

**Cambridge** Centre  
for Housing &  
Planning Research

# The Anglo Saxon Experience

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## My presentation

- A brief foray into a complex terrain!
- Looking briefly at Australia, Canada, NZ (and UK)
- What is striking re these 3 settler societies is the importance of home ownership given at least some were migrants from a UK where HO was low
- It is also the case that all three have strong private rental sectors and weak social rental sectors
- Focus here on scale, relationship to the social sector, institutional finance, regulation and tax benefits.
- A caveat – information drawn from recent surveys but gaps/nuances etc!

## Context

- All three countries favour home ownership with at best a modest to residual view of social housing
- Very similar levels of home ownership; Canada 68%, Australia, 67% and New Zealand, 65%
- All three countries impacted by GFC – Canada the least, New Zealand the most? Reflected too in housing market terms – some reworking in Canada with inflationary pressure building; Australia still overheated and New Zealand a decline followed by stability
- PRS provision is market led in all three countries

## Scale

- Canada 26%, Australia, 24% and New Zealand 31%
- Slight contraction in Canada in 2001-06 –reflecting switch to HO and rent creep along with low supply
- In Australia 13% fall in low rent dwellings 2001-06 – putting real pressure on low income households
- In NZ some pressure in high demand markets and rents uprated by CPI
- Low vacancy rate in Canada – 2.6%/Australia-<2%
- Output of new PRS in all countries very low
- Immigration rates key to demand for PRS – governments no explicit stance on this

## Relationship to social sector

- Typically the PRS in all three countries houses younger households, new migrants, students. In Canada 22% of renters are in 25-34 age group
- In Australia the National Rental Assistance scheme (NRAS) gives a construction subsidy for PRS units (11,000 built and 24,000 in pipeline) based on tax credits. There are income and rent restrictions
- Canada had a scheme for supporting new multi-unit rental homes but discontinued in 1980s
- New Zealand provides an accommodation supplement for those on lower/middle incomes
- Not aware of links to social sector via leasing/alternative housing with rent subsidy

## Institutional Finance

- In all three countries PRS dominated by small scale landlords and individuals
- In Canada an estimated one third of landlords are corporate and institutions ( defined as ? )
- In Australia and New Zealand institutional involvement is described as weak!
- Having said that in Canada 50% of homes professionally managed and similar pattern in bigger cities in Australia.
- Canada 66% purpose built homes, but aus/NZ mainly low rise/detached houses
- Returns in Canada are described as reasonable in contrast to NZ - in all three countries capital gains have been hugely significant

# Regulation

- Canada falls to provincial/city responsibility; in Australia – state governments and in NZ the national government through the Residential Tenancy Act (recently reviewed to allow boarders/boarding houses to be regulated)
- Rent controls were introduced in Canada in 1975 but since withdrawn, no current controls in other countries
- However there is well developed tenant protection in Canada , and in Australia and New Zealand this has been strengthened

## Tax Treatment

- Canada has depreciation allowances, CGT, Corp and personal tax on net operating income
- Australia has CGT and Stamp duty but a depreciation allowance is allowed along with negative gearing –losses on rents can be used to reduce overall tax liability
- New Zealand has no Stamp duty on transactions, a narrow CGT and rental losses can be deducted against other income (though changed recently?)



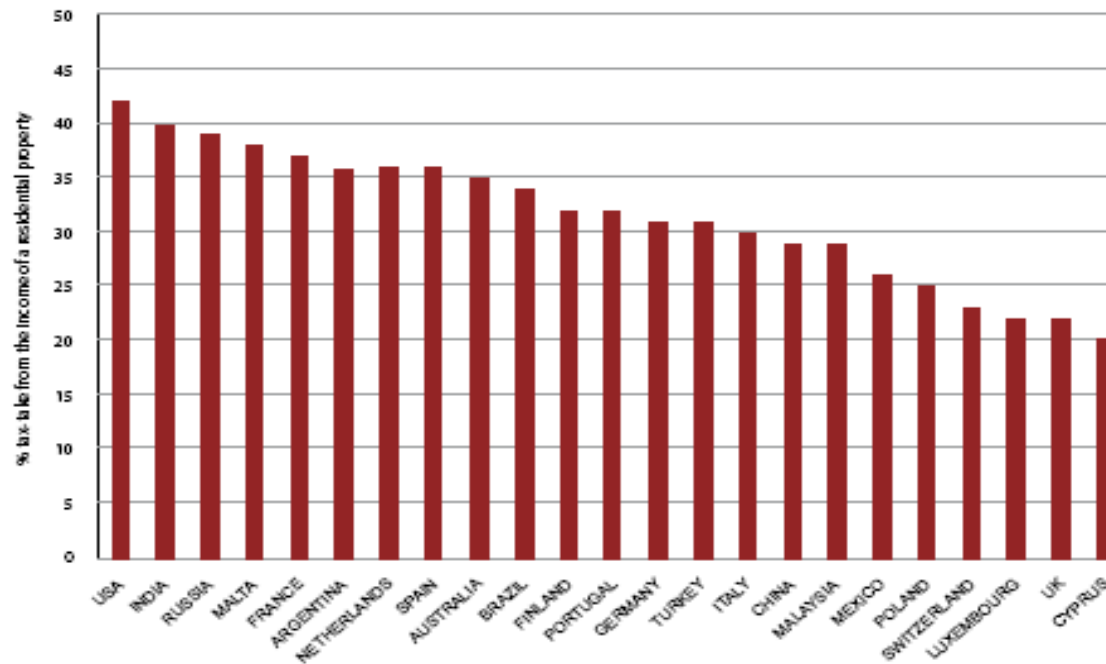
## Conclusion

- Very generalised
- Clearly we need to look at market segments/geography
- PRS has a growing role in all three countries but being handled in different ways
- Broadly seen as a market issue with varying degrees of government involvement
- Cost estimate of that involvement?
- UK probably more substantially involved?
- But institutional investment weak in all including UK – no lessons there?

# TAXAND Global Guide to Residential Property Income tax 2010

## TAX ON RESIDENTIAL PROPERTY INCOME

*This graph compares the tax-take on the rent from residential property depending on location. In the US, 42 percent of the income is absorbed by tax. The UK's low rate is explained by the lack of VAT on construction and medium income tax rate.*



# TAXAND Guide

## TAX ON SELLING A RESIDENTIAL PROPERTY

*When it comes to selling a home, France is the most expensive country with 22.03 percent swallowed by tax. This is mainly caused by the high rate of income tax (33 percent) and VAT rate of 20 percent on the sale of residential units.*

