Cradle-to-grave housing plan
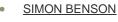

Scott Morrison will place the rental crisis at the heart of the housing package.

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The Turnbull government will pursue a "cradle-to-grave" housing affordability package in the budget likely to include a mutual-obligation superannuation plan for first-home buyers, tax breaks for downsizing the family home in retirement and a social housing plan to alleviate rental stress.

The government is also considering a plan to unlock and better use federal government land for housing, to address big housing supply issues facing the states.

In a speech to be delivered today, Scott Morrison will also place the rental crisis at the heart of the housing package, with incentives planned for institutional investment in social and affordable housing.

The Treasurer will cite new figures to be released this week that reveal 1.3 million Australians now negatively gear their properties, with mum-and-dad investors critical to the private rental market.

The Australian understands the broader housing package would be the most comprehensive intervention by a federal government into the life cycle of home ownership, involving every aspect from lowering entry barriers to the housing market, institutional investment in social housing, rental affordability, regional relocation incentives, investment and housing in retirement.

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The superannuation model believed to be favoured would allow first-home buyers to divert superannuation contributions into a home savings account, to be matched dollar-for-dollar by contributions from personal savings.

The amounts available and the time period over which it could be accessed would be capped.

At the other end of the housing scale, the government will consider removing tax disincentives for retirees to downsize the family home and address the increasing number of retirees using superannuation to pay off a mortgage.

The role of foreign property investment is also believed to be under review, with the possibility of stamp duty surcharges being contemplated for all foreign property purchases.

Other changes to the investment side of housing, such as the capital gains tax discount, are believed to be under consideration, although Mr Morrison will today rule out any changes to negative gearing.

Immigration Minister Peter Dutton yesterday also flagged financial incentives for migrants to settle in regional areas.

The package will also involve a rewriting of state and federal agreements on grants to the states to provide public and social housing, as revealed by *The Australian* in January, and changes to the rental affordability scheme with a greater role for institutional investment in provision of public and social dwellings.

The entire budget package has not yet been settled, nor signed off by the government's expenditure review committee or cabinet.

Mr Morrison said people should not expect the package to be a one-off panacea for the housing crisis but would set the foundations to address the fundamental problems.

Today he will give his strongest hint yet about the role of superannuation for first-home buyers by comparing it with the increasing number of people using their super as lump sums in the retirement phase to pay off mortgages.

In a speech to the Australian Housing and Urban Research Institute in Melbourne, Mr Morrison will say the growing number of new retirees using "some or all of their accumulated superannuation savings to discharge their outstanding mortgage debt" was an issue that had to be addressed.

With home ownership falling, there was an increasing proportion of retirees living in privately rented housing and spending more of their income on rent.

"These are the facts and they represent a problem that needs to be addressed in the broader national interest," he will say.

Previous plans canvassed to encourage new retirees to downsize from large family homes to smaller dwellings — which would also boost housing supply for young families — included an exemption from stamp duty on the purchase of a smaller home or tax breaks on the sale profit of an existing home.

He will hint at a role for commonwealth land to address land supply — an issue the states have been slow to address — saying lack of supply is a key factor in the growing unaffordability of homes.

"The principal cause of declining housing affordability is the failure of housing supply to adjust to increased demand, driven by higher economic growth," Mr Morrison will say.

He will rule out any changes to negative gearing, saying Labor's policy would create a rental crisis.

Bojana and Raul Portillo, vendors of a four-bedroom house in Miranda that sold for $1.5 million on the weekend in Sydney. Britta Campion

"Two million taxpayers in Australia have an interest in a residential investment property, 72 per cent own just one property and 90 per cent own no more than two. Just over 1.2 million of these taxpayers negatively gear their investments, including 58,000 teachers and one in five police officers," Mr Morrison will say.

"They are mums and dads.

"Regardless of one's opinions of the merits or otherwise of negative gearing, it is an established and structural component of Australia's housing markets. Disrupting negative gearing would not come without a cost, especially to renters, let alone the wider economic impacts. Proponents of disruptive negative gearing changes have ignored this fact.

"This would not be good news for the 30 per cent of Australian households who rent."

However, in a speech reflecting one of the most noteworthy statements on public and social housing by a Coalition treasurer, Mr Morrison will say reforms to provide more affordable social housing are critical to alleviate rental stress, which was now affecting almost 40 per cent of renters.

The government is now likely to adopt Britain's "bond aggregator" model to encourage private and institutional investment in social housing through bond issues for community housing providers, through access to cheaper finance. "Not enough social and affordable housing means more Australians on lower incomes are pushed up into the private rental market and into rental stress, or find it harder to escape homelessness and move into stable accommodation," he will say.

"This is, regrettably, what we are seeing in Australia.

"Couple families with dependent children represent more than one in five rental households.

"These families need housing stability to have consistent, reliable and beneficial access to the services they rely on such as schools, medical assistance and other supports. This means access to longer-term leases.

"If families or vulnerable Australians find it harder to access stable housing, further upward pressure is placed on financial supports and services. It also results in greater costs for taxpayers.

"In short, we need more housing, not just for home owners, but for renters, for key workers such as nurses, teachers and police officers who can't afford to rent or buy in the communities they serve and for those on low incomes, the disabled and disadvantaged."

But Mr Morrison will acknowledge that his unprecedented intervention into a policy area driven largely by interest rates and state government levers does not come without political risk.

"There is always that risk. Failure to confront these issues in the past can be traced back to the problems we face today. And our response must be comprehensive — there is no silver bullet.

"We don't claim instantly affordable housing. Anyone making such claims would soon be found out and rightly punished for it.

"There are no single or easy solutions and the payback is achieved in some cases over a generation, not an electoral or budget cycle."

However, opposition finance spokesman Chris Bowen rejected proposed changes: "A housing affordability policy without reforms to negative gearing and the capital gains tax discount is nothing but a con for young Australians trying to enter the housing market."