

Private funds key to unlock housing



Federal Treasurer Scott Morrison. Picture: Gary Ramage

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Scott Morrison is moving to reshape the political fight over housing affordability by working on radical reforms to mobilise more private investment, declaring the “massive issue” will be a key focus this year to fix the waste of taxpayer funds on poor results.

The Treasurer is examining overseas programs that have unleashed billions of dollars for rental homes, promising new ways to expand supply in cities just as house prices hit new highs.

Warning that an existing \$1.4 billion rental affordability scheme is failing to build enough homes, Mr Morrison will head to Britain within weeks to consider policies that are developing more housing for every dollar of taxpayer help.

“Both the states and the commonwealth are spending a lot of money and I just don’t think we’re spending virtually any of it well,” he told *The Weekend Australian*.

Aiming to make housing a key theme this year, Mr Morrison said “you’ve got to get scale” in the use of public and private investment, to ensure the cost of every new home would fall as the size of the program increased.

The National Rental Affordability Scheme is credited with building 38,000 affordable homes by giving owners of approved units \$10,000 a year if they let their dwellings to eligible tenants at rents that are 20 per cent below market rates. But the scheme has been savaged by the Auditor-General for delays in delivery and lax regulation since being launched by Labor in 2008, while developers have used it to build student accommodation on university campuses rather than homes for families in the suburbs.

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Mr Morrison will use the Britain visit to consider alternatives such as a £1 billion “build to rent” policy that has used public spending to lure big private investors into affordable housing, winning praise from experts who believe it should be expanded.

“The problem with the National Rental Affordability Scheme is it was well-intentioned but it couldn’t achieve scale,” the Treasurer said. “It was so caught up with so much bureaucracy that every single additional unit had exactly the same additional cost.

“You want to create an investment environment where you get the scale, and where the private investment requires less and less public investment as it grows.”

A policy contest looms this year as both major parties try to assure voters they can fix supply shortages and the challenges for younger Australians trying to get into a market that had a 10.9 per cent jump in house prices last

year, the strongest growth in seven years. CoreLogic RP Data found that house prices rose by 15.5 per cent in Sydney, 13.7 per cent in Melbourne, 3.6 per cent in Brisbane, 4.2 per cent in Adelaide and 11.2 per cent in Hobart. Prices fell by 4.3 per cent in Perth.

Opposition housing spokesman Doug Cameron has accused the government of having no policy to fix the problem of housing affordability other than hoping “rich parents” would help their children.

Mr Morrison is ruling out Bill Shorten’s proposal for higher taxes on property investors, warning that a hit to negative gearing would discourage investment in new supply. He is working on alternatives to sharpen the policy contest with Labor.

The Treasurer said big investors could help to build more capacity by putting up capital for homes that were rented.

“The developer will develop them but who owns Australia’s rental stock now? Mums and dads. Institutions don’t,” he said.

While Mr Morrison did not single out any individual British policy or commit to any initiative, his visit is expected to canvass several schemes, including the “build to rent” policy backed by Foreign Secretary Boris Johnson when he was London mayor. The scheme offers government - investment to major projects where institutional investors commit to long-term ownership of big housing projects — mainly apartments — for long-term leases rather than for sale.

Housing experts at the London School of Economics praised the program in a report last month and the British Property Federation wants it expanded.

Another British policy, the affordable rents regime, subsidises construction for properties that are rented out at up to 80 per cent of market rates.

A third scheme, called Starter Homes and launched by former prime minister David Cameron last year, was a £1.2bn commitment to develop 200,000 new homes on condition they go to first-time buyers. “When I looked at what is happening in the UK, they’re doing really innovative stuff,” the Treasurer said.

The political debate in Australia has focused on house prices but Mr Morrison argued that increasing the rental stock was a key way to make homes more affordable.

“One of my frustrations is the amount of money that is spent every year in this sector,” he said.

“I’m not talking about the ‘trying to buy your own home’ space; I’m talking about the 30 per cent of people who rent. That’s how they put a roof over their head.”

Property Council chief Ken Morrison backed the idea of learning from the British schemes but cautioned that public investment was essential for “build to rent” schemes because of the difficulty of getting a commercial return. “The appetite from investors is certainly there,” he said. “There’s a weight of money that is looking for a place to invest.”

However, the property industry wants action on development approvals to speed up private projects, noting that it is faster to get new homes built in Victoria than it is in NSW because of state rules.

The Treasurer reiterated his argument that increasing housing supply was a solution for home ownership, rather than Labor’s changes to negative gearing.