Submission to the Select Committee on Intergenerational Housing Inequity

1 May 2026

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1. Background

National Shelter is a national peak body for housing policy and advocacy, working to improve housing access, affordability, safety and security for people on low incomes, and to ensure that every person in Australia has access to safe, secure and affordable housing. Our purpose is to advance housing justice by shaping policy, strengthening partnerships and advocating for systemic reform that addresses homelessness, housing insecurity and inequality. We collaborate with governments, industry and peak bodies, the private and not-for-profit sectors, community housing providers, homelessness services, and people with lived experience to promote evidence-based solutions that expand affordable housing supply and improve housing outcomes nationally.

Housing affordability and intergenerational inequity should be understood not only as economic and social challenges, but as indicators of Australia's ability to realise the fundamental right to safe, secure and adequate housing across the life course.

This submission is informed by and aligned with National Shelter's 2025 Federal Policy Platform and its priority reform agenda. Given the system-wide nature of Australia's housing challenges, including their economic dimensions, core social inequities, and the central role of housing-related safety nets, this submission has been prepared with the assistance of Brendan Berne, economist, former Reserve Bank of Australia banker, and former Australian Ambassador to France. It also draws on the expertise and contributions of National Shelter's policy and research collaborative groups, its established evidence base, and the lived experience and perspectives of its member organisations and people on low incomes. Key recommendations are summarised below, with further detail provided in Section 13 of this submission.

2. Key Recommendations

Disclaimer: Relationship between recommendation streams

The three sets of recommendations outlined below are not mutually exclusive and should be read as complementary rather than sequential. Measures identified as part of longer-term or wider system reform do not imply deferral or inaction; rather, they recognise that some reforms, particularly those involving tax, planning and institutional change, require sustained commitment, careful sequencing and long-term implementation. Early action, clear signalling and incremental progress are essential to achieving durable system-level and political-level change, even where full impacts are expected to materialise over time. Each recommendation is accompanied by a cross-reference to the relevant Terms of Reference of the Inquiry.

Immediate reform priorities (arising from an expanded Housing Accord)

1. **Stabilise housing demand through stronger macro-prudential oversight.**

   Modernise APRA's mandate, governance and public visibility to enable a more systematic approach to housing lending, leaning against excessive house price growth while accommodating orderly declines. Clear guidance on long-run house price growth expectations would help unwind the historic price ratchet and support a gradual return to sustainable house price-to-income ratios.

   ToR (d), (b), (f)

2. **Align population-based planning with binding housing delivery targets.**

   Translate population projections into clear, enforceable housing targets (including social and public housing) embedded in state and local planning schemes, with explicit expectations for scale, location, and timing. Proactive rezoning and infrastructure sequencing are essential to prevent persistent undersupply and price volatility.

   ToR (d), (2), (f)

3. **Provide immediate relief to renters and stabilise existing stock.**

   Increase and re-index Commonwealth Rent Assistance (CRA) to reflect real rent movements in the public and private markets. Increased payment rates must be accompanied by a review of CRA reform to better target assistance to households with the highest rent-to-income ratios. Introduce nationally consistent measures to address long-term vacant dwellings and ensure neutral tax treatment of short-term rentals to protect the long-term rental market.

   ToR (a), (c), (d), (f)

4. **Resetting housing expectations and promoting sustainable wealth building.**

   Implement a coordinated program of community education and financial literacy to communicate the intergenerational and economic costs of housing speculation, promote realistic understandings of property investment risk, and support diversified wealth building through superannuation and long-term savings**.**

   ToR (e), (b), (f)

Medium term (within five years): Building on the cumulative impact of the preceding recommendations, this phase focuses on embedding, scaling and systematising reforms to ensure durable outcomes.

1. **Rebalance housing tax and retirement income settings.**

   Gradually unwind the concessional tax and pension treatment of housing, including reforms to negative gearing and the capital gains tax discount. Revenue generated by these reforms should be redirected toward more productive uses, including expanding the social and public housing stock. Consideration should also be given to including high-value housing wealth above a generous threshold in the Age Pension assets test, to improve equity and better align housing and retirement income settings.

   ToR (d), (a), (f)

2. **Support housing delivery through productivity improvements, coordinated planning frameworks and better intergovernmental alignment.**

   Strengthen construction sector productivity through wider adoption of modern methods of construction, digitisation of development processes, and improved public procurement practices. Improve coordination across State and Federal governments to align infrastructure investment, land-use frameworks and housing delivery in well-located areas, including through time-limited incentives that support timely decision-making and effective sequencing of development. This approach recognises that sustained increases in housing supply depend on integrated policy settings across governments rather than reliance on any single reform lever.

   ToR (d), (e), (b), (f)

3. **Provide national leadership to structure a stable and long-term rental market.**

   Establish nationally consistent principles for rental tenure, rights, and protections, and encourage the growth of professionally managed rental housing, including build-to-rent, community housing, and other institutional models, so that renting is a secure, long-term housing pathway for those who choose/require it. Work via the National Better Deal for Renters to deliver the agreed minimum standards across all jurisdictions.

   ToR (a), (c), (d), (f)

4. **Reform strata and apartment governance.**

   Progress towards nationally consistent strata regulation, building on recent NSW reforms, to improve transparency, consumer protection and affordability and support broader acceptance of higher-density living.

   ToR (b), (e), (f)

Wider and enduring housing system reform.

1. **Expand social, affordable and supportive housing at scale.**

   Commit to lifting social and public housing to around 10 per cent of total dwelling stock over a generation, alongside scaled investment in supportive housing to reduce homelessness and long-term fiscal costs.

   ToR (a), (c), (d), (f)

2. **Mobilise institutional capital for housing delivery.**

   Facilitate greater institutional investment, including through superannuation, via aggregated pipelines, standardised delivery models, appropriate risk-sharing and national housing finance mechanisms, reducing reliance on speculative household investment and stabilising rental outcomes.

   ToR (b), (d), (e), (f)

3. Introduction

It has taken two generations, around 40 years, for the current imbalances in the Australian housing market to take form. After the removal of interest rate ceilings and credit rationing in the 1980s, a newly liberated, well-capitalised banking system rapidly expanded the share of its assets held in mortgages, attracted by their lower capital reserve requirements relative to riskier, unsecured business lending. Households eagerly embraced these changes, induced by a supportive tax system which protected the primary place of residence from capital gains taxes and pension assets tests, eventually extending their investments beyond the one property to purchase additional properties, benefitting from highly favourable negative gearing regimes and capital gains tax discounts. In the minds of many Australians, housing has transformed from being a key element of social infrastructure to being a focus of financial speculation.

Over this period, housing speculation – and house prices – was boosted by the relative macro-stability of the mid-1990s to the mid-2000s, and the quantitative easing and lax monetary policy in the aftermath of the global financial crisis in 2007-08 (OECD, 2021). House prices and rents rose faster than general inflation, undermining housing affordability. The increase in real housing costs has been particularly sharp in Australian urban areas, where both housing stock and undeveloped land are in short supply.

For two generations, Australian real estate investment has also benefited from a cultural carve-out. This saw a preference among policymakers for favourable treatment for housing compared to other OECD countries. For example, imputed rents on Australian homes and the potential capital gains on the principal place of residence were not taxed. Wealth and inheritance taxes largely spared residential investment. And unusual in an OECD setting, targeted tax relief encouraged housing speculation, opening the way to much higher after-tax returns on housing than more productive investments, including share ownership. (Offsetting this, Australia did not permit tax deduction of mortgage payments on the family home.)

On the supply side, Australia's housing system has been shaped by a housing culture in which dwellings increasingly function as a primary store of wealth, creating strong incentives for existing owners to resist zoning reform and higher-density development. These dynamics are compounded by fiscal federalism, under which states and local governments bear the political and service-delivery costs of accommodating growth, while many of the broader economic and revenue benefits accrue to the Commonwealth, weakening incentives to expand supply. At the same time, local governments—particularly in New South Wales and Victoria—are constrained by rate-capping and limits on developer contributions and fees, undermining their financial sustainability and their capacity to fund the infrastructure required to service new housing. Rising land values in this context reflect structural demand and investment pressures rather than systemic failures in planning approvals, and point instead to misaligned fiscal, infrastructure and governance settings that inhibit supply responsiveness despite high approval rates. These pressures are reinforced by fiscal federalism, with states and councils bearing the political costs of reform while many of the economic and revenue benefits accrue to the Commonwealth, weakening incentives to expand supply.

As a result, Australian house prices are now at historical highs and are approaching the most extreme levels recorded internationally when measured against household income, with several major Australian cities ranked among the world's least affordable housing markets on price-to-income benchmarks (Demographia International, 2025; OECD, 2024). Twenty years ago, all of Australia's housing markets were classified as "affordable". But according to the most recent data, four major Australian markets – Sydney, Adelaide, Brisbane and Melbourne – were deemed to be "impossibly unaffordable", with a median house price-to-median household income ratio of 9x or more, and one market, Perth, classified as "severely unaffordable", with a median house price-to-median household income ratio between 5.1X and 8.9x (Demographia International, 2025).

Over the same four-decade period, Australia has also experienced a steady and significant decline in the proportion of social and public housing relative to population growth, a trend that has been a central concern of National Shelter for many years. Successive governments have allowed social and public housing stock to fall from around 6–7 per cent of all dwellings in the early 1990s to around 4 per cent today, even as need has intensified. This contraction reflects a broader rebalancing of Commonwealth housing-related expenditure away from direct housing assistance, including social and public housing investment, and toward increasingly generous housing-related tax expenditures, although efforts in very recent years have been in stark contradiction to those trends, and should be commended.

This submission should be read as complementary to National Shelter's 2026–27 Pre-Budget Submission and 2025 Policy Platform. While this paper focuses specifically on the drivers and consequences of intergenerational housing inequity, it is grounded in National Shelter's broader mission to advance housing justice, prevent homelessness, and strengthen Australia's housing system across the full housing continuum. Intergenerational inequity does not operate in isolation: it intersects with rental stress, homelessness, disability, gender inequality, and the persistent exclusion of Aboriginal and Torres Strait Islander peoples from secure housing. Addressing these interconnected challenges requires coordinated national leadership, sustained investment in public and social and affordable housing, and reform that improves housing security for current and future generations alike.

4. Housing as a Human Right and Intergenerational Obligation

National Shelter asserts that access to safe, secure, appropriate and affordable housing is a fundamental human right and an essential foundation for dignity, health, and participation in economic and social life. Australia has long recognised this principle through its international human rights commitments and some of its domestic policy frameworks, yet growing housing insecurity demonstrates a widening gap between formal recognition and the lived reality.

Intergenerational housing inequity represents not only a market failure, but a failure to progressively realise this right across the life course. For younger generations, rising housing costs translate into prolonged insecurity, delayed family formation, diminished economic opportunity, and an increasing risk of homelessness in later life. For older generations, declining affordability is eroding traditional assumptions of housing security in retirement. These dynamics expose a housing system that no longer delivers equitable outcomes between generations.

A defining feature of Australia's housing challenge is the long-term erosion of social and public housing as a proportion of the national dwelling stock. Over several decades, social and public housing investment has failed to keep pace with population growth and need, leaving the system increasingly unable to perform its stabilising role within the broader housing market. This decline has not only deepened housing stress and homelessness for low-income households but has also amplified pressure across the entire private rental system, contributing to increased competition, insecurity and volatility for renters more broadly. Reversing intergenerational housing inequity, therefore, requires renewed and universal recognition of social and public housing as essential economic and social infrastructure, rather than a marginal safety-net intervention.

Sustained expansion of social and public housing, at scale and over time, is critical to restoring balance to Australia's housing system. International experience demonstrates that jurisdictions with larger and more stable social and public housing sectors are better able to moderate market pressures, provide long-term rental security, and reduce downstream costs in health, homelessness and social services.

Recognising housing as a human right does not imply the abolition of housing markets, nor does it require governments to provide a home to every individual. Rather, it affirms a clear obligation on governments to ensure that housing systems, through regulation, direct investment, and coordination, meet minimum standards of affordability, security, accessibility, and fairness. Addressing intergenerational housing inequity is therefore inseparable from the task of fulfilling this obligation in a manner that is sustainable, efficient and just across generations.

5. House prices now distort Australian economic life

Housing is as much an economic issue as it is a deeply social one.

Economists typically call for reform whenever a distortion exists that pushes people to act in ways that are not optimal for them or the broader public welfare. By this test, the case for Australian housing reform is now flashing deep red. Distortions in demand and supply have seen Australian house prices rise well above historic and international benchmarks, squeezing successive generations of Australians out of the housing market and distorting the way Australians live in ways that cannot be explained by preference shifts.

These distortions matter not only because they undermine productivity, but because they erode access to secure housing, an essential precondition for dignity, well-being, and full participation in economic and social life.

The impact on younger generations goes well beyond limiting the availability of affordable housing. Declining housing affordability now impinges on basic life choices, including where to live, when to form relationships, whether to have children and how those children will be cared for in their early years. 81 per cent of Gen Z and Millennials say the cost of housing has affected the timing of major life decisions (McKinnon, 2023).

Even for the older demographics, who hold most of the nation's housing wealth, decisions around when and where to retire have been impacted by the need to either accommodate adult children and sometimes even their families under the same roof, or to re-mortgage their existing family residence in order to enable their children to 'gain a foot on the property ladder', with more and more Australians retiring with mortgage debt. Only 50 per cent of Australians with a mortgage and not yet retired expect to have their mortgage paid off by the time they retire (McKinnon, 2023).

Sustained high rates of growth in housing prices have also distorted households' investment behaviour, turning housing away from being seen as social infrastructure to being the subject of speculation. It is well known that housing price expectations have a profound impact on household behaviour and house prices (Kuang et al., 2026). Successive surveys attest to the persistent expectation by Australian households that residential property prices can only rise and that returns will always outpace other investments, including shares. The long run-up in house prices over the past forty years and the community acceptance of rules of thumb such as 'property prices double every seven years' have justified further investment in residential property, and an unshakable belief that speculation on the prices of residential property is sound financial behaviour. This factor alone has helped entrench property speculation as an artefact of Australian cultural life.

The economic costs of a highly leveraged housing sector have been considerable. Australia has paid the price for channelling too much of its community savings into housing over more productive uses, including private capital investment in new sectors, such as technology and advanced manufacturing. APRA reports that relative to its international peers, the Australian banking system is considerably more concentrated in residential mortgages, accounting for around two-thirds of Australian banks' exposures (APRA, 2026). Lower rates of business lending have, in turn, weighed on the rate of capital formation per Australian worker, a major explanatory factor behind the stalling performance of Australian labour productivity.

Much of the domestic lending for housing has also been financed by foreign capital, lifting Australia's foreign indebtedness and requiring repayment in foreign currencies (when unhedged). Borrowing abroad to invest in unproductive assets like housing at home has historically been shown to be an unsound macroeconomic policy and has contributed to financial crises in countries as diverse as

Ireland and Thailand. Moreover, high housing prices and sharp differences in house prices between states and cities have created barriers to labour market mobility across Australia, further weighing on the productivity of the country.

Intergenerational housing inequity should also be understood as a system-wide phenomenon affecting not only access to home ownership, but also long-term rental security and homelessness occurrence and risk. Younger generations are increasingly locked into insecure, high-cost rental arrangements with little prospect of transition into ownership or stable long-term housing. This erosion of housing security raises the likelihood of lifetime renting, late-life poverty, and homelessness, particularly as households age, experience disability, relationship breakdown, or labour-market disruption. Without decisive reforms to expand social and affordable housing and strengthen renter protections, intergenerational inequality will continue to compound across the life course, placing growing pressure on homelessness services, health systems, and future public budgets.

As lifetime renting becomes more common, ensuring minimum standards of affordability, security and habitability in the rental system is increasingly central to protecting housing security across generations.

6. Reform is difficult and risky, but urgent

The imbalances within the Australian housing market and across the economy are now so great that undertaking housing sector reform is considered by many as systemically and politically risky. The housing sector in terms of household expenditure, private sector leverage, share of total financial sector assets and scale of tax exemptions, now looms so large in the life of the Australian economy that policymakers are leery of taking any serious steps for fear of toppling prices and damaging Australia's financial sector through an erosion of bank capitalisation.

The outsized share of housing assets in older generations' investment portfolios has also deterred policymakers from tampering with the tax or pension treatment of residential property for fear of incurring an electoral backlash. Further, the deeply rooted place that housing speculation and real estate occupy in Australian culture, cheered on by the media and other vested interests, has meant a multitude of lobbyists stand ready to oppose aggressively any serious proposals for housing market reform. We have seen in recent elections this 'immunity response' that swarms and neutralises even the most modest and sensible reform ideas targeting house prices.

Any new housing reform proposals must take these forces into account. Reforms that would spell an immediate and sharp downward adjustment in housing prices are unlikely to be embraced, both for fears of a possible undermining of Australia's highly housing-exposed financial system or of an electoral backlash by those who will bear the bulk of the losses, killing proposals before they get off the drawing board.

However, recent nationally representative polling shows a clearly emerging public mandate for housing tax reform. In April 2026, AMPLIFY surveyed more than 4,000 Australians and found that three in four (75%) support reform to housing-related taxes, with 65% backing changes to negative gearing and the Capital Gains Tax discount. Support extended across all demographic groups and political persuasions, including 65% of property investors and landlords, while fewer than one in five Australians believe current tax settings should remain unchanged.

Effective policy, therefore, requires that reforms steer us to a new equilibrium characterised by more affordable housing. But pragmatism demands that the adjustment path to that new equilibrium be gradual, as fair as possible in how it imposes losses near-term and one that enjoys broad bipartisan support. It took generations of poor bipartisan decisions to generate the current housing market imbalances, and it will require careful bipartisan management over at least a generation to address these imbalances.

7. Australian housing inequality approaching historical and international extremes

The sustained run-up in Australian house prices to historically high levels has made it difficult for younger generations to access the housing market, and as prices continue to rise, this has driven significant housing and wealth inequality across Australian demographic groups.

Between 1997–98 and 2017–18, the housing wealth gap between Australians in their 50s and those in their 30s grew from 161 per cent to 234 per cent. In real terms, the older group's mean home equity climbed from AUD255,323 to AUD467,182, while the younger group's rose more modestly from AUD97,799 to AUD140,080 (Ong and Phelps, 2023). This growing gap was driven principally by lower rates of homeownership and lower property value growth among younger cohorts. The growing housing wealth gap between the “income-poor young” and “income-rich old” has been particularly alarming, climbing from 532 per cent to 1230 per cent over two decades (Ong Viforj and Phelps, 2023). Gen Z non-homeowners are most likely to want to own their own home (93 per cent), but there is a 30-point gap between those who think it likely (63 per cent) (McKinnon, 2023).

Australian census data from 1991, 2006 and 2021 shows that home ownership, including homes owned outright or with a mortgage, for those aged between 25–39 years, has decreased in each successive generation. The 25–39-year-old Baby Boomers in 1991 were three times more likely than the 25–39-year-old Millennials in 2021 to own their home outright. Today, over half (55 per cent) of Millennials are homeowners compared with 62 per cent of Generation X and two-thirds (66 per cent) of Baby Boomers when they were the same age. Home-ownership rates are falling particularly fast among younger, poorer Australians. Thirty-five years ago, most low-income younger households owned their own home. Today, only about one in five do (Grattan Institute, 2021).

These results are despite Millennials participating in the labour force at rates similar to Generation X and Baby Boomers and being far more qualified than either generation at the same age. Over three quarters of millennials (79 per cent) have a qualification compared with under two thirds of Generation X (64 per cent) and less than half of Baby Boomers (48 per cent) at the same age. Forty per cent of Millennials have higher education qualifications, compared with almost 25 per cent of Generation X and only 12 per cent of Baby Boomers at the same age.

These housing outcomes by generation map neatly onto very different family outcomes by generation, consistent with the view that high and rising housing prices are affecting fundamental decisions about family life. Over half (53 per cent) of Millennials have never been married, compared with 26 per cent of Baby Boomers at the same age. Compared with earlier generations, Millennials are marrying at an older age. Half of Baby Boomers were married by 27 years of age, compared to 32 years for Generation X and 34 years for Millennials.

Similarly, the most common living arrangements for Millennials are “living in a couple household with no children” (36 per cent), which was twice the rate of Generation X (18 per cent) when they were the same age. Only one in five Millennials (21 per cent) is living with a partner and children, compared to more than half of Baby Boomers (52 per cent) at the same age (ABS, 2022).

One of the greatest barriers to young people entering the housing market is the size of the deposit. According to the Grattan Institute, in the early 1990s it took about six years to save a 20 per cent deposit for a typical dwelling for an average household. It now takes more than 10 years. In addition, many young households are finding it harder to save for a deposit because they face larger higher education debts and are now forced to save more of their income into superannuation than their parents did 25 years ago (Grattan Institute, 2021).

At this scale, intergenerational housing inequality reflects a systemic failure to deliver equitable access to adequate housing, with consequences that extend well beyond tenure choice to security, health and life outcomes.

8. Lessons on improving housing affordability from home and abroad

There is evidence that scaling back state-backed subsidies and favourable tax treatment for private housing eases demand for housing and reduces house prices over time. This is because housing supply is generally inelastic, and so introducing subsidies and other state support for housing demand is often quickly capitalised into the price of housing, worsening housing affordability.

For example, the OECD found **Denmark's phasing out of mortgage interest tax relief reduced house prices** by easing demand for urban housing supply that was highly inelastic (OECD, 2021). As a consequence, Danish equilibrium house prices and household indebtedness declined (Gruber, Jensen and Kleven, 2021). The OECD argued that this reform also had a net positive impact on equity as tax measures around mortgage interest payments tended to favour wealthier households.

In the Netherlands, a long-term reform was adopted to reduce the favourable tax treatment of mortgage payments, especially for mortgages that allowed interest-only payments which had seen a sharp rise in household indebtedness. In 2014, the government committed to gradually reduce the amount of tax relief for mortgage payments by 0.5 percentage point per year until 2040, allowing households to gradually adjust their behaviour and to render the reform less politically threatening (OECD, 2021). Dutch household debt-to-GDP declined from around 121 per cent in June 2014 to 94 per cent in September 2025 (The Global Economy, 2026).

There is **evidence that effective prudential control can help curb house price growth.** In 2016, facing rapid increases in house prices, Sweden tightened lending for mortgages which were characterised by a high loan-to-valuation (LTV) ratio, or which were associated with a higher debt-to income (DTI) ratio, requiring these loans to be paid down more quickly. These measures had the effect of discouraging excessive borrowing relative to the value of the house and level of income and were successful in curbing house price increases (OECD, 2021).

In the 2010s, **Canada tightened its loan-to-valuation cap from 95 per cent to 90 per cent for homes above CAD500,000 in response to rapidly rising house prices,** especially in Vancouver and Toronto. This was complemented by tightening compliance with the cap on the debt-service ratio, and adopting a stricter measure of the interest rate applied. Access to government insurance was also tightened for high-LTV mortgages in 2016 and again in 2018. These tightening measures in macroprudential policy led to house price declines in Vancouver and stabilisation in Toronto.

A recent paper by UK researchers studying UK housing policy in the 2020-23 period found that prudential controls tied to residential loan-to-valuation ratios were the most effective macroprudential tool, as they significantly affected households' house price expectations and homebuying intentions. It found that macroprudential policy was most effective when it moved households' house price expectations via well managed communication strategies.

France's introduction of a legislated cap on debt-servicing to income (DSTI) of 35 per cent helped curb house price increases coming out of the COVID lock-down (Trésor, 2021).

A large study of 57 economies found that macro-prudential policies have been increasingly adopted following the global financial crisis in both advanced and emerging economies, primarily targeting the housing sector (Akinci and Olmstead-Rumsey, 2018). The study found that macroprudential tightening was associated with lower bank credit growth, lower housing credit growth, and less house price appreciation. It also found that targeted policies – those specifically intended to limit house price appreciation – were more effective, especially in economies where bank finance was important.

Australia has had its own successful period of effective macro-prudential management which played an important role in guiding house prices lower without inducing financial sector stress. In the period 2017 to 2019, macro-prudential policies were adopted to lift the interest rate on investor loans and interest-only occupier loans. This saw house prices fall by 9 per cent — the largest decrease since 1989 (Australia Institute, 2025).

In December 2014, APRA announced that lenders could not increase investor lending by more than 10 per cent annually and required that lenders have a 2 per cent buffer above the loan rate when calculating a borrower's capacity to repay the loan. **The number of loans granted to investors and interest-only owner-occupiers began to decline.**

However, by the end of 2016, the number of investor loans began to grow again, and further macro-prudential tightening occurred, targeting the interest rates charged on investor loans, which reduced demand. Lenders charged an extra 50 basis points in interest on owner-occupier interest-only loans and investor loans, with an extra 100 basis points charged on investor interest-only loans. This saw the number and value of investor loans decline between 2017 and 2019. These gains were reversed as interest rates were slashed to deal with Australia's COVID crisis, resulting in a surge in all lending (Australia Institute, 2025).

Australian states have also shed light on how to stem house price growth and improve affordability. **Victoria's 2023–24 Budget significantly increased taxes on property investors through land tax and surcharge changes. Since these reforms were announced, Victoria has experienced weaker property price growth than most other states, with analysts citing reduced investor activity as one contributing factor alongside broader market conditions.** This moderation has occurred at a time when other capital city markets have continued to surge. These included a rise in investor taxes including a 10-year "COVID debt levy" that reduced the land tax-free threshold from AUD300,000 to AUD50,000, new fixed charges of up to AUD975, as well as a doubling the absentee owner surcharge paid by foreign investors to 4 per cent.

Grattan Institute Economist Brendan Coates argued that these changes had subdued investor activity and opened more opportunities to younger first home buyers. Independent economist Saul Eslake described the changes as dampening investor activity and improving housing affordability, albeit unintentionally. While house prices in Sydney, Brisbane, Adelaide and Perth have surged since 2023, Melbourne's values have not, allowing nearly 70,000 first-time buyers to enter the Victorian market in the past two years, according to ABS data (SMH, 2026).

One factor influencing house price pressures during periods of strong demand is the limited responsiveness of housing supply in some contexts. International experience suggests that supply responsiveness varies across countries depending on a range of institutional, fiscal, infrastructure and market conditions. OECD analysis notes that in some jurisdictions housing supply has expanded more rapidly during periods of rising demand, which has helped moderate price pressures (OECD, 2011). Rather than pointing to planning systems as a primary constraint, the OECD highlights the importance of predictable, coordinated and timely decision-making frameworks that provide certainty for investment in new construction, alongside adequate infrastructure provision and competitive construction sectors. Maintaining an appropriate balance between safeguarding housing quality and standards, and ensuring approval processes are transparent and predictable, is identified as one element, among many, that can support supply responsiveness when demand accelerates.

International examples illustrate how coordinated policy settings can influence outcomes. In New Zealand, median house price-to-income ratios in Auckland declined from around 11.2 in 2021 to approximately 7.7 in 2025, following a period of increased housing delivery (OECD, 2021). Reforms introduced from 2023 sought to increase the availability of development land in and around urban areas, alongside complementary infrastructure and financing measures, with the stated aim of supporting housing growth.

Earlier reforms in Auckland between 2013 and 2016 focused on enabling a broader mix of housing types, including increased medium-density development in selected areas. Evaluations of these reforms found a substantial increase in construction activity in affected areas relative to comparison locations, contributing to growth in the dwelling stock over time (Tulip, 2024). Importantly, these outcomes occurred in a context of aligned policy settings and investment conditions and are associated with slower rent growth than would otherwise have been expected. These experiences suggest that housing supply outcomes are shaped by how planning, infrastructure funding, market incentives and government coordination operate together, rather than by planning regulation in isolation.

Several OECD countries have undertaken novel approaches to returning vacant houses to the market as a means of boosting supply. **In Greece, owners of vacant dwellings are eligible to benefit from two support schemes to renovate and put dwellings back on the market.** The "Renovate-Rent" programme provides financial support to renovate privately-owned houses, under the condition that they are subsequently rented out. The subsidies cover 60 per cent of renovation costs, up to a maximum of EUR 8 000, for expenses up to EUR 13 300. Additionally, the government has introduced a three-year income tax exemption on rental income for property owners who, between September 8, 2024, and December 31, 2025, convert a long-vacant property (unoccupied for at least three years) into a long-term rental (OECD, 2021).

Expanding public and social and public housing is a proven and effective way to relieve housing supply constraints, particularly for low- and moderate-income households. International experience also demonstrates that a well-designed not-for-profit housing sector can deliver scale, quality and affordability while limiting ongoing demands on public budgets.

Across the OECD, several countries have successfully embedded social and public housing as a core pillar of their housing systems. Austria provides a compelling model for Australia**. In 2019, social and public housing accounted for 24 per cent of Austria's total dwelling stock, rising to 44-45 per cent in Vienna.** This scale has been achieved not through direct state provision alone, but through a strong, limited-profit and community housing sector operating alongside government. Limited-profit housing associations manage more than two-thirds of Austria's social and public housing stock. These organisations deliver high-quality homes at below-market rents to both low and middle-income households, supporting social mix and long-term affordability. Each year, housing associations build between 12,000 and 15,000 new homes—approximately 25 to 30 per cent of all residential construction—demonstrating the capacity of the sector to contribute meaningfully to overall housing supply.

Affordability is maintained through cost-based and income-based rents, which are significantly lower than private market rents. Importantly, this model minimises fiscal pressure on governments. Projects are financed through a combination of private and public loans, tenant equity contributions and the housing associations' own capital, rather than ongoing operating subsidies. Part of rental income is directed to dedicated rehabilitation funds, ensuring housing quality is maintained and assets are renewed over time. Housing associations in these jurisdictions are typically exempt from corporate tax for their core activities, reinforcing their role as long-term custodians of public benefit housing rather than profit-maximising entities, protecting affordability in perpetuity.

This approach highlights the potential for Australia to significantly expand its social and public housing sector as a supply solution, not only to house those in greatest need, but to stabilise the broader housing system. With the right capital settings, planning support and governance frameworks, community housing providers and state housing authorities can deliver homes at scale, recycle public investment if they choose, and sustain affordability over generations. Strengthening and growing this sector is therefore not an alternative to market supply, but a necessary complement to it.

9. A deeper dive into Australian housing inequality

While age is a central axis of housing inequality, its effects are significantly compounded by gender, disability, racial disadvantage, geography, and income. Younger people, First Nations households, women, particularly single mothers and older women, people with a disability, and low-income renters in regional and remote areas experience disproportionately severe and enduring housing disadvantage. For these groups, intergenerational inequity is not merely delayed ownership but chronic insecurity and heightened homelessness risk. Consistent with National Shelter's long-standing advocacy, reforms to address intergenerational inequity must therefore prioritise targeted investment in social and public housing, community-controlled housing, accessible housing design, and integrated support models that respond to intersecting forms of disadvantage.

For many groups, including low-income renters, women, people with a disability, and First Nations households, intergenerational inequity is not experienced as delayed home ownership but as prolonged housing insecurity and elevated homelessness risk.

For the housing-poor young, belonging to a wealthier socio-economic group can mitigate the risks of remaining housing poor into middle age and beyond. Wealthier young people, for example, are more likely to be able to access the housing ladder through the 'Bank of Mum and Dad' (BoMD). Estimates from the ABS's Household, Income and Labor Dynamics in Australia (HILDA) Survey show that those who receive a cash transfer or inheritance in excess of AUD5000 from the BoMD are more than twice as likely to enter into homeownership than those who do not receive assistance (CEDA, 2023). One in ten Australian homeowners (11 per cent) have access the 'BoMD' in the form of a gift or loan and this rises to 21 per cent among Millennials (McKinnon, 2023).

During 2001-2018, 4.5 per cent and 2.6 per cent of young non-owners received a parental cash transfer or inheritance, respectively. Among these, 23 per cent became homeowners the following year. However, intergenerational transfers are not limited to direct cash transfers. Parents can also assist their children in non-cash ways. For example, 4.5 per cent of young non-owners lived independently but in rent-free dwellings provided by family or friends during 2001-2018. Among these, 26 per cent became owners the following year. These tenure transition percentages were much higher than for those who received no parental assistance, whose chance of becoming homeowners the following year was only 10 per cent (CEDA, 2023).

Housing outcomes differ by gender. Men are more likely to experience homelessness than women and are less likely to present to services for assistance. Women are more likely to be single parents, resulting in greater relative housing burdens. Single mothers are overrepresented in social and public housing (AHURI, 2026).

Time out of the workforce due to caring responsibilities and a higher rate of part-time work also impact women's retirement and housing outcomes in later life. In 2022, women's median superannuation balances at retirement were around 23 per cent lower than for men, meaning they had less capacity to pay off a mortgage. More recent data from 2024-25 showed 30 per cent of retired women relied on their partner's income to meet their living costs at retirement (compared to 9 per cent of retired men). This suggests women continue to retire with less savings, which would often likely translate to greater housing stress (AHURI, 2026).

The experience of women underscores the emerging trend of many people being life-time renters which flies in the face of the Australian assumption that renting is merely part of a pathway toward home ownership. Policies must take account of this emerging development and seek to support the life-cycle of people who rent their home in Australia, including into retirement.

New technologies being utilised by property managers and landlords to automatically rank and vet rental tenancy applicants present another potential challenge for female renters. One study found women may face a disadvantage if screening programs' rankings penalise single-parent households, applicants with interrupted work histories, or lower-wage applicants. This insight would support the development of refreshed anti-discrimination legislation, particularly regarding rental application data related to protected factors such as race, gender and disability (AHURI, 2025).

Despite long-standing measures under the Closing the Gap strategy, housing outcomes for indigenous Australians remain poor. Nearly one in eight low-income Aboriginal and Torres Strait Islander households are without adequate housing. In 2021, more than half of First Nations households were renting (56 per cent or 192,703 dwellings), while only 42 per cent (145,101) were owner-occupiers (AIHW, 2025).

According to the 2021 ABS Census, housing tenure patterns for First Nations households differ markedly between remote and non-remote areas. In remote communities, home ownership rates are lower and households are more likely to live in social and public housing. These outcomes largely reflect the distinctive land tenure, legal and economic conditions in remote and homeland contexts, where land is commonly held communally under statutory land rights arrangements that do not permit private freehold ownership or conventional mortgage finance. In these settings, promoting individual home ownership is not always feasible or appropriate, given the absence of private property markets, limited local economies, and the lack of capital appreciation that would ordinarily underpin such investment. Housing policy responses in remote First Nations communities therefore need to focus on secure tenure, culturally appropriate public and community-controlled housing, and sustained investment in quality, maintenance and services, rather than conventional ownership models.

Australia's Indigenous housing system is fragmented and failing to meet demand. Governance arrangements are complex and poorly coordinated, and efforts at reform have fallen short (Benedict et al., 2026). This AHURI report concluded that a comprehensive national Aboriginal and Torres Strait Islander housing strategy is required to align mechanisms and policies, promote greater accountability to First Nations people, and bolster self-determination in the sector.

People living with a disability or other health issues, including substance use disorder, find it difficult to obtain housing. As the Grattan Institute (2021) reports, many landlords are prepared to rent their properties to low-income households but would prefer to leave them vacant than to rent them to people living with these conditions, compounding their risk of suffering homelessness. Social and public housing provides the most important remedy to this issue, although the stock of social and public housing – currently about 400,000 dwellings – has barely grown in 20 years, while the population has increased by 33 per cent.

Immigrant status is also relevant to experiencing housing stress. In 2021, around 20 per cent of temporary migrants lived in overcrowded conditions, compared to seven per cent of the general population (AHURI, 2025)

Geography also matters, with people in rural areas more vulnerable to housing inequality than those in urban areas, and the housing wealth gap between city and country has widened sharply over a generation. CEDA analysis has found that the housing wealth gap between urban and rural areas doubled from 46 per cent in 1997-98 to 93 per cent in 2017-18 (CEDA, 2023).

A critical yet under-recognised response to intergenerational housing inequity is the expansion of supportive housing as core social infrastructure. Evidence demonstrates that stable, permanent housing combined with coordinated health and social supports breaks cycles of homelessness that would otherwise persist across generations. From an intergenerational perspective, supportive housing not only improves outcomes for people with complex needs but also delivers long-term fiscal benefits by reducing reliance on crisis health, justice, and child protection systems. Aligning with National Shelter's Pre-Budget priorities, a nationally consistent supportive housing framework would represent both a compassionate and economically responsible reform that strengthens the housing system over time.

The distinct circumstances faced by these groups may warrant targeted and time-limited government interventions where market failure persists, including carefully designed assistance for housing deposits, first-home buyer support and tailored tax measures. Such programs should be tightly means-tested, calibrated to genuine need, and assessed alongside households' eligibility for other forms of housing assistance. Access to, or suitability for, social and affordable housing should be a relevant consideration in determining both the form and scale of support, to ensure interventions are proportionate, well-targeted and do not undermine longer-term supply-side solutions.

10. Causes of intergenerational housing inequity

Rising intergenerational housing inequity largely stems from the excessive and sustained rise in rents and house prices relative to household incomes we have witnessed over the past two generations, coupled with underinvestment in social and public housing and its contraction as a proportion of the overall housing stock.

In 2019, the Reserve Bank of Australia (RBA) constructed the first credible model of Australian house prices in an effort to understand the quantitative contributors to house prices and rental growth. The principal findings were that the majority of the rise in house prices was due to the decline in interest rates, as a proxy for the cost of credit. Simply put, **increases in the volume and decreases in the cost of finance saw a lift in house prices**. Another interesting finding was that the lagged house price had a strongly significant positive impact on the current price, consistent with the view that house prices can take on their own momentum, suggestive of a proneness in the market for self-fulfilling expectations or bubble-like behaviour (RBA, 2019).

Rising house prices were also a major contributor to the pace of housing construction, with rising prices a signal to builders that demand was unmet and that returns on construction were increasing. This suggests that efforts to reduce house prices may lead to less construction without other policy measures related to improved zoning, ease of building permits, reducing the costs of construction through competition and tax policies and direct investment in social and affordable housing.

At the same time, **RBA modelling finds that increases in population growth, including through immigration, tend to reduce rental vacancy rates and place upward pressure on rents. These dynamics can also contribute to higher house prices,** while simultaneously supporting higher rates of housing construction as supply responds to stronger demand.

According to former RBA Deputy Governor Stephen Grenville, Australia's inflation targeting framework had contributed to high housing prices. This was because so long as inflation was low, the Bank was able to keep cutting rates irrespective of the level of interest rates. Very little consideration was formally given to the impact of ever-lower interest rates on the price of assets, including housing (ABC, 2025).

RBA analysis suggests that capital gains tax concessions and negative gearing have played a relatively modest direct role in driving overall house price growth over recent decades, while recognising that these settings nonetheless shape investment behaviour and expectations within the housing market (Saunders and Tulip, 2019). This finding strengthens, rather than weakens, the case for reform in these areas. It demonstrates that scaling back these concessions is unlikely to materially disrupt housing markets, while removing policy settings that overwhelmingly favour speculative investment over productive and owner-occupied housing. Critically, beyond price effects, these tax settings play a powerful signalling role: they embed an expectation that housing investment will continue to receive preferential treatment from government, reinforcing investor demand and shaping household perceptions of housing as a low-risk, tax-advantaged wealth strategy. **Reforming the CGT discount and negative gearing would therefore serve not only to improve budget sustainability and equity, but to reset these expectations and realign the housing system toward housing as essential shelter rather than a tax-preferred asset class.**

The use of first-home buyer grant schemes by both sides of the political spectrum during periods of high demand has likely led to higher prices by capitalising these schemes into house prices, in the face of inelastic housing supply. In the most recent example, prices for homes eligible for Labor's first home buyer scheme jumped 6.7 per cent in the six months since the expanded scheme was launched, double the growth in housing more generally, fuelling concerns that new home owners were stretched to their limit and were most vulnerable to further rate rises (Australian Financial Review, 2026). Modelling by Lateral Economics, produced for the Insurance Council of Australia, has found that the 5 per cent deposit scheme will result in national house prices rising by between 3.5 per cent and 6.6 per cent nationally within its first year (Australian Property Update, 2026).

National Shelter recognises governments' desire to support first home buyers, particularly younger households facing acute affordability barriers. However, evidence consistently indicates that broad, untargeted grant schemes tend to be capitalised into higher prices in markets characterised by constrained supply, limiting their effectiveness and potentially worsening intergenerational inequity. Where such measures exist, they should be tightly targeted, time-limited, and designed to address clearly identified market failures, while priority policy effort is directed toward expanding housing supply, strengthening rental security, and building social and affordable housing at scale. State support for deposits or other grant assistance linked to housing affordability should be targeted to discrete groups experiencing extreme housing affordability, be designed to address identifiable market failure and should be temporary. National Shelter has supported some policy interventions in this space, largely when market failure has been a driver and when the unique characteristics of these groups warrant targeted, temporary state interventions. Such support should always be means-tested.

There is little doubt that Australia as a high-migration and highly urbanised population located in (by international comparisons) low density cities has helped to drive high house prices. Australian immigration focuses on relatively skilled migration, and largely older migrants, with an average age of 44, some ten years above the average age of the general population. This means that the average immigrant entering Australia is at an age where purchasing a house and family formation is prevalent (Pexa, 2023).

There is evidence that the sudden post-COVID surge in Australia's population has resulted in a tightening of the housing market, particularly for rents.

But longer term, immigration has been associated with an increase in overall Australian incomes, which in turn has been associated with a rise in housing construction, allowing prices to remain otherwise stable. Short term supply inelasticity, responsible for jumps in prices at times of high immigration, are likely to wash out and are better addressed by supply side measures (CIS, 2026). **Moreover, immigration has played an important role in Australia avoiding demographic challenges besetting other OECD countries suffering from an ageing population.**

The concentration of people in a small number of Australian cities means that there is a high level of demand for a small amount of land. Specifically, 51 per cent of the population live in Sydney, Melbourne, and Brisbane. This is many fewer cities than the United Kingdom, where half the population lives in the nine largest cities, and even more so compared to the United States, where 36 cities contain half the population. As a result, the amount of desirable land is much more concentrated (Pexa, 2023).

In combination with demand dynamics, infrastructure constraints and investment settings, land-use planning arrangements interact with other elements of the housing system in ways associated with ongoing price pressures in Australian cities (Grattan, 2021; OECD, 2021).

Current land-use rules and community opposition make it very difficult to create additional dwellings in the inner-city and middle-ring suburbs of Australia's capital cities, limiting the responsiveness of housing supply to demand. International evidence similarly shows that where planning systems are restrictive or uncertain, housing construction responds only weakly to price signals, contributing to sustained pressures on prices and rents (OECD, 2011; OECD, 2021).

More recent research suggests that planning rules have added substantially to the cost of apartments, particularly where height limits in and around urban cores constrain development (Grattan, 2021). Consistent with this, the OECD finds that binding height, density and zoning controls in high-demand urban areas materially increase development costs and restrict the scale of new construction, amplifying price and rental pressures (OECD, 2021).

Planning rules that constrain development in Australian cities have also led to a shortage of medium- and high-density housing compared to what Australians want. After accounting for trade-offs in price, location, and size, many people would prefer a townhouse, semi-detached dwelling, or apartment in a middle- or outer-suburb, rather than a house on the city fringe. For example, semi-detached dwellings, townhouses, units, and apartments made up 44 per cent of Sydney's and 33 per cent of Melbourne's dwelling stock in 2016, up from about 38 per cent and 28 per cent respectively in 2006. But this is still well short of the 59 per cent and 52 per cent respectively that residents say they want (Grattan, 2021).

In recent years, planning controls have been significantly relaxed for high-rise in Brisbane and for medium-high density dwellings in Sydney. But Australian cities still have relatively little medium density development in their extensive middle rings. Many local governments restrict medium- and high-density developments to appease residents' concerns about road congestion, parking problems, and damage to neighbourhood character (Grattan, 2021).

Land-use planning arrangements have evolved incrementally over time, even as population pressures have intensified, reflecting the inherently political nature of planning and development decisions. In many established middle-ring suburbs, high rates of home ownership shape community preferences and expectations about neighbourhood character and change. At the same time, the structure of local government finance, electoral accountability, and the division of responsibilities between Commonwealth, state and local governments can dilute clear policy incentives for reform or coordinated action across jurisdictions (Grattan, 2021).

In the Greater Sydney region, for example, a substantial share of residential land remains allocated to low-density housing, with more limited areas permitting medium- and higher-density development (Tulip, 2024). Industry perspectives documented in this research suggest there is demand to increase housing delivery, but that navigating existing planning frameworks can be complex and time-consuming. These dynamics highlight the importance of coordinated, system-wide approaches that align planning, infrastructure and housing objectives, rather than attributing outcomes to any single level of government or stakeholder group.

A significant impediment to addressing housing intergenerational equity stems from the fact that the benefits of population growth accrue to society as a whole, while the costs of higher population fall on local communities. While Federal settlement and population policies may set ambitious targets for population growth, housing shortages are more likely to emerge where intergovernmental alignment on infrastructure funding and local government capacity is weak. Evidence from council submissions to the Local Government Sustainability Inquiry (Standing Committee on Regional Development, Infrastructure and Transport, 2025) indicates that key constraints lie not in planning policies themselves, but in limits on local governments' ability to raise own-source revenue, levy developer contributions that achieve full cost recovery, and secure adequate investment in headworks and essential infrastructure to support growth. Without addressing these fiscal and infrastructure constraints, local governments' capacity to accommodate additional housing—at higher densities or otherwise—will remain constrained, regardless of formal planning settings.

11. Obstacles to Housing Market reform

Two generations of rising house prices have cemented investment in residential property as a keystone of Australian culture, making housing reform in Australia unusually difficult. With the notable exception of First Nations communities, in an immigrant country where ties to a given region or town may not be as strong as in other contexts, a significant amount of identity is tied to the status attached to one's home, its proximity to central business districts and coastal areas, as well as the quality of build and its interiors. Colloquial terms pepper Australian conversation and underline the strong attachment many Australians have to their homes, their rising values, and the financial security tied to them. Housing has long since ceased to be viewed as part of social infrastructure and is instead considered a magic carpet to long-term wealth, despite yielding little intrinsic productivity compared to say equity investment.

Despite Australia's robust superannuation system, most household wealth remains concentrated in owner-occupied housing, reinforcing speculative behaviour and amplifying resistance to housing reform. Strengthening opportunities for diversified and sustainable long-term wealth accumulation—alongside clearer, well-governed pathways for institutional investment in housing—could, if carefully designed, contribute to reducing households' reliance on residential property as the dominant form of wealth. Any such approach would need to be developed cautiously, with close attention to distributional impacts and in consultation with the superannuation, community and social policy sectors, to ensure it does not exacerbate existing inequalities. Over time, this could reduce political resistance to housing reform by decoupling retirement security from ever-rising house prices (AMP, 2025). The value of one's home is central to the long-range financial planning of most Australian households, and further wealth is increasingly perceived to be tied to acquiring even more properties and renting them out. Popular culture and media reinforce this perception, with reality shows, a constant flow of articles promoting the benefits and glamour of property investment, and the outsized role that property aggregators like Domain and Realestate.com play in the popular culture, including in the content carried by some of Australia's major newspaper (see for example Domain's hold over the "Sydney Mortgage Herald", with a constant stream of articles parading exorbitant prices for harbour-side mansions). All these factors make the political economy of reform extremely challenging.

Sitting atop this culture is another layer of vested interests and lobbyists who are invested in the status quo. The banks that benefit from the favourable prudential environment for mortgage lending, the real estate groups that profit from rising house prices on which they draw their commissions, and the residents who prize the growing scarcity of their suburbs. The strength and influence of these groups should not be underestimated.

The Property Council of Australia, for example, has taken a mixed position on housing reform proposals, tending to oppose those that dampen demand but support those that boost supply. For example, it funded highly effective ads against tampering with negative gearing and the CGT discount in 2016; but also, has argued for microeconomic reforms that boost land supply and zoning reforms at the state and local council level. It has opposed stamp duty but has resisted proposals to replace it with land tax, instead arguing for a change in the GST to supplement shortfalls in revenue (The Conversation, 2016).

The Australian Banking Association (ABA) has also played a role in seeking to water down tightening or prudential controls by APRA. In 2024, during a Senate Hearing, Chris Taylor, Chief Policy Officer of the ABA, argued that APRA's interest rate buffer, which was applied when assessing the affordability for new loans, should be relaxed, especially for first home buyers (The Guardian, 2024). More generally, he argued for greater flexibility in how lenders could apply APRA requirements, in order to allow new people to enter the market.

Vested interests also operate effectively at the local level to stall measures aimed at increasing the level of housing supply. Depending on how the question is posed, Australians are highly sensitive to proposals to increase the density of housing in their immediate vicinity. A 2011 Productivity Commission survey of Australians found 51 per cent of people surveyed responded negatively to the question 'How would you feel about having more people living in your suburb or community and the increase in housing required for this?' Only 12 per cent were in favour.

Other more recent surveys paint more positive results. A 2017 ANU survey (Sheppard, Gray & Phillips, 2017) found net support for changing "planning restrictions to increase supply of new houses" of 2 percentage points (47 per cent for, 45 per cent against), and net support of 11 percentage points for "more homes being built in your local area" (53 per cent vs 42 per cent). But the significant minority opposing these reforms is likely to have a strong intensity of preference, resulting in concerted lobbying efforts to oppose new supply.

Another major impediment to addressing Australian intergenerational housing equity is the level of construction sector productivity. Low productivity means that the housing supply response to increases in prices will be even weaker than what otherwise would be the case. The most recent in-depth study of declining Australian construction sector productivity focused on Queensland. The state's construction industry productivity is now only 5 per cent higher than it was in 1994-95, compared to a 65 per cent increase in productivity across the entire market economy over the same period.

Since 2018, construction industry productivity in Queensland has declined by around 9 per cent. If this decline had not occurred, the Queensland Productivity Commission suggests that Queensland would today have 77,000 more homes (Queensland Productivity Commission, 2026).

12. The case for an expanded Housing Accord

Reflecting these factors, this submission proposes a discussion begin within government on expanding the Federal Government's existing Housing Accord, currently centred on the aspirational target of building 1.2 million homes over five years. This expanded Accord will focus on addressing demonstrated concerns about intergenerational inequalities in accessing housing under current arrangements and on proposing effective, evidence-based policies to address them. But these reforms will be paired with the principles of gradualism and consensus to ensure they are safe for the financial system and palatable to a highly sensitive electorate.

The Expanded Accord should comprise a balanced package of measures that will have a demonstrable, evidence-based positive impact on housing affordability, ensuring the next generation will fare better than the present young have. The package should be durable – that is, it should not rely on long-term budget subsidies, such as endlessly renewing first-home buyers grants – and should target both demand and supply measures. It should draw on lessons from Australian and international experience, centring on measures that have been shown to improve affordability over time.

The Accord should limit losses to any given group while maximising gains to the broader community. It should recognise that future losses are far more palatable to the community than losses imposed on households for decisions that have already been taken, given that Australians generally value a dollar today far more than a dollar in ten or fifteen years' time. To be credible, the Accord should seek to attract broad political support across political parties, especially around proposed long-term measures, which could otherwise be overturned by the election of a government of a different political stripe.

The proposed expansion of the Housing Accord should be situated within a stronger national governance architecture, consistent with National Shelter's call to strengthen the National Agreement on Social and public housing and Homelessness and to institute a National Housing and Homelessness Plan. Intergenerational outcomes require clear targets, transparent reporting, and shared accountability across jurisdictions. An expanded Accord, aligned with these mechanisms, offers an opportunity to embed intergenerational equity objectives within a durable, bipartisan framework that coordinates housing supply, renter protections, taxation reform, and investment in social and affordable housing.

A currently under-developed pillar of the Housing Accord, and a cornerstone of an expanded Accord, should be the mobilisation of Australia's superannuation system as a source of long-term, patient capital to support housing supply—particularly social and affordable housing delivered at scale. Australia's superannuation system now manages more than $3.8 trillion in assets, much of which seeks stable, inflation-linked returns over long horizons. Well-structured housing investment, particularly when delivered through community housing providers with appropriate governance and rental protections, can meet these objectives while contributing directly to national housing outcomes.

Reliance on household-level property investment has amplified speculative dynamics, intergenerational inequity, and financial risk. In contrast, institutional investment via superannuation can help shift housing away from a speculative asset class toward long-term social infrastructure. Aligning the Housing Accord with clear, investable pipelines—supported by government guarantees, concessional finance, or shared-equity structures—would enable superannuation funds to play a materially larger role in expanding affordable housing without increasing long-term fiscal pressure.

We believe it is possible to propose concrete measures that will improve housing affordability, which adhere to the above conditions. Before canvassing the specific measures that an expanded Accord Compact might contain, this submission examines the pattern of intergenerational housing inequality, the causes of this inequality and the evidence for new measures to address it.

13. Measures to improve intergenerational housing equity

The proposal for an expanded Housing Accord is based on our observation that the current imbalances and inequities in Australia's housing sector were built up over two generations, are deeply tied to Australian cultural values and touch on most aspects of social and economic life in the country. Addressing these imbalances cannot rest on adopting one or two quick fixes, as there is no magic bullet. Rather, change will require a sustained campaign of sequenced reforms at all levels of government, including tax policy and reform, rental protections, prudential controls, immigration, land-use and planning legislation and direct investment in social and affordable housing. It will need to be accompanied by effective communication and deeper financial literacy support within the community, and it will require political leadership across the political divide.

The Accord considers the impediments to reform that have scuttled previous efforts to reform the housing market and endorses the principles of gradualism, sequencing and bipartisanship. Though the Accord would target lower house prices over time and scaled up sustainable investment in social and public housing (not only in the capital cities, but also in regional centres), its implementation will recognise that it would not be in the interests of the country to elicit a sharp, sudden downward adjustment in house prices, given the likely deleterious impacts on the financial system and the concomitant political backlash.

Whilst taking account of the dominant Australian real estate culture, it also seeks to nudge Australians to accept new realities that are emerging in Australia's real estate market. These include the need to recognise that for some people lifetime renting will be the only viable option to accessing housing; that urban residents will need to embrace higher density and more apartment living; that social and public housing is likely to play a more important role in providing housing services beyond the very low income categories; and that residential investment over time will no longer enjoy privileged tax and pension treatment to the extent it has done, opening the way for more diverse and innovative household investment patterns.

An important component of Australian household investment culture is the expectation that housing prices will double every seven years, implying an implicit annual rate of return of close to ten per cent per annum. Although well below this figure, the actual long-run rise in housing prices of around 6-7 per cent is still excessive and has clearly led us to the current situation of locking out current generations from housing ownership. This should not be considered the optimal rate of house price growth in the longer term. The Accord should work to lower households' price growth expectations over time, weakening their relationship to speculation on real estate.

Disclaimer: Relationship between recommendation streams

The three sets of recommendations outlined below are not mutually exclusive and should be read as complementary rather than sequential. Measures identified as part of longer-term or wider system reform do not imply deferral or inaction; rather, they recognise that some reforms, particularly those involving tax, planning and institutional change, require sustained commitment, careful sequencing and long-term implementation. Early action, clear signalling and incremental progress are essential to achieving durable system-level and political-level change, even where full impacts are expected to materialise over time.

Immediate reform priorities, arising from an expanded Housing Accord.

1. We know that changes in interest rates and the availability of credit are major drivers of house prices (and intergenerational inequality) over time. This submission asserts that the Reserve Bank of Australia's inflation targeting mandate has not properly taken into account the rapid rise in Australian house prices and its impact on economic behaviour; it would be a mistake to impose new requirements on that instrument beyond what the Reserve Bank Act currently stipulates. Nor should monetary policy be predominantly focused on the housing market, given its economy-wide mandate for macroeconomic management.

   The submission does consider, however, that changes could be considered in the conduct and implementation of Australia's **macro-prudential policies under APRA.** A first useful step would be a revision of APRA's Act, mandate and governance. APRA is currently tasked with preserving the "safety of Australia's institutions and the stability of the Australian financial system". While this mandate touches indirectly on potential imbalances in the Australian housing market, reflecting the fact that mortgages comprise around two-thirds of Australian banking assets, the mandate remains vague with respect to the impact of financial sector behaviour on the housing market and has resulted in APRA adopting at best an episodic approach to introducing and enforcing macro-prudential controls in relation to home lending.

   APRA's past interventions in the housing market have proven effective, including the 2014-2019 actions described in sections 5 and 8. But the government could consider ensuring APRA has the mandate, tools and resources it needs to adopt a more high-profile and visible posture on housing lending, helping to peg back over time household's expectations of long-run house price increases, much in the way the Reserve Bank manages Australians' inflation expectations.

   Over the long-term, a new mandate could see APRA adopt an asymmetric approach to market-driven movements in house prices, leaning against sharp rises in prices, but using the opportunity of orderly declines in prices to lock in a lower ratio of house prices to household income over time. Australian house prices have typically risen in bursts over the past two decades and retraced only partially, producing a ratchet effect whereby house prices remain at permanently higher levels following periods of strong demand. APRA's revised mandate could allow it to lean against these periods of strong demand through tighter lending standards targeting key ratios (LTV, DSTI etc) to prevent this ratchet effect. Conversely, APRA should accommodate periods of orderly declines in house prices, leaving untouched its prudential guidelines, taking into account banking and broader financial system stability.

   This asymmetric approach to larger-than-normal swings in house prices will permit a gradual unwinding of the historic ratchet effect in prices, allowing the house price-to-income ratio to move lower to more sustainable levels over time, say from 10-12x to a more sustainable 4-5x.

   As part of these new measures, APRA may adopt a non-binding indicative target for long-term nominal house price growth, outlined above, as a form of guidance to households about the long-run growth in house prices they could expect. This would not mean automatic tightening of macro-prudential controls in the face of a sudden acceleration of prices each year, but over time would help anchor households' expectations.

   APRA could make a periodic public reference to its estimate of a desirable long-run path for Australian house prices and cite this when adjusting its macroprudential controls. Regular press briefings similar to those held by the Reserve Bank could help increase the visibility of APRA's guidance on house prices, and over time jawbone households' and financial institutions' expectations with respect to the long-term path for Australian house prices.

This submission proposes that APRA endorse an initial long-term average cap to annual house price growth of 4 per cent over the housing cycle, below the long-run level of Australia's nominal GDP growth rate per annum of around 6 per cent and the historic growth rate in Australian house prices. The adoption of the term "over the cycle" recognises that housing prices could still experience large swings. The presence of a cap but not a floor is consistent with APRA adopting an asymmetric approach to rises in prices versus orderly declines as outlined above. Assuming the size of loans rises in step with house prices, this maximum rate of house price growth should help ensure that total housing debt over time declines as a ratio of Australia's nominal GDP, favouring long-term financial stability and helping channel credit to more productive areas. As a member of the Council of Financial Regulators, chaired by the Reserve Bank, APRA would ensure that its long-run house price guidance was not working against monetary policy settings as established by the Reserve Bank.

Should APRA's 'visible but gentle' approach fail to curb house price growth and steer house price levels lower in line with the long-run guidance, consideration should be given to enforcing a hard constraint on all new housing finance, imposed on loans based on debt-to-income, debt service-to-income or other measures; or by increasing the capital reserve requirements attaching to housing loans reflecting their greater systemic risk associated with rising housing debt across the economy. One model may be to consider France's cap on debt-servicing to income (DSTI) of 35 per cent, now enforced by law, which has helped curb house price increases.

2. Other relevant government policy should also align with the government's guidance on long-term house price growth by ensuring that **population-based planning is directly linked to housing supply and delivery**. Population projections should be translated into clear, binding housing targets (including social and public housing) that are consistently embedded in state and local planning schemes, with explicit expectations for the timing, scale, and location of new housing. Where population growth accelerates or shifts geographically, planning systems should respond proactively through adjusted housing targets, rezoning, and infrastructure sequencing to avoid persistent undersupply. Stronger alignment between population planning, housing targets, and delivery requirements would help stabilise house prices and rents over time, reduce pressure on renters, and avoid boom-and-bust conditions driven by mismatches between demand and housing supply.

3. Consideration should also be given to nationally consistent measures that encourage the efficient use of existing housing stock, including a Victoria-style **approach to persistently vacant residential properties.** Carefully designed, such measures can help address long-term vacancy without discouraging appropriate investment or mobility. This could be complemented by **ensuring that the taxation and regulatory treatment of short-term rental accommodation do not advantage STRA over long-term rental housing.** Clearer alignment with commercial accommodation settings would help protect the private rental sector from the continued loss of dwellings, particularly in high-pressure markets where STRA demand can materially undermine rental availability and stability.

   The role of a **federally funded National Rental Commissioner** is a worthwhile reform to consider, given the success of positions in both New South Wales and Victoria, and the immediate task of monitoring and appraising the government on the success of the Better Deal for Renters and its implementation across state and territory jurisdictions.

4. **Increase and better target Rental Assistance** can materially reduce housing stress among low-income Australians and contribute to addressing urgent housing and rental inequalities before increases in social and public housing come online. The value of Rent Assistance has not kept pace with rent increases which have outstripped inflation against which rent assistance is indexed (Grattan, 2021). According to the Grattan Institute, a 40 per cent increase in the maximum rate of Rent Assistance – worth about AUD1,400 a year for singles – would cost AUD1.3 billion a year. This would restore the real level of assistance to low-income earners provided 15 years ago. Indexation of rent assistance should follow movements

in rents to preserve its value over time, as recommended by the Henry Tax Review (Grattan, 2021).

Any increase in payment rates should be accompanied by more precise targeting of Rent Assistance toward households experiencing the highest rent-to-income pressures. Very low-income households will typically require deeper, ongoing support, while low-income renters may need more modest assistance in circumstances where the market fails to deliver affordable options. Both forms of support should be actively monitored and adjusted over time to ensure assistance remains proportionate, well-targeted and effective.

5. Consider the **establishment of a National Housing Consumer Council** to provide an independent, nationally representative voice for tenants and home buyers in the development, assessment and implementation of housing policy, ensuring reforms reflect consumer impacts and lived experience and an **independent National Housing and Homelessness Advocate** to monitor and publicly report on progress against National Housing and Homelessness Policy, and to undertake systemic reviews of housing and homelessness outcomes to strengthen accountability and long-term policy continuity.

6. Governments should pursue a coordinated program of **community education and financial literacy** to reshape Australia's approach to housing and wealth building. This should include clearly communicating the economic and intergenerational costs of housing speculation, particularly its impact on younger generations and long-term productivity, while promoting a more realistic understanding of the risks and returns of property investment. If public policy succeeds in making access to an affordable primary residence a realistic expectation for most households, long-term wealth accumulation need not depend on multiple property ownership. Instead, greater emphasis should be placed on diversified wealth building through superannuation and long-term savings. Strengthening superannuation as a primary vehicle for wealth accumulation would reduce reliance on speculative housing investment and support greater institutional investment in social and affordable housing, delivered at scale and held for the long term—helping stabilise the rental sector, improve tenure security for renters, and re-establish housing as essential social infrastructure rather than a dominant vehicle for private wealth accumulation.

Medium term (within five years): Building on the cumulative impact of the preceding recommendations, this phase focuses on embedding, scaling and systematising reforms to ensure durable outcomes.

1. The Government should commit to reforming the concessional tax and pension treatment afforded to housing through a carefully sequenced and clearly signalled transition. National Shelter has consistently emphasised that such reforms must be foreshadowed well in advance to avoid penalising households for decisions made under existing policy settings, while allowing sufficient time for behavioural adjustment. This includes enabling households to rebalance investment portfolios and, where appropriate, reassess the scale and role of owner-occupied housing over the life course, including through downsizing.

   Evidence indicates that **reducing the capital gains tax (CGT) discount and abolishing negative gearing would lead to modest reductions in housing demand and prices**—estimated at around two per cent overall—with more pronounced effects at the lower end of the market, thereby improving equity outcomes (Saunders and Tulip, 2019; Grattan Institute, 2021). National Shelter has argued that the current 50 per cent CGT discount is overly generous and should be reduced to 25 per cent, delivered through a phased transition over five years, with longer-term consideration given to indexation for inflation rather than a flat discount. CGT reform should be pursued as part of a broader rebalancing of housing tax settings, alongside reforms to negative gearing, a review of concessions for principal places of residence (including CGT and imputed rent exemptions), and closer scrutiny of trust use and distributional impacts.

The Grattan Institute estimates that these reforms could generate around AUD5 billion per annum in additional revenue. To maximise their impact on housing equity, these funds should be redirected to expand social and affordable housing, strengthen rent assistance, and support state and territory investment in social and public housing and specialist homelessness services, rather than being absorbed into consolidated revenue. Reforms must therefore be durable and politically feasible, but not deferred indefinitely, with a clear focus on improving long-term housing outcomes across generations.

2. Governments should more seriously examine how **new technologies and modern methods of construction (MMC)** can address housing challenges over the long term. In particular, scaling up offsite construction and MMC, such as modular, panelised and volumetric building, offers a significant opportunity to lift construction productivity, reduce build times and costs, improve quality and safety, and ease workforce constraints, making it essential to any credible strategy to increase housing supply at scale.

   More broadly, **innovations using AI and digital tools in urban planning** and management are, in some cases, improving traffic management, urban amenities, infrastructure provision and the energy efficiency of buildings and cities. Investment in energy-efficient buildings can further reduce housing costs by lowering household energy bills and improving long-term affordability and creditworthiness.

   Government should consider the long-term impact of digitalisation on commercial property demand as in-person shopping is replaced by on-line retail trade. Flexibility to convert commercial property for residential use could make housing more affordable. This will require responsive urban planning and land-use and zoning regulations.

3. The Government should **focus on strengthening State–Federal coordination to address the systemic settings that shape housing supply, including infrastructure funding, fiscal incentives and land-use frameworks.** Improving alignment across levels of government can support a sustained increase in housing delivery without placing undue reliance on any single policy lever. According to the Grattan Institute, if an additional 50,000 homes were built each year for the next decade, national house prices and rents could be between 10 and 20 per cent lower than otherwise expected. A higher and more stable pace of construction could also help offset the effects of slower house price growth on construction activity (RBA, 2019).

4. **The Federal Government should use targeted incentives to strengthen State–Federal and local coordination in support of housing delivery in well-located areas.** Improved coordination across jurisdictions is important because increases in housing supply in one state can generate broader benefits, including moderating price pressures nationally. The Commonwealth is well placed to support this coordination role, particularly given its broader fiscal capacity and its ability to capture a share of the economic and revenue gains that flow from stronger and more sustained growth associated with improved housing outcomes (Grattan, 2021).

   The use of federal financial incentives to support state-level reform has a clear precedent. Under the National Competition Policy, Commonwealth payments to states and territories helped facilitate agreed reforms and delivered net benefits to the Australian community that outweighed their fiscal cost (Grattan, 2021). A similar approach could be adapted to housing, focused on aligning infrastructure investment, land-use frameworks and housing delivery objectives across jurisdictions.

   Such an approach would recognise the important role of local governments in land-use decision-making while supporting clearer and more consistent alignment between Commonwealth, state and local responsibilities. Rather than seeking to displace local planning authority, federal incentives could encourage better integration of population, infrastructure and housing strategies, improve clarity around pathways for developments of demonstrable public benefit, and support timely, well-sequenced housing delivery in areas with existing services and employment access.

5. The Commonwealth should exercise **stronger national leadership in structuring Australia's rental market to deliver greater security, stability and fairness** across generations. This should include establishing nationally consistent principles for rental tenure, rights and protections; encouraging the growth of a larger, professionally managed rental sector—including build-to-rent, community housing and other institutional models; and aligning tax, investment and regulatory settings to support long-term rental housing held as stable social and economic infrastructure. Work through the National Better Deal for Renters to deliver agreed minimum standards consistently across jurisdictions should continue and be strengthened over time. Moving toward a more structured and institutionally anchored rental market—supported by clearer rules, stronger protections and a greater emphasis on affordable rental provision, including housing delivered in partnership with the community housing sector—would help reduce volatility driven by small-scale speculative investment, improve security of tenure, and ensure that long-term renting is a secure housing pathway rather than a residual or insecure option.

6. Embark on a program of **strata reform** to help Australians overcome their cultural aversion to apartment living. Strata living is one of the fastest-growing forms of property ownership in Australia, yet the legal and governance framework has not kept pace. Strata fees have risen sharply and there exist a lack of national uniform regulations governing their conduct. Apartment owners across the country face unfair, non-transparent, and poorly regulated strata management practices, including excessive fees, lack of access to records, and limited recourse when misconduct occurs. The NSW Government has recently introduced the largest overhaul of strata laws in decades, with key changes phased in from July 1, 2025, through 2026. These reforms could serve as the basis of national laws.

Wider and enduring housing system reform.

1. The government should also **consider including some of the value of the home owner's principal place of residence in the pension assets test,** which would marginally reduce housing demand. Under current rules, the principal residence is fully exempt from the pension assets test, regardless of value. Reform could involve counting home equity above a generous threshold (for example, $500,000 or $750,000). This approach has been proposed by the Grattan Institute as a fairer means-test, would improve budget sustainability, and could support social and public housing investment or incentives for state zoning reform (Grattan Institute, 2021). This reform would also encourage more senior Australians to downsize to more appropriate housing, although the effect would be limited given that research shows downsizing is primarily motivated by lifestyle preferences and relationship changes (Grattan Institute 2021).

2. Evidence suggests that **investing in social and public housing substantially** reduces risk and occurrences of homelessness. But the supply of both public and social and public housing has fallen well short of need. In NSW alone, there is a growing waiting list of 70,000 people for social and public housing (ABC, 2026). Nationally, around 175,000 households were on social and public housing waiting lists as at the most recent nationally comparable reporting period, reflecting demand that continues to far exceed available supply (AIHW; SCRGSP, ROGS 2025). Increasing the social and public housing stock over time to comprise ten per cent in the next generation, up from current levels of around 4 per cent nationally, would be an important reform to address serious housing inequality affecting people most vulnerable to the unforgiving characteristics of the private rental market, as covered above.

   Investment in supportive housing at scale also plays a critical role in ensuring access to adequate housing for individuals and households excluded from the public and private markets, while creating proven pathways out of chronic homelessness. By providing stable housing combined with coordinated supports, supportive housing diverts people from high-cost crisis housing, health, and justice systems, supports re-engagement with employment and community life, and contributes to improved economic participation, while delivering long-term savings across publicly funded service systems.

3. Governments should **actively facilitate greater institutional investment in social and affordable housing** through Australia's superannuation system. This requires more than moral suasion; it requires investable scale, certainty, and appropriate risk sharing. This is due to a significant widening of the gap between social and public housing eligibility and the private rental market. Measures could include aggregating housing pipelines through community housing providers, standardising contracts and revenue models, providing partial government guarantees, and expanding the role of Housing Australia. By strengthening superannuation as a basis for institutional investment in housing, governments can support large-scale supply expansion while reducing dependence on household speculation and recurrent budget funding. Over time, this shift would also support intergenerational equity by building retirement wealth through diversified, productive assets rather than reliance on housing scarcity. Expanding the range of housing options available to Australians, including affordable rental, rent-to-buy models, land-lease communities and other alternative housing products, is critical not only to improving liveability but also to supporting the long-term sustainability and resilience of the wider housing system.

4. Governments of all political persuasions, including at the state level, should **continue to exercise caution in introducing new grant schemes for first-home buyers.** A substantial body of evidence suggests that, particularly where housing supply is constrained, such measures can be absorbed into higher prices, reducing their overall effectiveness. Where assistance is considered appropriate, it is likely to be most effective when it is tightly targeted, time-limited, and clearly linked to genuine improvements in housing affordability and responding to discrete market failures, rather than broad market stimulation.

5. Another long-term objective should be to lift the **productivity of the Australian construction sector** in order to ensure a better supply response to increasing demand, thereby limiting house price increases. Factors requiring addressing include reforming procurement arrangements, labour market impediments, improving land use regulation and upgrading regulation of building activity (Queensland Productivity Commission, 2026). As the largest customers of construction services in the country, governments can lead the change that is required by acting as a model client – fairer contracts, better risk-sharing and more transparent procurement (Australian Constructors Association, 2025).

14. Conclusion

Australia's housing imbalance demands urgent action across the short-, medium-, and long-term. The task for policymakers is not to preserve existing arrangements at all costs, but to deliver more affordable and secure housing for people across the income spectrum and life course, while managing the transition of a system that has long been structured around rising housing wealth.

With that said, any attempt to tackle the impact of persistently rising house prices on intergenerational equity that does not take into account the central role that real estate occupies in Australian culture is unlikely to succeed. Many policy approaches adopted in benchmark OECD countries, based, for example, on an assumption of a predominantly renting population, cannot be readily transplanted to Australia. Home ownership in a largely immigrant country has long been an important way of establishing connection and security where deep ancestral roots are lacking. Similarly, the attachment to a small parcel of land, the "quarter-acre block", has made the transition to higher-density living more contested than in many continental European cities.

At the same time, it may be time to refresh Australians' relationship with real estate and the "Australian Dream". Many Australians are increasingly aware that generations of rising house prices are forcing their adult children to live farther from family, fragmenting social networks and reshaping how and where people build their lives. There is growing concern among parents that their children may never be able to enter the housing market at all.

Older people are also beginning to feel the effects of these pressures. Many are acting as lenders or guarantors for family loans, effectively discounting equity they once assumed was secure. At the same time, a rising number of residents are entering retirement with mortgage debt, challenging long-held assumptions about housing security in later life.

Rather than abandoning the Australian Dream, therefore, it may be time to update it—recognising that renting is not a failure; that apartment living is a normal feature of world-class cities; that social and public housing is not synonymous with disadvantage or exclusion; and that prosperity and security can be built through multiple pathways, including innovation, entrepreneurship, and diversified investment beyond housing.

Addressing intergenerational housing inequity is inseparable from the task of building a fairer and more resilient housing system for all Australians. Reforms that stabilise prices, improve rental security, expand public, social and affordable housing, and prevent homelessness will not only improve outcomes for younger generations but also reduce long-term fiscal pressures and strengthen social cohesion. Consistent with National Shelter's policy platform, achieving these goals requires sustained national leadership, collaborative federalism, and a commitment to housing as essential economic and social infrastructure across generations.

Ultimately, addressing intergenerational housing inequity is inseparable from the task of ensuring that Australia's housing system delivers security, adequacy and fairness for current and future generations.

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