sourced from the capital markets. In 2019, just over 1,000 Rebuilding Ireland loans were issued, representing about 6 per cent of FHB purchases in that year.

In Germany and the Netherlands (Box 5), state-backed loan assistance is configured via secondary loans. In Germany the state-owned investment and development bank KfW issues low-interest loans (normally fixed at 0.85 to 1 per cent) for FHB acquisitions. Typically, these are effectively a top-up loan taken out alongside a larger mortgage from a private bank. The banks themselves act as distributors, by receiving KfW loans and passing them through to eligible borrowers.

Box 5: *Starterslening* in the Netherlands

The *Starterslening* or Starters Loan is a 'low start product' (initially interest and repayment free) available to FHBs in the Netherlands as a secondary mortgage. Eligibility criteria include an age limit and maximum purchase price. The second loan bridges the financing gap between the regular mortgage affordable to the buyer and the property purchase price, and is subject to purchasing power and income tests. Thus, with the size of the loan often limited to 20 per cent of the property value, it is attractive for buyers whose income will support a mortgage of only 80–90 per cent of the price.

The *Starterslening* is funded by contributions from participating municipalities which also, accordingly, set eligibility rules. Scheme participants in 2021 were typically in their mid- to late-20s, borrowing an additional amount of €28,100 (AUD$44,600) towards a home costing on average €198,000 (AUD$314,000). This amount is only 70 per cent of the national average for all starter homes, which indicates that assistance of this kind is targeted towards the lower end of the market.

In the first three years after purchasing the dwelling, the homeowner pays no interest on the starter's loan —effectively a non-repayable subsidy. Subsequently, a three-yearly means test assesses the homeowner's continuing need for such assistance. Typically, after six years, the buyer begins repayment of the principle, as well as payment of interest. Moreover, the principal must be fully repaid when the property sells, or upon the expiry of the 30-year mortgage term (Elsinga, Hoekstra et al. 2015).

As a means of enabling FHB access to low-deposit home loans, mortgage guarantee schemes have similarities to state issued loans. As in the Australian NHFIC FHLDS arrangement, they involve government-backing for private bank-issued mortgages, usually to facilitate low-deposit loan issuance. Thus, the UK Government's 2021 Mortgage Guarantee scheme aims 'to increase the appetite of mortgage lenders for high loan-to-value lending to creditworthy customers' (HM Treasury 2021). This is achieved through a lender purchasing a government guarantee to protect them from some financial risk in the event of loan default. A commercial fee is charged to the lender for this service. This makes the scheme self-financing, factoring in expected default rates.

An earlier version of the scheme (2013–16) similarly aimed to remedy the lack of low LTV mortgage products in the market at that time—relative to the pre-GFC situation. Availability of such loans crashed in 2008, and again in 2020. On the basis that there was a large increase in the number of such products in the market 2013–2017, the guarantee scheme was officially claimed as a success (HM Treasury 2021). This portrays the guarantee as an effective intervention to counter a form of market failure. The 2021 scheme was announced as a short-term measure, in the expectation that post-pandemic recovery will see the restoration of 'normal lending conditions' where high LTV mortgage products reappear in the market.

7.2.5 Shared-equity schemes

Table 23: Deployment of SE instruments in comparator countries

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Shared equity	Limited	Limited			Moderate	Limited		Heavy use

Key: ■ *Heavy use* ■ *Moderate* ■ *Limited*

Source: Authors.

The past 10–20 years have seen globally growing interest in the SE home ownership concept—a trend reflected across the comparator countries. The UK is probably the leading exponent of such an approach, with its Help to Buy (HtB) SE program forming the main vehicle for government assistance to FHBs during the 2010s.[14] SE provision also features prominently in Ireland's 2021 national housing strategy 'Housing for All'.

In keeping with the discussion in Section 4, the term shared equity (SE), as used in this report, refers to an arrangement that divides the value of a dwelling between two entities, although only one of the entities (the occupier) has a legal ownership interest, with the other entity's interest secured by a second mortgage or similar charge. Thus, under SE, an individual or household occupier holds full title to the home, subject to a legal arrangement that entitles the other party to a specified proportion of (any) capital gain on the sale of the property, according to the equity share assigned to that party at the outset.

Given this report's central focus on government-sponsored or enabled FHB-assistance models, it is SE manifestations of this type that are our main concern. However, although at relatively small scales, privately sponsored SE schemes exist in some of the comparator countries, just as in Australia—and one such instance is mentioned at the end of this section (see Box 6). Other SE-type structures that have significance in some other countries include community land trusts, particularly as represented in the USA (Ehlenz and Taylor 2019; Martin, Esfahani et al. 2020).

Box 6: Help to Buy schemes in the UK

Initiated in 2013, Help to Buy (HtB) is the latest in a series of UK SE programs going back to the late 1990s, and the largest FHB-assistance program operated during the 2010s. Buyers are aided through a 25-year equity contribution—styled an 'equity loan'—which in early rounds of the program covered up to 20 per cent of property value; lately increased to 40 per cent in London and reduced to 15 per cent in Scotland. The equity contribution is provided at no cost to the FHB for the first five years; after that, a fee is charged on the balance of the equity loan at 1.75 per cent per annum, rising by 2 per cent plus CPI in subsequent years.

HtB has been restricted to the acquisition of new dwellings constructed by builders registered with the program. Until recently, the scheme was technically open to non-FHBs, although the latter have accounted for only around 20 per cent of scheme participants (Stephens and Blenkinsopp 2020). While there have been no income eligibility criteria, regionally variant property price caps have applied.

By 2019, over 217,000 homes had been acquired under HtB in England, Wales and Scotland, with UK Government expenditure on the program already totalling £13.5 billion (AUD$25.4 billion) (Stephens and Blenkinsopp 2020). Over the long term, however, equity loan repayments will see these funds returned to government with gains proportionate to property price uplift. Indeed, HtB equity loans redeemed by 2020 saw the government benefiting from an average uplift of more than 10 per cent compared with the original loan value (House Builders Federation 2021).

SE is also a feature of the UK Government's First Homes scheme, launched in 2021 and positioned as a replacement for HtB in England from 2023. First Homes dwellings are to be offered for purchase at a discount of 30–50 per cent on the market price, with the government stake intended as being retained in perpetuity. The First Homes scheme is planned to be a form of 'perpetual shared equity' (Whitehead and Williams 2020). Thus, as officially framed, 'generations of new buyers and the local community will continue to benefit every time the property is sold' (HM Government 2021). The scheme has income eligibility criteria (the same as the UK's longer-standing SO scheme, discussed in Section 8), and property price caps. Because First Homes is to be delivered via land-use planning regulation, other aspects of it are also discussed in Section 8.

14 Although the program was not initially restricted to FHBs.

Beyond the UK, SE models are operated in two other anglophone comparator countries—Ireland and Canada. Ireland is rolling out two SE schemes, similar to the UK's HtB and First Homes respectively, as part of its 'Housing for All' policy suite. Commencing 2022, the 'First Home Affordable Purchase Shared Equity Scheme' will see the Irish Government and participating banks contribute, as an equity stake, up to 30 per cent of the purchase price of a dwelling (or up to 20 per cent, where a HTB grant is also provided). Participating FHBs will be required to maximise their loan (to 3.5 times gross income), and caps on dwelling prices varying by location (based on median prices) will also apply. The equity stake will be secured by a charge on the property, and from the fifth year of the arrangement, a service charge will be payable by the homeowner on the equity stake—1.75 per cent, gradually rising to 2.85 per cent at year 30.

On a similar model still in small-scale use in some Australian states (see Section 4), SE will also feature in Ireland's Local Authority Home Purchase Schemes under 'Housing for All', and in 'affordable homes' included in newly built mixed-tenure developments as mandated through the planning system (see Section 8). This latter arrangement will involve local authorities taking an equity stake to reduce prices paid by FHBs. It is proposed that there will be no requirement on the FHB to buy out the equity stake, unless they sell or transfer the property.

Several SE schemes are operated in Canada, although on a relatively modest scale. The First Time Home Buyer Incentive (FTHBI) is a federal government initiative launched in 2019, under which the government may contribute a small equity stake in FHB purchases: 5 per cent for an existing dwelling, and up to 10 per cent for newly built. This 'helps qualified first-time homebuyers reduce their monthly mortgage carrying costs' (Government of Canada 2021). Annual household income caps (e.g. $150,000 for Toronto—about AUD$163,000) and borrowing limits apply.

The size of the mortgage plus the incentive amount is also capped at four times the buyer's household income. As a result, the scheme has had limited applicability in the country's most expensive housing markets—Toronto and Vancouver—despite income caps being lifted in 2021 for these cities to address this issue. The equity stake must be paid out on sale of the property, or after 25 years.

With a three-year $1.25 billion (AUD$1.36 billion) budget, the FTHBI was intended to assist up to 100,000 FHBs, but as at December 2020 only 10,600 FTHBI mortgage applications had been processed. One factor in the scheme's relatively low take-up may have been that the government originally became a co-owner of the property—that is, a 'tenants in common' arrangement—although this was changed in 2021 to an equity stake.

Box 7: Not-for-profit, non-government SE development in Canada

Much longer-established SE activity in Canada has involved private non-profit developers set up to provide apartments for (relatively) low-cost sale via a model that avoids reliance on explicit government subsidy. Three such providers are Accès Condos in Montreal, and Options for Homes and Trillium in Toronto.

These schemes rely on reducing development costs through the elimination of marketing expenses and, in some cases, access to municipal land. An equity stake—styled as an 'advance' or 'down payment support' to the FHB—of 10–25 per cent is retained by the developer. At least in some cases there is a private equity component—that is, the model operates as a vehicle for private investors to benefit from property value uplift, assuming favourable market conditions.

Employing this approach, Accès Condos reports having developed 3,600 apartments in Montreal (Accès Condos n.d.), while Options for Homes states that it has built 3,100 units in Toronto (Options for Homes 2021) since 1994.

7.3 Demand-side instruments operated by comparator countries: assessment

Table 24: Demand-side instruments operated by comparator countries: assessment overview

Scheme type	Access	Affordability	Targeting and eligibility	Administrative simplicity	Risk	Subsidy and subsidy effectiveness	Associated objectives
Financial regulation (Finland, Ireland)	Preferential regulatory tolerance for high LTV loans to FHBs could enhance access	No specific impact	No specific targeting	No particular implications	FHB purchasers buying on high LTV mortgage basis potentially exposed to risk	None	
Grants and concessions (Finland, Ireland, Singapore, UK)	Potentially significant advantage conferred on FHBs, especially in Singapore where grant value relatively large. Elsewhere less significant	Potentially significant advantage conferred on FHBs, especially in Singapore where grant value relatively large. Elsewhere less significant	Varies across countries: substantially targeted in Singapore and Germany; much less so elsewhere	Potentially quite complex, especially where more targeted	No special implications	Substantial effective subsidies (including via tax expenditures) where either small amounts are broadly targeted (e.g. UK), or large amounts more narrowly distributed (e.g. Singapore)	
Savings schemes (Canada, Finland, Germany, Singapore)	Largely targeted to enhance access by reducing deposit barrier	Little specific impact	Largely untargeted; liable to disproportionately benefit higher- rate taxpayers	Administratively simple	No special implications	Negligible	
Government-facilitated loans (Germany, Ireland, Netherlands, Singapore, UK)	Government-backed low-interest rate loans may contribute to both access and affordability	Government-backed low-interest rate loans may contribute to both access and affordability	Varied across countries: more targeted in the Netherlands, less so in Singapore and UK	Difficult to generalise	Where main aim to facilitate low-deposit mortgage (as in UK) potential borrower risk implications; less so in other schemes	Negligible for 'vanilla guarantee' schemes; potentially significant for discounted interest rate arrangements	
SE schemes (Canada, Ireland, UK)	Potentially beneficial in relation to both access and affordability where involving a significant proportion of equity held by third party, less so in Canada where this does not apply	Potentially beneficial in relation to both access and affordability where involving a significant proportion of equity held by third party, less so in Canada where this does not apply	As operated in Canada, Ireland and UK, targeted mainly through property price caps rather than income (other than in Canada)	Recently simplified in Canada through transition from 'tenants in common' model to relatively uncomplicated SE framework	Buyers can be substantially shielded from risk by ability to avoid high LTV mortgage	Potentially significant up-front commitment; long-term gains predicated on government benefiting from rising property market	By restricting to new-build housing (as in UK HtB scheme), advantageous to residential construction industry

Source: Authors.

7.3.1 Access

Many of the FHB demand-side devices and programs reviewed in this section are ostensibly directed to the access problem: that is, the high up-front cost of purchasing a home, as mainly represented by the standard requirement for a substantial mortgage deposit or down payment. This includes almost all the grants and concessions (Germany's *Baukindergeld* may be an exception, being paid over 10 years post-purchase), the shared-equity schemes, the savings schemes, the mortgage guarantee schemes and the loans schemes—although loans schemes also address the affordability problem.

The essential operation is to put the marginal would-be FHB in a position to obtain a loan that enables them to outbid other buyers—that is, the FHB is able to set a new higher price. The larger the assistance, the wider the margin of would-be FHBs and the greater that bidding up.

Many initiatives—particularly the grants and SE schemes—are expressly targeted to purchasers of newly built dwellings, thus apparently adding to the housing stock and thereby mitigating the associated price increase in a way that assistance applicable to existing home purchases would not. However, where—as in the latter case—the owner of an existing dwelling is thus induced to bring it to the market, that is also new supply, in the sense that it would not have been made available at the previous lower price. Theoretically, therefore, we should expect an addition to the housing stock to be made when the vendor buys a replacement dwelling—or the final vendor in a chain of transactions induced by the higher price. This is evident from the case of Singapore, where one of the intended effects of large grants for FHB purchases of resale apartments is to facilitate 'upgrading' by established owner-occupiers.

Singapore mitigates the price effect for FHBs with a distinct supply-side strategy: it continues to produce new dwellings for sale at below market prices. Elsewhere, the stipulation that grants and equity contributions go directly to purchasing the new dwelling means a thinner program of assistance—that is, there are fewer recipients, because existing dwelling acquisitions are excluded—and more of the new stock is built to lower price points, like the Australian detached suburban fringe development highlighted by the academic expert cited in Section 3.

Because they—in effect—push up prices, these forms of assistance contribute to the access problem they are said to be targeting. This raises the prospect of a positive feedback loop of continued increases in these forms of assistance to chase price increases. As we have seen in the case of Australia, governments have deliberately boosted grants and concessions from time to time to shore up prices; Ireland's recent extension of the HTB payment appears to be an example of this too.

However, there are signs of governments attempting to rein in these expenditures. Limiting grants and equity contributions to new build is one example. The shift in policy interest towards SE schemes is another, particularly the revolving fund idea—that is, the idea of the government contribution being returned to government for recycling to a new scheme participant. However, this raises the question of the fairness of assisted households having equity gains snipped away by charges or repayment requirements while other households that access home ownership via family assistance or other means continue to take all the equity gains from rising prices. Relatedly, this may have further implications for market dynamics and residential mobility: a household may be assisted onto the first rung of the home ownership ladder, but find that the second rung still telescopes away from them.

7.3.2 Affordability

Some of the demand-side assistance models reviewed in this section have the potential to enhance first home purchase affordability, although this depends partly on the extent of effective financial support (subsidy).

Where they offer recipients a discounted interest rate (as in the Dutch *Starterslening* scheme), government-facilitated loans may somewhat reduce the cost of ownership. This could push down the income threshold for owner-occupation. However, lower interest payments may be capitalised into higher purchase prices. Whether that is the effect will depend on loan issuance practice—for example, repayment stress-testing rules and assumptions.

The effect will also depend on how effectively scheme eligibility rules minimise ‘upmarketing’. This refers to the possibility that enhanced purchasing power thanks to a low-interest loan may enable a household already capable of accessing home ownership to buy a larger or otherwise better property. If the express purpose of the scheme is to assist people to access home ownership who would be otherwise unable to do so, this could be interpreted as ‘deadweight’ expenditure—see 7.3.3.

7.3.3 Targeting and eligibility

In a few of the schemes that operationalise the demand-side assistance models discussed in this section, assistance is significantly targeted to people in need of such help. This is particularly true of Singapore’s FHB-cash-grant program and Ireland’s concessional loans scheme.

However, in most other cases, targeting with the aim of enabling lower-income home purchase is weak or non-existent. Typically, schemes adopt the indirect approach of limiting eligibility through caps on acquired property value rather than purchaser income as such. Approaches of this kind are exemplified by the UK Government’s FHB stamp-duty-relief framework and by the *Starterslening* in the Netherlands.

Similarly, while England’s First Homes SE scheme is subject to explicit income eligibility restrictions, the levels at which these are set do not facilitate significant targeting of assistance in favour of the lower paid. For both these schemes, 2021 income limits were £80k (AUD$150k), or £90k (AUD$168k) in London. For context, UK median household income in 2019/20 was £29,900 (Office for National Statistics 2021). Like HtB, First Homes is also subject to property price limits. For London, the First Homes property price limit is £450k (AUD$846k) and for other regions it is £250k (AUD$470k). It has been suggested that these are relatively high figures that militate against the scheme being even indirectly targeted to lower-income buyers (Brady 2021).

Especially where schemes are, at the same time, restricted to newly built dwellings—as in the UK HtB program—this may strengthen the impression that their primary objective is to support the construction industry rather than to facilitate home ownership for lower-income households.[15]

Far from embodying the ‘targeting according to need’ principle, some FHB-assistance schemes are actually regressive in effect. The Irish Government’s HTB cash-grants scheme has been officially criticised as such, as it pays more to claimants with higher taxable incomes (Taxation Strategy Group 2021).

Consistent with the fact that many programs lack tightly specified eligibility rules, evaluation evidence suggests that ‘additionality’ attributable to FHB-assistance schemes of this kind is often limited. That is, only a small proportion of benefiting scheme participants are enabled to access home ownership where they would have been otherwise unable to do so. As further discussed below, low levels of additionality imply limited subsidy effectiveness.

7.3.4 Administrative simplicity

A review such as the current research necessarily prioritises breadth over depth. This is especially true for the international comparative component of the project. In these circumstances, it is inherently difficult to judge the administrative complexity involved in actual scheme implementation. Consequently, although it would appear that most of the models analysed in this section may be operationally relatively simple, this assessment cannot be made with a high degree of certainty.

15 The UK Government’s HtB scheme was explicitly motivated by the desire to support the construction industry.

7.3.5 Risk

Since few of the FHB demand-side assistance schemes reviewed here are primarily aimed at facilitating low-deposit mortgages, this aspect of risk is generally no greater than would be the case for an unassisted FHB. Indeed, as argued by one interviewee, a case for officially-backed SE products can be justified on a rational basis:

> If you take [name of scheme], the government is clearly much better equipped to handle the risk on the 20 per cent [of a property's equity] it owns than an individual [homebuyer] or even a group of individuals. [Also bearing in mind that a first homebuyer purchasing a new-build property is exposed to risk because of the '15 per cent' new-build premium, the model] does handle the risk in a way that seems sort of rational. (Government interviewee)

7.3.6 Subsidy and subsidy effectiveness

In terms of their cost to government, the demand-side assistance policies reviewed in this section can be split into three categories.

1. Those that require little or no financial support—for example, savings schemes that allow repayable withdrawal from pension accounts for house purchase; underwriting privately issued mortgages with a government guarantee (where only a contingent liability is incurred).
2. SE schemes that involve government outlays but where there is a long-term prospect of capital growth when equity shares are repaid—provided that property values continue to increase.
3. Grants, concessions and interest rate subsidies that incur actual (non-recoverable) expenditure or which otherwise reduce taxation revenue.

As to subsidy effectiveness, in the context of schemes where expenditures (including tax expenditures) are justified on the basis of helping people to access home ownership, the support received by households not requiring such help is often termed 'deadweight'. From an efficiency, or value-for-money perspective, this is of course to be minimised.

For example, arguably exemplifying the ineffectiveness of restricting assistance eligibility only by property price caps, a Scottish Government–commissioned study estimated that 'the overall proportion of buyers using Scottish Government SE schemes who can considered to be 'additional' is 28 per cent' (Craigforth Research 2020: 10). The figure was only 20 per cent for the HtB scheme, specifically—mainly because of the large proportion of HtB buyers judged to have been otherwise able to buy a smaller suitable home (Craigforth Research 2020). Expressed in a different way, up to 63 per cent of English HtB buyers could have afforded to access home ownership without such help (Stephens and Blenkinsopp 2020).

Another measure of subsidy (in)effectiveness is the extent to which enhancing FHB purchasing power for newly built dwellings helps to enhance supply without inflating prices. On this count, a 2018 review of the Irish Government's HTB cash grants scheme concluded that it had stimulated a 'marked increase in supply' and a 'very small' increase in prices. It also found that HTB had reduced the time taken by claimants to save for their purchase (Taxation Strategy Group 2021).

7.3.7 Associated objectives

The most significant 'associated objective' identified in Table 24 is the way that restricting assistance eligibility to acquisition of newly built dwellings is, in effect, channelling demand into new construction. This has been particularly important in the case of the UK Government's Help to Buy scheme, launched at a point (2013) when there was significant official anxiety about the sluggish revival of housebuilding after the 2008 GFC. The substantial growth in UK residential construction output recorded in the second part of the 2010s could be taken as evidence of policy success in this respect, although other factors will also have contributed. On the other hand, Stephens and Blenkinsopp (2020) commented that, by the end of the decade, most of the UK's largest housebuilders had become 'rather dependent' on the HtB scheme.

7.4 Section 7 conclusion

FHB demand-side assistance measures are operated across all of our comparator countries. However, while these generally include cash grants and concessions of the kind historically dominant in Australia, the nature of the programs is very different. Some, such as Singapore's grants program, are so substantial on a unit-value basis that they may have significant impacts on affordability.

Although it is conventionally accepted, the argument that demand-side FHB assistance is more inflationary where applicable to acquisition of existing (as well as newly built) homes, this is questionable when considering the reality that:

- the additional purchasing power may 'bring an additional home to market'
- transaction chains resulting from an initial purchase may involve acquisition(s) of newly built homes.

Many of the other forms of demand-side assistance found across the comparator countries also have similarities to schemes implemented in Australia at some scale. This would be true of savings schemes and, especially recently, government-enabled housing loans. In the anglophone countries, the past decade has seen strong or growing interest in SE models, which are as yet little represented in Australia. The way that the UK's main SE scheme has channelled housing demand to newly constructed housing could be instructive for Australia, should there be any future perceived need for housebuilding industry stimulus.

While there are forms of demand-side assistance that involve little or no cost to government, many of those that incur significant expenditure involve disbursements that are weakly targeted in terms of any express objective to enable home ownership for households otherwise excluded. For many of those receiving such help, the impact on their home ownership prospects is, as summarised by one of our industry expert interviewees, 'bigger, better, sooner'.

8. Comparator country approaches to assisting FHBs: supply-side approaches

Key points

- **By comparison with Australia, supply-side approaches to FHB assistance are more common in a number of our comparator countries.**
- **Among these approaches are the sale of social housing to sitting tenants at discounted prices, the fostering of shared ownership as a hybrid tenure, and the exercise of land-use planning powers to mandate the inclusion of homes for low-cost sale within market housing developments.**
- **In Finland (Helsinki) and in Singapore, comparator country practice exemplifies the potential for government to play a leading role in land development—to the benefit of aspiring FHBs.**
- **While few of the supply-side approaches to FHB assistance operated in comparator countries would be easily translatable to Australian conditions, there are potential learning points—especially in relation to the possible scope for government to make more imaginative use of planning and land-disposal powers.**

8.1 Section introduction

> There is a paradigm change towards more object subsidies, bricks and mortar … policy makers and politicians see the scarce supply of new housing and they are willing to invest. (Policy researcher, the Netherlands)

This section focusses on supply-side interventions associated with the production of dwellings for FHBs, as well as policies affecting their allocation and subsequent exchange. As defined in Section 1, for the purposes of this report such instruments are those that promote first home ownership through directly influencing the provision or use of housing. Such tools are classified and exemplified in Table 25. To the extent that these kinds of approaches are employed in the comparator countries, their form and operation is discussed in this section, sequenced in the order shown in Table 25.

Table 25: Supply-side policy tools covered in Section 8

Demand/supply	Assistance type	Example schemes/programs
Demand-side	Financial regulation	• Rules governing mortgage lending
	Expenditure programs	• Cash grants
	Tax concessions	• Stamp-duty concessions • Tax-privileged savings schemes
	Institutional innovations and financial instruments	• Loans assistance schemes • Mortgage guarantees • Equity investment and similar products
Supply-side	Use of publicly owned assets	• Public housing sale to tenants • Land-rent schemes
	Government-funded housing development	• State-resourced development of SO homes by non-government entities
	Land or property occupancy regulation	• Inclusion of 'affordably priced' homes in developments required via land-use planning powers • Restrictions on occupancy of privately owned homes • Use of publicly owned assets: land development

Note: the highlighted area of this table is to indicate the coverage of this Section within the context of our wider FHB assistance policy typology (as explained in Section 1).

Source: Authors.

Employing the typology framework shown in Table 25, Table 26 provides an overview of the tools covered in this section. As will be apparent, in most countries, all or most of the archetype instruments are represented—the exception being Canada where only one (proposed) policy of this kind is in evidence. However, all policy tools must be see in light of their influential context, as cautioned by one national expert:

> You have to know that in every country, there are different and path-related approaches, based on past history. Every country has its own specialities, and it is difficult to pick the berries from the tree. (Senior policy maker, Finland)

8.2 Supply-side measures in comparator countries

8.2.1 Social-housing production and strategic sale

Table 26: Use of publicly owned assets to assist first home ownership

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Public assets: social-housing privatisation								

Key: ■ *Heavy use* ■ *Moderate* ■ *Limited*

Source: Authors.

As noted in Section 5, facilitating home ownership through the sale of government-developed housing was an important instrument in boosting owner-occupation in postwar Australia. Nowadays, however, it is to employed only on a very small scale. In contrast, social-housing sales remain a significant tool in the promotion of first home ownership in several of our comparator countries. The scope for operating such an approach is dependent on a having a historically large social-housing stock or continued social-housing development on an appreciable scale. Such conditions apply in only a few of our comparator countries.

As seen in England,[16] Ireland, the Netherlands and Germany, social-housing sales to sitting tenants provide a preferential and risk-reduced means for social renters to transition into home ownership. In England, a social renter's Right to Buy is applicable to:

- a household with a tenancy of at least three years
- an occupied dwelling that is rented from a local authorities or, where formerly owned by a local authority, from a not-for-profit housing association.

In the Netherlands, the potential for sitting-tenant sales relates to dwellings held by not-for-profit housing associations. Housing association-owned units potentially subject to sitting-tenant sales in this way are termed 'socially bonded properties' (Maatschappelijke Gebonden Eigendom—MGE).

At least in England, Ireland and the Netherlands, a qualifying tenant authorised to buy their existing home is entitled to a discount on the market price. Thus, as soon as they assume ownership, the purchaser is substantially protected from associated financial risk because, even if the purchase price has been met entirely through a mortgage, the property's open market value is higher than any housing debt incurred.

In Ireland, a qualifying tenant may purchase their home at a discount equating to 40–60 per cent of the property's market value. Under the English Right to Buy, discount rates range from 35–70 per cent, depending on duration of tenancy. They are also capped at £113k (AUD$211k) for London and £85k (AUD$158k) elsewhere. Although in operation since 1980, Right to Buy sales tailed off in the 2000s, before being revived by the introduction of more favourable discount rules after 2010. Qualifying Dutch social renters can expect a discount of 25–50 per cent of market value.

Again, at least in England, Ireland and the Netherlands, purchasers of former social-housing properties are subject to certain ownership restrictions. In Ireland, the 'disposing' local authority may place an 'incremental purchase charge' on the property equivalent to the amount of the discount, to be paid over 25–30 years. Under 'Right to Buy' in England, the discount on the market price is partially or fully repayable if the buyer trades the property within five years—although one might question the extent to which this is policed. Meanwhile, under the Dutch system, any resale must be to the housing association that originally owned the dwelling. Such a transaction is undertaken according to a guaranteed repurchase price based on a defined valuation practice. The profit or loss that is generated is then shared between the former part-owner and the association.

8.2.2 Shared ownership

Table 27: Government-funded shared ownership for FHBs

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Government housing development								

Key: Heavy use ■ Moderate ■ Limited

Source: Authors.

The shared ownership (SO) model is ostensibly similar to shared equity (SE), as discussed in Section 4 and Section 7. Both SO and SE are arrangements that, through collaboration with another entity, allow a purchaser (often a FHB) to acquire a dwelling for owner-occupation without paying the full market price—but, at the same time, without acquiring exclusive rights to any capital gain over time. Under both SO and SE arrangements, the occupier's entitlement to any such gain is determined according to their proportionate share of the dwelling's value.

As embodied in the term 'shared home ownership' as used in affordable housing circles in Australia, the terms SO and SE are often treated as interchangeable. However, there is a fundamental difference in the legal and administrative arrangements concerned.

16 Social housing sales are no longer allowed in Wales or Scotland.

SE involves the other party's interest secured by a second mortgage or similar charge on a dwelling wholly owned by the occupier, with the associated assistance effectively enhancing their purchasing potential. Hence, under our typology, SE is demand-side assistance.

By contrast, SO involves both the occupier and the other entity as legal owners ('tenants in common') of the property (according to specified shares). Crucially, this means that the other entity (be it a government agency or a not-for-profit housing provider) has operational ownership responsibilities—for example, regarding building maintenance, although subject to the terms of the shared owner contract—and the occupier typically pays rent to the other entity for possessing the latter's share of the property. By contrast, under an SE arrangement, the equivalent other entity holds no such responsibility, nor the right to receive rent.

Under our home ownership assistance typology (see Table 25), and as exemplified in Finland and the UK, SO can be regarded as a form of supply-side assistance for first home ownership, where it involves government-funded or government-commissioned building construction.

While not officially termed as such, two Finnish Government schemes to facilitate first home ownership can be described as forms of SO—although they might also be classed as 'rent to buy' models. The schemes are 'right-of occupancy' (ROO) and 'part-ownership' (PO) arrangements.[17] Both are developed by not-for-profit housing developers and substantially financed with state-subsidised housing loans or interest-subsidy loans with government guarantee.[18] As shown in Table 28, the key differences between them concern the ability to accumulate equity shares towards outright ownership; only the PO scheme offers this possibility.

Under the ROO structure, operated since 1991, the right-of-occupancy resident pays 15 per cent of the purchase value. The rest of the development cost is financed with state-subsidised ARAVA loans or interest-subsidy loans. The resident also pays a monthly management fee. There has been a low take-up of this form of tenure, estimated to concern only 1 per cent of Finnish housing stock.

Since this covers building upkeep costs, it could be considered akin to rent—as in the UK SO model (see Box 7). As would be expected in relation to any form of housing produced with government subsidies,[19] ROO opportunities are allocated on a locally determined needs basis and a waiting list.

17 See Finnish Competition and Consumer Authority 'Part-ownership housing' https://www.kkv.fi/en/facts-and-advice/buying-and-selling/buying-an-apartment/part-ownership-housing/.
18 See unofficial translation Ministry of the Environment No. 650 RIGHT-OF-OCCUPANCY HOUSING ACT July 16, 1990: https://ym.fi/en/right-of-occupancy-and-part-ownership-housing and https://www.finlex.fi/en/laki/kaannokset/2001/en20010666.
19 https://www.finlex.fi/fi/laki/kaannokset/1990/en19900650.pdf.

Table 28: Shared ownership-type schemes in Finland: key distinctions

SO Scheme	Tenant role	Attributes	Advantages and limitations
Right of Occupancy housing (ROO)	Tenant pays 15% of the purchase value of the apartment and reduced rent. They may also be eligible for housing allowances. The rest is owned by a not-for-profit builder[20]	Offers long-term secure occupancy and reduced costs compared to private rental. It does not offer possibilities to accumulate equity to achieve outright ownership	• Very secure and more affordable • Relies on ability to accumulate a deposit • Provides up-front private finance for builder • Relies on cooperative builder
Part Ownership housing (PO)	The tenant first buys an agreed percentage of the apartment, usually 10–15%, as well as a reduced rent and after a specified time period, has the right to buy the apartment outright. Part owners may also eligible for housing allowances [21]	Allows accumulation of equity and savings and ultimately the transition from rental lease to ownership contract	• Provides an affordable and secure stepping stone to HO • Provides up-front private finance for builder • Relies on ability to accumulate a deposit • Relies on supply of product by co-op builder • Does not offer capital appreciation of equity contribution

Source: Ministry of the Environment Finland[22].

While ROO dwellings may be occupied as a form of home ownership, they cannot be purchased outright. Similarly, they can only be sold to a buyer approved by the local municipality. A ROO resident giving up their right of occupancy receives a refund of their initial ROO payment, plus an index increment corresponding to the change in the building cost index.

Similarly to the ROO model, Finland's PO scheme provides a pathway to owner-occupation that comes at the cost of an initially modest 'occupancy payment'—typically 10–15 per cent of unit value. However, under PO, the occupier is initially treated as a tenant with the right to purchase the dwelling at a later date. So, in effect, it is a form of rent-to-buy arrangement (see Section 5).

While PO schemes are sometimes operated on an unsubsidised basis by private developers, typically the Finnish Government assists not-for-profit builders or housing associations via state interest subsidies provided by the Housing Finance and Development Agency ARA.[23] These providers play an important role in supply of new dwellings in Finland and are supported by legislation, capital investment programs and municipal land policies. Where state support is provided, legislation restricts allocation to a needs basis. When a PO tenant buys their apartment outright, their initial occupancy payments and any further investments to acquire a larger proportion of the apartment are deducted from the purchase price.

20 Since 2008 the production of ROO housing has been financed through interest subsidy loans with government guarantee. The previous ARAVA system of direct government financing was substituted at that time by an interest subsidy loan system managed by the Housing Finance and Development Agency ARA.
21 Finland has a system of individual housing allowances to assist in the payment of housing costs. Low-income households, including ROO and PO housing: https://www.kela.fi/web/en/right-of-occupancy-homes.
22 More detailed information from the Government of Finland's Ministry of the Environment concerning Part Ownership Housing can be found here: https://www.ymparisto.fi/en-us/Housing/Partownership_housing and concerning Right of Ownership Housing here https://www.ymparisto.fi/en-us/Housing/Rightofoccupancy_housing.
23 https://www.ara.fi/fi-FI/Lainat_ja_avustukset.

Box 8: The UK Shared Ownership model

As it exists in the UK, the SO concept emerged as a form of 'affordable home ownership' in the mid-1970s, initially promoted by Birmingham City Council (Cowan, Carr et al. 2018). Unlike SE products such as the UK's Help to Buy, this 'tenants in common' model involves dwellings where the property title is jointly held by the purchaser-occupier and a third party.

With the facility for a shared owner to progressively 'staircase' their equity holding introduced in 1980 (Cowan, Carr et al. 2018), the model gained traction during that decade. By 2020, the number of dwellings occupied on an SO basis in England had increased to 157,000 (Cromarty 2020), although many more would have been initially occupied as SO before being converted to full ownership through staircasing.

Under the UK SO model, purchaser part-ownership usually involves an apartment held on a leasehold basis, while rent is paid to the owner of the other part—usually a not-for-profit housing association. By custom and practice, annual rent is typically set at 3 per cent of value remaining in housing association ownership (Phillips 2021a). Reportedly, 'the total cost of mortgage and rent is often found to be a cheaper option than renting on the open market' (Burgess 2020: 5).

Under the SO rules that apply in England, a purchaser's initial stake must be between 10 per cent and 75 per cent of the market price. Typically in 2018/19 (when, under the rules in force at the at time, the minimum purchaser stake was 25 per cent), SO purchasers in fact acquired a 42 per cent ownership share. While scheme participation is subject to income eligibility restrictions, the levels at which these are set do not facilitate significant targeting of assistance in favour of the lower paid. In 2021, income limits were £80k (AUD$150k) or £90k (AUD $168k in London). For context, UK median household income in 2019/20 was £29,900 (Office for National Statistics 2021).

By the late 2010s, the annual number of SO homes being built in England was around 20,000 (Department for Levelling Up, Housing and Communities [DLUHC] 2021a). These were partly funded through government grant or through developer contributions secured through the planning system. Notably, for almost half of all SO dwellings constructed in recent years, development costs have been subsidised entirely through developer contributions and have required no government grant as such (DLUHC 2021b). Whether or not involving grants, support for SO development is channelled exclusively to new-build dwellings.

A shared owner-resident who has not staircased to full ownership may potentially trade their owned share to a new occupier. However, because the market for part-owned dwellings is likely to be thin, this usually needs to involve a 'back to back sale' where the share concerned is purchased and then sold on by the housing association counterparty. In this event, the dwelling is lost to SO.

8.2.3 Use of publicly owned assets: land development

Table 29: Use of land-development powers to facilitate provision of FHB-appropriate dwellings

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Public assets: land development								

Key: ■ *Heavy use* ■ *Moderate* ■ *Limited*

Source: Authors.

Another form of home ownership assistance is where state-owned land is utilised for this purpose—either through disposal on specific terms, or through government-commissioned build-for-sale development. The first of these is exemplified by practices seen in Finland and Germany. The second is found in Singapore. These instances are briefly outlined below (see also Box 9).

Somewhat akin to the situation of Singapore (see Section 6), as well as the ACT, the City of Helsinki owns 70 per cent of its land area. The City therefore enjoys unusual scope to shape land development, including housing construction and occupancy. Under its housing framework HITAS,[24] Helsinki promotes 'affordable home ownership' in the form of apartments built for sale at below market prices. This is part of a wider aim to engineer mixed-tenure neighbourhoods across the city. With ostensible similarity to the framework for apartment ownership in the pre-strata-title era in Australia, housing developed for sale on Helsinki-owned land is held on a company title basis. Such homes may be traded to the extent that company shares may be bought and sold, while title to the land and housing remains with the city.

The sale price of newly built HITAS units is regulated according to their real production costs, rather than their market value. This represents an arrangement with some resemblance to the ACT's Land Rent Scheme (see Section 5): owners pay a fee to rent the land, along with the cost of supporting any loan taken out to purchase the unit itself. Apartments are not allocated according to an administered eligibility criteria such as FHBs,[25] and there have been criticisms calling for a more needs-focussed approach.[26] The City of Helsinki plans to end the scheme after 2022.

In Germany, cooperative housing[27] offers a well-established form of shared home ownership. Some cooperatives aim to 'lock in' affordability of each share by using low-interest financing to purchase, build and renovate housing, and also capping the permitted accrual of resident equity in the project (Urban Institute Initiative, 2018). Co-op members are co-owners who make an initial stake in the company, and whose ownership rights include reimbursement when leaving the arrangement. German housing co-ops may benefit from support provided by the federal government, and in some cities by the form of preferential land policies or public investment. For example, in Munich, assistance to housing cooperatives has included sale of city-owned land at below market prices, as well as privileged access to low-cost debt (Urban Institute Initiative, 2018).

24 Regulations on the HITAS dwellings can be found here: City of Helsinki (2016) https://www.hel.fi/static/kv/asunto-osasto/hitas-plans-en.pdf.

25 https://www.hel.fi/helsinki/en/housing/housing/hitas/buying/.

26 https://en.wikipedia.org/wiki/Hitas#Queueing_for_Hitas_apartments.

27 See overview of the cooperative housing sector in Germany in this presentation by Zabel (2016) *Housing cooperatives in Germany*: https://4bfebv17goxj464grl4a02gz-wpengine.netdna-ssl.com/wp-content/uploads/drupal/The%20German%20Co-operative%20System%202016.pdf; also Urban Institute Initiative (2018) https://housingmatters.urban.org/articles/lessons-germanys-shared-housing-models-expanding-ownership-opportunities-and-improving.

Box 9: Government-resourced residential development in Singapore

Among the other forms of government-resourced residential development that facilitate first home ownership, the most important example among our comparator countries is that of Singapore. Here, government-funded development generates a form of owner-occupation (leasehold ownership) that is central to the city-state's housing system. The Singapore Government's Housing and Development Board (HDB) is the key agency involved.

Ninety per cent of Singapore's land area is owned by the government, having acquired it progressively over decades by compulsory acquisition. Originally landowners were compensated at values fixed in 1973; rates were adjusted up in 1986 and 1992, and in 2007 set to the market rate—although by that date, the 90 per cent share of land in government ownership had been reached (Phang and Helbe 2016). The Urban Development Authority sells land for residential development on 99-year leases, including to the HDB.

Under its Build to Order (BTO) program, HDB advertises proposed new developments, and aspiring purchasers enter a ballot for admission to the queue for the development. (FHBs, previously unsuccessful applicants, and certain others having more chances in the ballot). Queued applicants must obtain loan approval and may then 'book' an apartment in the development. The average wait time for a BTO apartment is four to five years.

BTO apartment prices are not set by the market; instead, HDB considers cost, affordability and other factors to set submarket prices. This, in essence, is how government financially assists FHBs, who form a large proportion of BTO apartment purchasers.

HDB caters to a wide range of households with modest incomes and also partners with private developers in delivering an 'Executive Condo' (EC) product. Standard HDB housing caters to moderate-income FHBs and other purchasers. Buyers of new apartments must be Singaporean citizens and FHBs, comprising families or single people aged over 35; they are subject to income thresholds: not more than S$12,000 per month for families and S$6,000 for single-person households. They must reside in the apartment for a minimum occupancy period before resale. However, the secondary market is open to all citizens and permanent residents, including higher-income earners. For these dwellings, the price is negotiated between the buyer and the seller. With the Singapore Government retaining ownership of the land, purchasers of HDB and EC dwellings actually buy a 99-year lease or, if it is a resale unit, the balance of the original 99-year term. ECs are new housing supply targeted to households with moderate-income households (up to $16,000 per month) above the HDB income thresholds, but which still may not be able to affordable a private condo—hence the nickname 'sandwich flats'.

Importantly, the HDB supply-side contribution to Singaporean home ownership is complemented by government grants to qualifying purchasers—as discussed in Section 7. Such grants are made available for existing as well as new apartment purchase. Our country expert characterised these grants as having a particular supply-side effect, aside from the additional purchasing power they give FHBs. The grants induced a filtering dynamic, by facilitating 'upgrading' by established homeowners, including to ECs and private condos.

Government-subsidised housing developed for affordable home ownership (AHO) also takes place in the Netherlands, through the *Besluit Locatiegebonden Subsidie* (BLS) mechanism (PBL 2009). Drawing on both central and local government resources, this is a form of public funding for urban renewal, specifically to expand housing supply in designated localities. BLS subsidies are used to support housing production in twenty urban regions to reduce the total housing shortage. Regions receive a performance-related subsidy per completed home. The eligibility criteria and proportion of such funds that are directed to homes for sale (rather than rent) varies per locality.

> The distribution of the BLS subsidy is determined on the basis of operating deficits from the exploitation of land on the basis of land and construction costs. It is assumed that for-profit private development does not require subsidies, but housing developed to cater for needs, such as affordable home ownership or social housing, may require subsidies to be feasible. (Country expert, 2021)

In Canada, while implemented only at small scale, the donation of municipal land for AHO has been promoted by NGOs. For example, working with Habitat for Humanity local affiliates, some municipalities (especially in Ontario) donate sites for new dwellings to be occupied by families otherwise unable to enter the market. Under the Habitat for Humanity scheme, purchasers are also assisted through nil-deposit mortgages (see, for example, North Grenville 2021).

8.2.4 Land or property occupancy regulation

Table 30: Land or property occupancy regulation

	Aus	Can	Fin	Ger	Ire	Neth	Sing	UK
Land-use regulation								

Key: *Heavy use* *Moderate* *Limited*

Source: Authors.

In several of our comparator countries, land-use planning or land-assembly powers are used to promote or enable first home ownership. This is true of Germany, Ireland and the UK. This often takes the form of mandated developer contributions to 'affordable housing' as part of market housing projects. Also, although unusual in Canada, similar rules did, for some time operate in the City of Montreal (Wellesley Institute 2009).

German authorities may require the inclusion of 'affordably priced' or SO homes in developments via land-use planning powers. Under the Federal Building Code, municipalities may require developer contributions to local infrastructure (Section 124). Relatedly, under urban development contracts (*Städtebaulicher Vertrag*), municipalities can require a proportion of affordable housing in a residential development. Cities of Stuttgart, Leipzig, Munich, Hamburg and Berlin are examples of proactive cities promoting affordable housing, including for ownership and cooperative housing (Davies, Turner et al. 2016; Koetter, Sikder et al. 2021).

In its policy on disposal of developable land, Munich's city authority has developed a Social Fair Land Use Policy,[28] which favours cooperative ownership that offers sustained, affordable and secure tenure. Beyond this, German municipalities are empowered to play a proactive role in land banking and (re)assembly, and have the powers to buy or expropriate land for future needs, and sell this land under certain allocation conditions (Davy 2012). This may involve provision of social housing or homes for sale to purchasers fulfilling income eligibility criteria.

Likewise, Ireland's planning system provides for local authorities to require that market housing developments include 'affordable housing', potentially including dwellings for low-cost sale. Ireland's 2021 national housing strategy 'Housing for All' envisages expanded use of these provisions, with dwellings to be offered for sale at a price that factors in retention of a local authority equity stake.

In the UK, the use of planning powers to generate affordable housing has been custom and practice since the 1990s. Historically, such powers have been deployed mainly to facilitate development (effectively funded from land value) to social rental housing (Sayce, Crosby et al. 2016; Stephens 2019). However, at least in England, the past decade has seen affordable housing obligations of this kind increasingly specified in terms of dwellings for low-cost sale on a shared ownership (or other) basis. In 2021, a new AHO product to be generated in this way, First Homes, was launched. As explained in Box 10, First Homes is a form of SE ownership; it is included in this section in recognition of its proposed reliance on land-use planning powers in generating associated subsidy.

28 See the City of Munich's SoBon policy: https://stadt.muenchen.de/infos/sozialgerechte-bodennutzung.htmlSee.

Box 10: The UK Government's First Homes scheme

The First Homes scheme was launched in 2021, portrayed as a replacement for HtB in England from 2023. Dwellings are offered for purchase at a discount of 30–50 per cent on the market price, with this fraction of the property equity acquired by government at nil cost via land-use planning obligations imposed on the developer. With the government stake being retained in perpetuity, the First Homes model is a form of 'perpetual shared equity' (Whitehead and Williams 2020). Thus, as officially framed, 'generations of new buyers and the local community will continue to benefit every time the property is sold' (HM Government 2021).

Because First Homes is to be delivered via the planning system, it is liable to crowd out forms of affordable housing that have been historically generated in this way—namely social rental and SO homes. The official aspiration is that First Homes 'should account for at least 25 per cent of affordable housing units delivered by developers through planning obligations' (Brady 2021).

For eligibility, applicants are subject to the same (somewhat loose) household income limits as for SO, and the dwellings concerned are also subject to price caps.

In a less direct form of FHB support recently made available in the Netherlands, municipalities have acquired *Woonplicht* powers to require compulsory residence by purchasers of new dwellings for a minimum period (Ministerie van Binnenlandsezeken 2019; Woonbond 2020). This is implemented via an anti-speculation clause in planning permits for new residential construction. The effect is that someone aspiring to purchase such a dwelling for owner-occupation cannot be outbid by a landlord.

8.3 Supply-side instruments operated by comparator countries: assessment

Table 31: Supply-side instruments operated by comparator countries: assessment overview

Supply tool	Access	Affordability	Targeting and eligibility	Administrative simplicity	Risk	Subsidy and subsidy effectiveness	Associated objectives
Social-housing privatisation (England, Ireland, Netherlands)	Facilitates homeowner access where instant equity ownership via discounted price means most mortgage providers require no purchaser deposit	Discounted price (especially where combined with mediocre condition) liable to provide substantial affordability benefit	Possibly only to the extent that original tenancy acquisition will likely have involved needs-based prioritisation	Little administrative complexity in UK version; more intricacy where subsequent sale must be to housing provider that originally owned—as in Netherlands	Low risk conferred by equity gift inherent in discounted price	Subsidy is 'value foregone' by disposal at below market value: potentially effective to the extent that home ownership enabled for (probably older) tenant otherwise excluded	Enables recycling and renewal of remaining stock if receipts are revolved and not extracted for non-housing purposes
Shared ownership (UK, Finland)	Facilitates access for 'wealth-poor' households through initial renter status (Finland) or low-deposit requirement (UK)	Third-party equity contribution reduces necessary size of mortgage debt, potentially facilitating ownership for lower-income homeowner	May involve income caps. Can be targeted to address local needs via other administratively deployed criteria	Inherent administrative complexity in shared property title arrangement and in 'staircasing' towards full ownership	Purchaser may be exposed to 100% of repairs risk without being 100% owner. Liquidity risk to equity provider in having to buy back minor share	Subsidy may be provided via (a) govt-provided or facilitated contribution to development funding, or (b) below-market rent charged on non-owned portion of property	Purchaser gains dual benefits of security and affordability. UK version financially attractive to housing associations—benefiting from rent and staircasing income when inflated by rising market
Land policies (Finland, Netherlands, Singapore)	Depends on the 'affordable housing product' developed through such assistance	Depends on the 'affordable housing product' developed through such assistance	Depends on the 'affordable housing product' developed through such assistance	Requires legal framework supporting, and active land policy. May need to contend with business as usual rules for asset disposal that dictate sale to highest bidder	Competing, often short-term political goals	Subsidy is 'value foregone' by disposal at below market value. Effectiveness will depend on the 'affordable housing product' developed through such assistance and its targeting	Can be used to promote more socially diverse and sustainable urban development
Planning regulation (Germany, Ireland, Netherlands, UK)	Depends on the 'affordable housing product' specified by planning authority as target of developer contributions	Depends on the 'affordable housing product' specified by planning authority as target of developer contributions	Depends on the 'affordable housing product' specified by planning authority as target of developer contributions	Especially where developer contributions 'negotiated' rather than 'mandatory', substantial complexity involved	Risk that development may be delayed or even made uneconomic where land value is insufficient to support affordable housing contribution	No direct cost to government, other than administrative cost of negotiating acceptable developer contributions and policing their delivery	Can be used to promote more socially diverse urban development

Source: Authors.

8.3.1 Access

Forms of supply-side assistance can reduce access barriers where they permit access to certain (or all) benefits of home ownership without requiring the purchaser to pay the full market price. Thus, in the case of discounted sitting-tenant purchase of a social rental property, or part-acquisition of a dwelling under SO, the up-front deposit requirement will be relatively small, or non-existent.

The precise access and affordability impacts of land or planning policies aimed at promoting home ownership will depend on the specific 'affordable home ownership' products stipulated under these arrangements. For example, in England, developer obligations stipulated via land-use planning have been recently used to mandate SO housing development. In Germany, by contrast, cooperative home ownership has been favoured.

8.3.2 Affordability

To the extent that they permit access to forms of home ownership at less than full market value, tools such as discounted sitting-tenant purchase of a social rental property, or part-acquisition of a dwelling under SO, reduce the necessary size of the purchaser's mortgage, thereby potentially enhancing affordability. Especially where, as in England, the discount or third-party ownership share may well be at least 50 per cent, the threshold for home ownership may be pushed significantly down the income spectrum. Commenting on this in the UK context, one stakeholder interviewee argued that:

> Right to Buy [sitting-tenant sales of former council housing] was the only scheme that was transformative in terms of bringing in new groups.' (Industry expert interview)

However, at the same time, a different view was voiced in another recent study that assessed the potential for FHB assistance to enable social mobility:

> Shared ownership provides a more affordable route to homeownership, and is taken up by households with income very near median income, although the overall cost of shared ownership can be high and it can be difficult to 'staircase' up to buying further shares of the property when house price rises are outstripping wage rises. Nevertheless, it appears to provide new opportunities for lower-income groups to become (part) owners.' (Provan, Belotti et al. 2017: 3)

8.3.3 Targeting and eligibility

In general, the supply-side interventions to support first home ownership reviewed in this section employ only loose or indirect targeting towards people 'in need' of such assistance (see Table 31). This raises questions about how far enabling first home ownership for people otherwise unable to achieve it is a central policy objective. For example, the UK Government's SO model is restricted to newly constructed dwellings, which typically carry a 'new-build premium'. The base price is therefore liable to be significantly higher than for an equivalent existing dwelling. Arguably, if SO was primarily a means of enabling low-cost home ownership, it would cease to be restricted to new homes only.

8.3.4 Administrative simplicity and complexity

The supply-side tools discussed earlier vary in their administrative complexity and the requirement for special legislation or administrative arrangements. Discounted sitting-tenant sales of public housing may be relatively simple to administer where there are few if any obligations on the purchaser beyond an initial 'discount clawback' period. In contrast, SO schemes can be legally and administratively complex, especially where they involve a 'tenants in common' model.

The ability to specify the subsequent use of land—for example, preferentially for FHBs—in a sale contract is inherently liable to be stronger and less administratively complex than seeking to secure a similar result via land-use planning powers for development of privately owned land.

The inherent complexity of a 'tenants in common' form of SO has been stressed by UK experts:

> The lack of transparency in many areas and the failure by some organisations to treat their customers as shared owners rather than tenants are continuing problems. Too many associations still see SO simply as a cash 'cow' to underwrite their mainstream rental businesses. (Whitehead and Williams 2020: 43)

> It's complicated—I know other housing researchers who say, 'I don't understand [the shared ownership model] and for that reason I'm not going to go there.' These are people with PhDs … For someone who is, by definition, undertaking their first housing transaction, it's asking a lot [for a purchaser to fully comprehend key aspects of the model]. (Academic expert interview)

8.3.5 Risk

Of all the supply-side mechanisms reviewed in this section, SO as structured in the UK is perhaps the model where potential risks to the buyer have recently become most apparent. This has come to the fore because of the fallout from the Grenfell Tower fire, and the revealed need for major rectification works to thousands of recently built apartment blocks across the UK. As a result, many shared owners have found themselves facing very large costs for which they—and not their housing association counterparty—are legally liable (Phillips 2021a, 2021b). Risks shouldered by flat owners under the UK's historic SO model have been exposed in the process.

To an extent, risks of this kind are inherent for any home ownership model where the dwellings concerned are individual apartments within multi-unit buildings—especially in national settings such as England, where the terms of leasehold ownership are often heavily weighted against the leaseholder. Where UK Right to Buy sales have involved flats as well as houses, purchaser risk exposure has become subsequently apparent where building defects have badly devalued such units or even rendered them unsaleable (Murie 2016: 95–98). The same is true of UK SO dwellings—overwhelmingly apartments—a significant proportion of which are in blocks identified as problematic due to issues such as cladding that is non-compliant with fire-safety requirements.

Other risks for SO purchasers include the possibility that, if house price inflation runs ahead of wage inflation, this may compromise the buyer's capacity to staircase towards full ownership. In the context of low interest rates, it is more likely that the credit-impaired make up a large part of the demand for such products, which in turn concentrates the risk of default among this group.

Yet another risk to which shared owners are liable to be exposed is dwelling tradability. For example, in Finland, SO dwellings can only be sold to a buyer approved by the local municipality. However, finding a new equity-share buyer is the responsibility of the majority shareholder. This must occur within three months or the majority shareholder must redeem the part-owner's share.

8.3.6 Subsidy and subsidy effectiveness

For the most part, subsidisation of supply-side tools to promote first home ownership involves assistance that incurs little or no explicit government expenditure. Discounts on sitting-tenant sales, for example, do not show up in official accounts as such. They are effectively skimming off historic capital gains and disbursing these to individuals. Similarly, when government land is conveyed at below-market value to a new owner along with an obligation to develop an 'affordable housing product', there is an opportunity cost, but no explicit expenditure. And, when it comes to the use of planning powers to mandate the production of homes for 'affordable sale', the cost is effectively met through the associated reduction in residual land value.

8.3.7 Associated outcomes

As shown in Table 31, supply-side mechanisms to promote home ownership are associated with a range of other policy objectives. Common to several of these is the aspiration to engineer socially mixed communities. Thus, the claim that social-housing sales are desirable as a means of breaking up 'mono-tenure estates' by introducing owner-occupation into neighbourhoods developed wholly for low-cost rental. Or, viewed from the opposite perspective, the ambition to incorporate a degree of social diversity within developments that might be otherwise dominated by older, more affluent households.

SO, at least as it has been implemented in the UK, has been somewhat different, as it has incorporated a desire to support:

- the development industry—by restricting SO funding to newly built housing
- the not-for-profit housing sector—by designating housing associations as SO delivery agents.

However, as recently argued in a commentary, the operation of this framework has been in tension with SO interests:

> Housing associations' overall funding model has historically depended in part on profits arising from shared ownership schemes (for example, the receipts from staircasing shares sold at current market value rather than original market value) to generate cross-subsidy for social rented homes. So the financial interests of individual shared owners are directly in conflict with the wider objectives of housing associations. (Phillips 2021b)

8.4 Section 8 conclusion

By comparison with FHB-assistance approaches in contemporary Australia, supply-side tools play more significant roles in a number of our comparator countries. While some of these mechanisms have similarities with historic Australian practice, this is not to say that their resumed operation would be in any way tenable here. This most obviously applies to the discounted sale of social housing to sitting tenants. Where this continues in certain countries, it is predicated on the historic creation of a large stock of public housing and the ongoing (although diminishing) ability to allocate dwellings to a more socio-economically mixed cohort of tenants than is possible in an Australian context where the scale of provision is low by international standards.

Not-for-profit housing providers in Australia might well view the government-funded SO programs found in Finland and the UK with some envy. From the consumer perspective, however, the UK model at least has become quite tarnished. Whether, in any event, the Australian housing finance industry would be comfortable with a 'tenants in common' ownership model is doubtful.

Efforts by comparator countries to promote first home ownership through land-disposal conditions and land-use planning powers could be of more relevance in Australia. Indeed, as discussed in Section 5, similar approaches have been seen in this country—although at small scale—particularly in SA. However, it should be recognised that in a country like the UK, planning obligations to include homes for affordable sale as part of market housing developments often come in tandem with requirements for social and affordable rental units. Attempting to utilise such powers exclusively for homes for low-cost sale would be hard to justify or recommend.

9. Conclusions and policy development options

9.1 The policy problem

In this research we have reviewed the various measures used by governments in Australia and seven other countries to assist would-be FHBs. The starting point for our inquiry is the reality that, both domestically and internationally, entry to home ownership has become a growing challenge.

Some might argue that first-home purchase has always been a challenge. This perspective references an earlier era when banks relied on deposits for funding and rationed their housing credit to their most diligent, respectable account-holders. However, it tends to overlook the array of policies and programs devised by governments, particularly in the postwar period, to overcome the financial challenge faced by first homebuyers: war service home loans, subsidised building societies, state banks and lending schemes, state land commissions, large-scale public housing construction and sales, savings schemes and grants. Land tax and, in some jurisdictions, rent controls, tended to repress the competition that rental investors would (and nowadays do) pose. And governments positively encouraged people to become homeowners, through tax and welfare policy settings. The combination of these policy factors was pro-home-ownership, and the rate of home ownership grew, then levelled off with a significant majority in home ownership.

The response to contemporary concerns about first-home-ownership access that 'it was ever thus' also fails to acknowledge that high rates of general inflation in the 1970s–1990s had the effect of rapidly easing a first homebuyer's financial burden—and moderating their financial risk as a highly geared household.

Through several adjustments to the elements of this policy system—some ostensibly minor or indirect, such as the retrenchment of rent controls; some major, such as financial deregulation—Australia's policy for promoting home ownership became a policy of privileging homeowners. Tax and transfer settings still encourage spending on home ownership, and liberalised housing credit has massively expanded the amounts spent, and hence prices, and hence the housing equity that existing owners can, because of credit liberalisation, lever into spending on their own housing or, for that matter, rental properties. It is 'as if increase of appetite had grown by what it fed on', as Hamlet said of his parents' affection for one another (Hamlet, Act 1, scene 6); a millennial Hamlet might say the same of his baby-boomer parents' proclivity for buying houses.

When twenty-first century Australian governments assist first homebuyers, they do so with demand-side schemes that feed further house price increases—and in turn spur calls for further assistance. The present research estimates that more than $20 billion was spent this way by Australian governments over the past decade, allowing households already close to attaining ownership—including, in growing number of cases, by virtue of gifts and loans of parental wealth—to set a new higher price in the market. Where some see first homebuyer assistance as middle-class welfare in relation to the socio-economic position of the direct recipients (Pinnegar, Easthope et al. 2009: 81), it assists none so much as existing homeowners, as both vendors and holders of housing assets.

The seven comparator countries analysed in the research present variations on the housing financialisation theme. All grew home ownership over the twentieth century, most to a majority of households (Germany is the exception). Half have continued to grow, although modestly, over the past two decades, while three, like Australia, have declined. All participated in the liberalisation of housing credit (less so in the case of Germany and Singapore); all have experienced real house price increases over the past two decades; some have experienced house price busts in that time. Most have tempered the liberal provision of housing credit in the post-GFC period with stronger macroprudential rules; these aim to maintain financial system security, and the value of its housing collateral, rather than make space for excluded first homebuyers (despite some marginal additional accommodations around FHB loans in certain countries).

9.2 Revisiting the research questions

Research question 1: How have Australia and comparator countries assisted FHBs to access housing?

As detailed in Section 3, Section 4 and Section 5, several schemes of assistance for FHBs are operated in Australia, measures implemented both by the federal government and by state and territory governments. While active efforts to boost home ownership have been familiar throughout the postwar period, their form has changed over time.

The large-scale state support seen in the decades from 1945–75 was undoubtedly instrumental in the strongly rising home ownership rate seen during this era. Importantly, these interventions included major supply-side programs—especially direct housing build-for-sale provision, as well as public rental housing privatisation. While largely implemented by state governments and their agencies, these were substantially led and financially supported by the Commonwealth Government. Such measures were importantly complemented by large-scale demand-side assistance, especially in the form of state-backed concessional mortgages, as well as by regulatory preferencing for FHB lending.

However, over the past 30 years, in tune with the dominant neoliberal mode of governance, the focus has shifted almost entirely to demand-side assistance. The main emphasis now is on boosting FHB-purchasing power through cash grants and tax concessions, and on enabling access to low-deposit loans. Because they enable a marginal FHB to outbid others and set a new higher price in the market, they fundamentally increase house prices. By comparison with some comparator countries, Australia's approach is extremely one-sided.

Unlike some of the counterpart governments in the UK and elsewhere in Europe, Australian authorities have in recent decades largely chosen to eschew mechanisms that directly subsidise or otherwise enable the supply of homes suitable for (or reserved to) FHBs. Similarly, again in contrast with at least two of our comparator countries, Australia nowadays makes no routine use of financial regulation powers to restrain established owners and investors from out-leveraging and outbidding FHBs.

As this report shows, in some comparator countries significant supply-side FHB-assistance programs and mechanisms continue to operate. Perhaps the most important examples are the following:

- The use of land-use planning regulation requiring developer contributions of 'affordable housing' for sale as well as for rent (as in Germany, Ireland, the Netherlands and the UK)
- Government land development to produce FHB-appropriate dwellings (as in Finland, the Netherlands and Singapore).

Similarly, although this relates to a form of assistance we define as 'demand-side', federal, state and territory governments in Australia have until now pledged comparatively little commitment to the SE model of state-assisted private housing acquisition. Admittedly, as operated at large scale in the UK and Ireland, this can call for substantial initial publicly funded investment. However, because the equity share typically attracts a charge (or is required to be repaid) after a prescribed period, these schemes have the nature of a revolving fund, and achieve a greater efficiency of subsidy.

However, there is a question whether the SE repayment requirement is really equitable, as if falls only on participating FHBs, while others who are not assisted—except perhaps by access to parental housing wealth—stand to take all the gains on their properties. It is possible to envisage these schemes as allowing assisted households to get onto the first rung of the housing ladder—but then the second rung telescopes away from them. And to the extent that these schemes further entrench in governments a view that rising house prices are always welcome—because it enhances their own equity stakes—they may divert official attention from the more fundamental reforms required to make home ownership more accessible and affordable: reforms that steadily cream off unearned returns to property.

An important change of emphasis in the efforts of Australian governments to assist FHBs in recent times has been the growing priority accorded to promoting home ownership access, as opposed to affordability. This is exemplified in schemes to facilitate FHB low-deposit mortgages. Given the increasingly stringent challenge posed by the required scale of down payments, that seems a logical progression. Along with the Homestart and Keystart programs sponsored by the SA and WA governments, the NHFIC First Home Loan Deposit Guarantee Scheme (FLHLDS) can be assessed as such. Nevertheless, such initiatives appear to be constrained partly by an official concern to avoid over-encroachment on the commercial mortgage insurance industry and its market share. At least as far as FHLDS is concerned, there may also be recognition that in the absence of complementary supply-side intervention, the provision of such assistance has some inflationary impact. This may be an additional factor underlying the capping of FHLDS assistance so that in any given year only a fairly small minority of FHBs may benefit.

Whether or not declared as such, the reality is that contemporary demand-side efforts to assist FHBs both in Australia and in comparator countries enable owner occupancy at an earlier point than would otherwise be possible, rather than lifting home ownership rates in a systemic manner over the course of the life cycle.

A third notable development in Australian approaches to assisting FHBs is the recent substantial ramp-up in effective subsidies channelled via stamp-duty concessions. Strikingly, the annual value of tax expenditures trebled to $2.2 billion in the four years to 2020. Notably, on a per capita basis, the scale of such subsidies has become comparatively large. For example, in the latest years for which data are available, the benefit per homebuyer averaged over $16,000 in both NSW and Victoria—as compared with $4,000 in the UK. Tax theory suggests that concessions such as these impact property prices in a similar manner to direct grants, such as FHOG.

Research Question 2: How have Australia and comparator countries sought to avoid or mitigate risks for FHBs?

Among the most important risks faced by FHBs are those that reflect initially low levels of equity in the home. By comparison with existing owner-occupiers trading in the market, and also most landlord investors (who will be borrowing against the security of an existing owned property), the early years of home ownership see FHBs inevitably exposed to a greater risk of negative equity. A significant property market downturn at this stage of a home ownership career could potentially leave the buyer responsible for a mortgage larger than the value of their dwelling, and thereby vulnerable to loan default in the event of any unforeseen loss of income.

Thus, low-deposit loans are inherently more risky for the buyer, even where the lender's risk of loss is indemnified by a government guarantee. Mitigating risk in these circumstances therefore entails especially strong assurance of a buyer's bankability. More generally, the maintenance of high mortgage lending standards is probably the most fundamental means of reducing the FHB risk that might arise from 'over-extending' on loan size. Australia is considered to have a generally strong record here. As operated internationally, some other forms of FHB assistance—such as discounted sale of social housing—offer more protection to the FHB by designating substantial equity to them at the outset.

Research question 3: How do FHB-assistance programs operate in the wider context of countries' housing and economic systems, and what transferrable lessons do they yield?

The report examines a range of approaches to home ownership taken in each country. Canada's government has long played an active role in the mortgage market, but has only recently become more active in FHB-assistance measures. Canada has high house prices and high household debt, like Australia; but it has demand-subsidised first homebuyers less, and so has probably done less harm. Finland has fostered a range of ownership tenures, grown a diverse mortgage market but retained an active role in supply strategies through its Housing Finance and Development Agency.

Germany has long operated a conservative lending regime, with high transaction costs, and moderated price rises, while ensuring quality and security across tenure options: Germans have not rushed to become owner-occupiers. Ireland has experienced much turbulence in its housing and finance market, with profound economic and social impacts, and has since sought to reintroduce measures to assist buyers and improve rental affordability. Likewise, the Netherlands also grew its mortgage market rapidly in the 2000s, nurtured by favourable tax policies. It has since seen worsening affordability and supply outcomes.

In the UK, where ownership has long been favoured, purchase rates have also declined, and the role of rental investors sharply increased during the period 2000–2015. It has struggled to curb these trends through changes to tax settings. Singapore is our comparative outlier, with strong state-market interventions shaping land, finance and construction outcomes, leading to high levels of AHO.

Research question 3 also alludes to the importance of political, economic and administrative context in international comparative research, and to the risk of advocating inappropriate policy transfer. Even if certain FHB-assistance schemes operate effectively in comparator countries, that provides no assurance that similar measures could be equally successful in Australia. Among the measures reviewed in this report, the most glaring example must be social-housing sitting-tenant sales of the kind described in Ireland, the Netherlands and England. Not only—for historical reasons—do these countries possess social-housing portfolios far larger than Australia, but investment in new stock has continued at significant rates, such that sales losses are still offset by construction gains. Moreover, with such comparatively minimal provision, Australia—where social housing is 4 per cent of housing compared with 17 per cent in England—must ration access so tightly that the tenant population inevitably contains few households with the financial prospects to sustain home ownership, even on a substantially discounted acquisition basis.

9.3 Policy development implications

Compared with Australian housing policy approaches of the past, and with current policy approaches in most comparator countries, there is nowadays a striking one-sidedness in Australian efforts to assist FHBs. As apparent from Section 5, supply-side measures are very thinly represented. For ease of reference, the four models discussed there are:

- Build to Rent to Buy (proposal)
- Land rent schemes (in the ACT)
- Developer contributions to affordable homes for sale (in SA)
- Government housing developer (proposal).

While currently at drawing-board stage or operated only at very small scale, all of these appear to have strengths that should commend them for consideration by other Australian governments. Although typically in concert with requirements for affordable rental housing contributions, practice in some of our comparator countries is also instructive on how land-use planning powers can be effectively used to stipulate development of low-priced dwellings for sale within market housing developments.

There is scope for a much more active supply-side contribution to AHO via state land development agencies. Such agencies already exist at state and territory level; however, unlike counterpart entities in countries such as Germany, Finland, Ireland and the Netherlands, they nowadays lack a strong mandate for improving affordability. Such objectives are constrained by commercial imperatives of Treasury frameworks, which have seen dividend objectives trump broader social and economic policy goals. As a consequence, states have relied on deal-based and brokered negotiations with developers, justified according to the legal obligation for all state-owned corporations to act as commercially as any equivalent private-sector entity.

When it comes to demand-side assistance, the strong consensus among industry experts and academics is that schemes of the kind discussed in Section 4 (loans, guarantees and SE instruments) should be favoured over those covered in Section 3 (grants and concessions). Importantly, as emphasised earlier, loans, guarantees and SE instruments tend to be implemented through revolving fund structures and repayable assistance, rather than government-funded gifts. These may be administratively simple, but they are both inflationary and yield no return to government.

SE models have been recently attracting growing interest among Australian housing policy analysts and governments. Probably the most extensive and most in-depth experience of this type of approach can be found in the UK, although the UK's largest venture of this kind, the Help to Buy (HtB) scheme, was motivated more by the desire to support the construction industry rather than to facilitate first home ownership.

A form of FHB assistance highlighted by this research as practised in some comparator countries but less familiar in Australia is the enabling of intermediate tenure housing—as exemplified by Finland's Right of Occupancy (ROO) and Part Ownership (PO) models (see 8.2.2). This is another potential means of easing lower-income households into a form of home ownership that could be profitably further investigated by Australian governments.

Not only in Singapore, but also in other comparator countries including Canada, Ireland and England, home ownership policy—including FHB assistance—is to some extent framed within broader national housing strategies. Since it lacks any such overarching framework, Australia is out of step here. This links to the wider reality that we cannot hope to fulfil aspirations for sustainable growth in home ownership solely through adoption of more effective FHB-assistance mechanisms. Such measures are associated with the more general aim of enhancing housing affordability. However, this objective is in tension with the dominant theme of home ownership policy: to facilitate wealth accumulation through asset ownership. While the major tax and social security policy settings that support wealth accumulation continue to be treated as sacrosanct, measures that aim to assist FHB access and affordability will achieve little.

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Appendix: Historic role of land agencies as a supply-side housing intervention

Table A1: Australian state land agencies operating in 2010

Jurisdiction	Land agency (2010)	Ministerial portfolio	Relevant priorities/ Areas of focus
Victoria	VicUrban	Minister for Planning	• Land supply and assembly • Higher density housing • Housing diversity and affordable housing • Social inclusiveness • Environmental sustainability
New South Wales	Landcom	Minister for Planning	• Business efficiency • Social responsibility • Environmental sustainability • Regional development • Complex urban projects
Queensland	Urban Land Development Authority	Minister for Infrastructure and Planning	• Facilitating land availability and infrastructure provision • Housing diversity and affordable housing • Ecological sustainability and urban design
ACT	Land Development Agency	Minister for Land and Property Services	• Land release • Housing affordability • Commercial return • Advisory role and cross-sector partnerships • Developer of land and communities
South Australia	Land Management Corporation	Minister for Infrastructure	• Commercial operation • Land supply (residential and industrial) • Urban consolidation and renewal • Contribution to government priorities • Disposal of government land • Advisory role and innovation
Western Australia	LandCorp	Department of Regional Development and Lands	• Contribution to government priorities • Market and customer focus • Community development and social benefits • Responsible leadership and innovation in land supply and development
Northern Territory	Land Development Corporation	Minister for Lands and Planning	• Land supply (industrial and residential) • Initiate, undertake, manage or facilitate development • Cross-sector links • Optimise return on property assets

Source: Davison, Milligan et al. 2010.

Table A2: Land agency affordable housing targets, 2010

Land agency	Affordable housing targets	Tenure type	Geographical focus
VicUrban	40% of all land sold in lowest price quartile of local market	Traditionally homes for purchase but increasingly affordable rental	Traditionally greenfield but increasingly inner-city redevelopment
Landcom	7.5% of land/housing product affordable for households earning between 80% and 120% of median income	Homes for purchase	Traditionally greenfield but increasingly inner-city redevelopment
Urban Land Development Authority	15% of all dwellings across UDAs affordable to households earning $40K–$80K	Homes for purchase and rental	Highly varied: greenfield metropolitan, inner-city redevelopment and regional centres
Land Development Agency	15% of all dwellings at prices between $200K and $300K	Homes for purchase and direct sales to not-for-profits	Greenfield
Land Management Corporation	15% of all dwellings affordable for households earning between 80% and 120% of median income	Homes for purchase	Greenfield and some inner-city redevelopment
LandCorp	No explicit targets across the board	Homes for purchase	Highly varied: greenfield metropolitan, inner-city renewal and regional centres
Land Development Corporation	No explicit targets across the board	Homes for purchase	Greenfield

Source: Davison, Milligan et al. 2010.

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