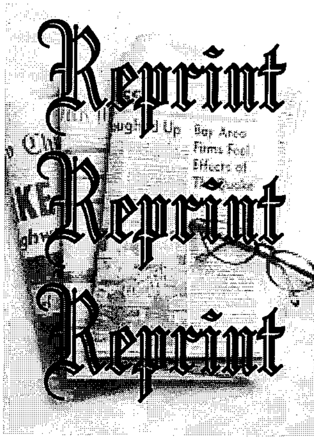

Homes boom widens the wealth divide

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By Andrew Stevenson

A six-year surge in home prices is dividing the nation, with Sydney leaving the rest of Australia behind and a huge gulf opening up between rich and poor, according to a study of wealth data commissioned by the *Herald.*

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In the nation's richest city - where a third of adults rent - the wealth divide between renters and owners has become a chasm that appears unbridgeable. Stark evidence of a big redistribution of wealth is revealed by a study of wealth data compiled by the National Centre for Social and Economic Modelling at the University of Canberra. Another divide has opened between older Australians,

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who are more likely to own their own home and have investment properties, and the young.

In 1994 the average wealth of a Sydney home owner - expressed in 2004 dollars - was $237,000; renters, on average, had assets of $19,000, a spread of $218,000. In a decade the gap doubled and home owners have $482,000, dwarfing the assets of renters, who now have $45,000.

Rory Robertson, a Macquarie Bank interest rate strategist, explains the transformation succinctly: **"If you owned two or three houses you just got a massive windfall; if you owned one you're basically square and if you owned none you just got screwed. And that, to some extent, was just an accident."**

Home ownership has always been a key marker of wealth in Australia. Sustained economic growth in the post-war period was matched by a rapid rise - to a peak of 71.4 per cent in 1966 - in the number of people owning homes. The current boom has been shared less evenly, particularly in Sydney, where one-third of adults are renters.

The average wealth of the richest 20 per cent of Sydney residents was $450,000 a decade ago. The same people are now worth, on average, $863,000 and are bearing down rapidly on millionaire status. The poor are still poor.

While the rich hold more shares, have more money in the bank and often own investment properties, the real change has come from their tax-free residence. The average property windfall delivered to Sydney's richest residents was $227,000. In contrast, almost no one among the city's poorest 20 per cent owns a home, and their assets - now worth $13,000 - are almost exclusively held in compulsory superannuation payments that cannot be tapped until retirement.

The data also confirms a view that the attention paid to income inequality may have been misplaced, argues Professor Julian Disney, head of the Social Justice Project at the University of NSW. In fact, the bigger problems were in wealth, he said, and they were likely to be compounded in the next generation. "Inherited inequity, which is probably the thing we've fought hardest to cut down over the past 100 years - to try to give everyone a reasonable chance at birth - is really going to increase very greatly."

Government policy has fuelled the house price spiral, say the Productivity Commission and the Reserve Bank. The commission's report on housing affordability, published last month, found negative gearing, the halving of capital gains tax and high marginal tax rates had spurred on investment and pushed up prices. It

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recommended an urgent review of capital gains tax and negative gearing.

The bank also says the tax treatment of housing investment is too lenient and has contributed to unsustainable home price rises, but the Federal Government has refused to review housing tax policy. Labor has also ruled out changes to capital gains tax and negative gearing. ■

> Human equality is a premise of the universal ethic, which endows each person with the morally proper ownership of his own life, time and body. Our labour and fruits of labour are morally the property of the producer. But no human being created land, so equality implies an equal benefit from land, achievable by all sharing the economic rent of land.
> - Fred Foldvary