



Submission to the Inquiry on Homeownership

June 2015

About National Seniors Australia

National Seniors Australia is a not-for-profit organisation that gives voice to issues that affect Australians aged 50 years and over. It is the largest membership organisation of its type in Australia with more than 200,000 members and is the fourth largest in the world.

We give our members a voice – we listen and represent our members' views to governments, business and the community on the issues of concern to the over 50s.

We keep our members informed – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

We provide a world of opportunity – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

We help our members save – we offer member rewards with discounts from thousands of businesses across Australia. We also offer exclusive travel discounts and more tours designed for the over 50s and provide our members with affordable, quality insurance to suit their needs.

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Recommendations

Housing policy directions in Australia

1. National Seniors recommends the Australian Government formulate a national housing strategy that sets clear directions for Australia's housing sector and examines all types of housing and issues associated with access, adequacy, affordability and security by utilising findings from the Inquiry on Homeownership, the Inquiry on Affordable Housing, the Federation Review and the Tax Review.

Homeownership and the private rental market

2. National Seniors recommends that the Australian Government, in collaboration with state and territory governments, examines tenancy regulations, rights and advice services with the aim to:

- deliver security and support for long-term renters;
- recognise that renting in the private market is an increasingly significant form of tenure for many Australians; and
- increase the attractiveness of this form of tenure for Australia's long term housing needs.

Homeownership and Australia's social security and tax systems

Equity release

3. National Seniors recommends that the government investigate policies that will address barriers to downsizing (or 'rightsizing') for older Australians, for example, a national 'rightsizing' program.

Stamp duty

4. National Seniors recommends that the states and territories provide concessional stamp duty to older Australians to encourage downsizing and maintenance of homeowner-occupier tenure.

Executive Summary

National Seniors recognises the importance of homeownership, especially during retirement. This type of tenure provides a safeguard against poverty and allows an individual or couple to maintain a decent standard of living in retirement as a result of lowered housing costs.

Unfortunately, those older Australians who have not had the opportunity to purchase a home or have had to sell their home for a variety of reasons, experience a range of issues including: increasing rents in the private market; short term leases, high rental bond rates, frequent costs of relocation (both social and economic); new and unfamiliar environments; and/or long wait times for public housing which often does not meet their specific needs.

These issues are compounded during retirement when income is low, fixed and reliant on financial market conditions.

National Seniors' submission examines Australia's preference towards homeownership, issues regarding the private rental market and attitudes towards renting; and makes recommendations regarding the treatment of the family home for social security purposes, and home-related taxation measures.

The need to enable retirees to free up capital in the family home without penalty is highlighted as a method to enable relocation to more suitable housing.

How Australia compares

Homeownership rates in Australia have remained stable at around 70 per cent for many decades. In 1971 homeownership was at 69 per cent and by 2006 it had increased to 70 per cent with small fluctuations between 2006 and 2011 where it settled again at 70 per cent¹.

On an international level, Australia's homeownership growth rates compare quite favourably. For example, Germany has one of the lowest rates of homeownership, considerably below the point at which it could be classified as majority tenure at 52.6 per cent.² This is as a result of an attractive rental market with capped rent increases and rules prohibiting homeowners from deducting part of their mortgage interest. The United States has a homeownership rate of just 64 per cent³, the lowest since 1989.

In contrast, a number of other countries, notably Hungary, have homeownership rates in excess of 85 per cent.⁴

It is important to note that rates of homeownership do not necessarily reflect national economic growth or innovation. Homeownership rates do however, reflect national enthusiasm for financial and housing security and independence and the desire for long term investment.

¹ ABS. 2013. 1370.0 - Measures of Australia's Progress. Available at [http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~Levels%20of%20home%20ownership%20\(5.4.3\)](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~Levels%20of%20home%20ownership%20(5.4.3))

² <http://www.statista.com/statistics/246355/home-ownership-rate-in-europe/>

³ United States Census Bureau. 2013. <http://quickfacts.census.gov/qfd/states/00000.html>

⁴ Eurostat. 2013. [Distribution of population by tenure status, type of household and income group.](#)

Furthermore, studies show that homeownership has positive impacts on community engagement, educational attainment and physical and mental health,⁵ which have indirect benefits across the whole of the community and the economy.

Housing policy directions in Australia

1. National Seniors recommends the Australian Government formulates a national housing strategy that sets clear directions for Australia's housing sector and examines all types of housing and issues associated with access, adequacy, affordability and security by utilising findings from the Inquiry on Homeownership, the Inquiry on Affordable Housing, the Federation Review and the Tax Review.

The direction of housing policy within Australia has focused on the provision of funding for initiatives and services aimed at those who, for various reasons, have been unable to purchase their own home or enter into the private housing market.

Government initiatives have aimed to provide non-homeowners with opportunities to enter into housing through the private market and increase independence. This includes:

- The decrease of funding for public housing and a move from subsidising dwellings to subsidising the individual, for example, through Commonwealth Rent Assistance,⁶
- Policies that base eligibility to public housing on income and workforce participation with a view that such housing is utilised as a prevention to homelessness and a transition to the private market;
- The provision of grants for first home buyers to assist with duties required to enter the market;
- Subsidies to homeowners such as negative gearing and capital gains tax exemptions.

In Australia, outright homeownership (without a mortgage) increases with age and reflects a respective decrease in renters in the private market.⁷ This signifies an investment in homeowner-occupier housing during the working years and a move from renting in the private market to outright homeownership later in life.

However, outright homeownership has been falling for people aged 55 and over (39.7% in 2001 to 32.1% in 2011)⁸ meaning that a greater number of older Australians are either

⁵ Rossi, Peter H. & Weber, E. 1996. The Social Benefits of Homeownership: Empirical Evidence from National Surveys, *Housing Policy Debate* 7, no. 1: 1-35.

⁶ Australian Government. 2014. *Reform of the Federation White Paper: Roles and Responsibilities in Housing and Homelessness*.

⁷ ABS 2011-2012 Housing Occupancy and Costs

⁸ ABS 2001, 2011, Quickstats.

paying off mortgages during retirement or moving from homeowner-occupier into alternative forms of accommodation.⁹

Other reasons for a fall in homeownership amongst older Australians include loss of paid employment and significant life events such as divorce or losing a partner.

Research suggests that insecurity within the private rental market amongst older Australians has led to a shift to public housing.¹⁰ The Australian Housing and Urban Research Institute (AHURI) has found that older public housing households are expected to increase from 87,940 in 2001 to 109,560 in 2016, an increase of 24 per cent.¹¹

In the 85+ age group these are expected to increase by 155 per cent.

Furthermore, by 2026 the number of lower-income people aged 65 and over who are living in rental households (as homeownership falls) are projected to far exceed the supply capacity of the social housing system. Census data from 2006 to 2011 shows a steady increase in the number of renters aged 55 and over in the private market.¹²

Homeownership and the private rental market

2. National Seniors recommends that the Australian Government, in collaboration with state and territory governments, examines tenancy regulations, rights and advice services with the aim to: deliver security and support for long-term renters; recognise that renting in the private market is an increasingly significant form of tenure for many Australians; and increase the attractiveness of this form of tenure for Australia's long term housing needs.

Older renters experience significant anxiety linked to their security of rental tenure and many experience housing stress.¹³ Such housing stress is magnified due to rent increasing well above CPI and the insufficiency of Commonwealth Rent Assistance.¹⁴

Issues within the rental market contribute to the overwhelming desire for Australians to become or remain home owners, including financial and non-financial benefits which are only available to homeowners.

The financial benefits of homeownership are clear, however, there are also many non-financial benefits which are attributed to homeownership including less exposure to crime,

⁹ Johnson, D. Worthington, A. & Brimble, M. 2014. Put it on the house: the promising, largely untapped potential for Australian home equity in retirement, *JASSA The Finsia Journal of Applied Finance*.

¹⁰ The National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*,

¹¹ AHURI. 2007. *Older persons in public housing: present and future profile*.

¹² ABS 2011- Selected households by age.

¹³ AHURI. 2014. *Preventing first time homelessness amongst older Australians*. University of QLD. Brisbane

¹⁴ National Seniors has previously raised concerns related to the affordability of housing for older Australians in our submission and appearance on the Inquiry into affordable housing available at <http://www.nationalseniors.com.au/sites/default/files/140327-NationalSeniorsAustralia-Submission-AffordableHousing.pdf>

improvement in health and educational outcomes, enhanced social stability and civic participation.¹⁵

The Australian dream to own a home is contributing to the continuing rapid growth of housing prices and the inequity in homeownership. High housing prices, specifically the need to provide large deposits, is pushing homeownership out of reach for many Australians. However, renting remains a second choice for most and one that they do not wish to actively consider.¹⁶

Renters face a number of disadvantages including forced moves which greatly contribute to instability¹⁷. The frequency of moving between owners and renters in Australia is the highest in the OECD.¹⁸

The lack of long term (beyond 6-12 months) leases available to Australian renters increases instability. Longer term residential leases, similar to what is commonly available in European countries, can help provide renters with many of the non-financial benefits which are currently only available to home owners.¹⁹

In 2004, Ireland moved to long term leases from 6-12 months to a legally prescribed 4 years, providing a more secure and satisfying experience for renters with no apparent negative impact on the supply of private rental housing.²⁰

Limiting the ability of property investors to terminate leases for 'any reason with notice' to a list of prescribed criteria, allowing pet ownership and minor alterations to the rental property would greatly enhance the lifestyle available to renters.

These amendments would align with other countries including Germany where renters can ordinarily keep small animals and make minor alterations.²¹

Improving the stability and security of tenure for a renter would provide them with the ability to receive similar non-financial benefits available to home owners.

Creating greater equity in the Australian housing market would reduce the desire to become a homeowner, subsequently reducing the demand which is currently driving high housing prices in the market.

¹⁵ Evgeniya Hawthorne .2015. *Social Benefits of Home Ownership* Real Estate Institute of Australia.

¹⁶ Wharton, Nathalie & Craddock, Lucy M. 2011. *A comparison of security of tenure in Queensland and in Western Europe*. *Monash University Law Review*, 37(2), pp. 16-46.

¹⁷ National Association of Tenants .2010. *A Better Lease on Life – Improving Australian Tenancy Law* National Shelter.

¹⁸ Caldera-Sanchez, A. 2011. *To move or not to move: what drives residential mobility rates in the OECD?*

¹⁹ Senate Select Committee on Housing Affordability in Australia .2008. *A good house is hard to find: Housing affordability in Australia*, The Senate.

²⁰ Jane-Frances Kelly .2013. *Renovating housing policy*, Grattan Institute.

²¹ Hulse, K., Milligan, V & Easthop, H. .2011. *Secure occupancy in rental housing: conceptual foundations and comparative perspectives*. Australian Housing and Urban Research Institute.

Homeownership and Australia's social security and tax systems

Several studies^{22 23} have explored the relationship between the provision of social security and homeownership patterns in varying types of political economies.

Such studies have found that countries with low homeownership rates have high welfare spending on older people (Austria, Denmark, Sweden) and those with high homeownership rates have low levels of welfare spending on older people (Australia, Canada, New Zealand).²⁴

Equity Release

3. National Seniors recommends that the government investigate policies that will address barriers to downsizing (or 'rightsizing') for older Australians, for example, a national 'rightsizing' program.

The term 'asset rich but cash poor' holds true for many older Australians. Currently, there are very few options available for older Australians who want to access the value within their homes in a fair and effective manner.

In addition, pressure on older Australians to downsize to more age-appropriate housing and release stock for young families is growing. Older Australians are also being told to draw upon the proceeds from the sale of the home to finance retirement and aged care costs.²⁵

However, such moves are not straightforward or often practicable.

Older Australians face barriers to relocating including: the inability to find value for money, stamp duty, moving costs, lack of suitable housing in familiar surroundings with easy access to required amenities, and impacts of selling the home on Age Pension eligibility.

These barriers also decrease capacity for older Australians to access equity in their home to assist with living costs during retirement.

Proceeds from the sale of the family home continue to remain exempt from the Age Pension assets test for up to 12 months, as long as the funds are intended to buy another home. However, any interest earned on sale proceeds is counted under the income test, and, if a cheaper home is purchased, any surplus cash is included in the Age Pension asset test.

Concerns regarding the proceeds of the sale of the home being subject to the Age Pension assets test discourage 20 per cent of all seniors, and 30 per cent of Age Pensioners from selling the home.²⁶

The major gap between housing demand and supply also affects opportunities.

²² Conley, D., & Gifford, B. (2006). Home ownership, social insurance and the welfare state. *Sociological Forum*, 21 (1), 55–82.

²³ Kemeny, J. (2001). Comparative housing and welfare: Theorising the relationship. *Journal of Housing and the Built Environment*, 16 (1), 53–70.

²⁴ J. Doling and M. Elsinga. 2013. *Demographic Change and Housing Wealth: Homeowners, Pensions and Asset-based Welfare in Europe*. P. 30.

²⁵ Grattan Institute. 2015. [Australia should recover pension payments from estates](#)

²⁶ Olsberg, D. & Winters, M. 2005. *Ageing in Place: Intergenerational and intrafamilial housing transfers and shifts in later life*. Australian Housing and Urban Research Institute, Melbourne, Australia.

Australia's reverse mortgage and equity release market is under developed – it has few players and their products are often limited to specific geographic locations which have experienced significantly large increases in housing values.²⁷ Reverse mortgages also apply considerably higher interest rates than traditional mortgages reducing the amount of benefit available to homeowners.²⁸

In 2013 the then Labor government announced the Supporting Senior Australians—housing help for seniors pilot,²⁹ to address some of the barriers to downsizing that older Australians face.

The pilot exempted a portion of sale proceeds from the Age Pension asset test. However, it also applied restrictive conditions, including the requirement that a homeowner had to own their home for more than 25 years and quarantining the proceeds for ten years.

As an alternative National Seniors has called for the implementation of a 'Rightsizing' program that exempts up to \$150,000 in proceeds from the sale of the home from the Age Pension income or asset test³⁰. Excess sale funds could then go towards critical services, such as health costs, significantly reducing the burden on government-supported health systems.

The recent changes to the Age Pension asset test (legislated in June 2015) will provide an even greater deterrent for seniors to right-size. Reconsideration should be given to a program which allows seniors to right-size without the threat of future reductions to their Age Pension payments.

Stamp Duty

4. National Seniors recommends that the states and territories provide concessional stamp duty to older Australians to encourage downsizing and maintenance of homeowner-occupier tenure.

Stamp duty is a major state tax and contributes a significant percentage of revenue (approximately 25 per cent of total revenues) for states and territories.³¹ However it also represents a considerable hurdle for older Australians wishing to downsize.³²

A reduction in stamp duty would encourage older people to right-size their homes and improve quality of life, while also providing many younger Australians access to suitable family homes which would not otherwise be available.

²⁷ Bendigo Bank. 2015. *Homesafe - a new solution to the aged cash crisis*.

²⁸ Money Smart. 2015. *Reverse mortgages*. ASIC.

²⁹ Department of Human Services. 2013. *Budget 2013-14: Supporting senior Australians—housing help for seniors—pilot*. Australian Government.

³⁰ National Seniors Australia. 2015. *Submission to the 2015-2016 federal budget*. Brisbane.

³¹ Pitchers Partners. 2014. *Victorian State Budget 2014-14*.

³² AHURI Evidence Review 065. 2014. *Stamp duty inhibits downsizing*. Australian Housing Urban Research Institute.