Treasury secretary John Fraser says affordable housing will happen in time

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TREASURY boss John Fraser has conceded the Turnbull government's housing affordability measures will take a long time to make any difference.

The government was forced to tackle Labor's crackdown on negative gearing with its own suite of changes in this month's Budget to help curb soaring house prices in Melbourne and Sydney.

Treasury boss John Fraser has conceded the Turnbull government's housing affordability measures will take a long time to make any difference. Picture: Kym Smith

Mr Fraser said on Monday he did not take “any joy that for many families” buying a house has become a “bigger hurdle to jump than we ever imagined”.

“When I was buying a house in the seventies it was a far easier process,” Mr Fraser told a Senate hearing on Monday.

Key to the government’s approach is encouraging retirees to downsize to make a non- concessional contribution of up to $300,000 into their superannuation from the proceeds of the sale.

Mr Fraser said there was no doubt low interest rates — combined with population growth along the east cost — had increased demand.

But he said at the same time, insufficient land release, complex planning and zoning regulations and public aversion to urban infill had also impacted the supply of housing.

“You can’t be on the bridge saying ‘changing course’, it’s not like that,” he said.

He also sent a warning about the future course of interest rates.

“Sometime between now and Armageddon interest rates will go up, I don’t know when but they will go up and that’s something people should be mindful of,” he said.

But Mr Fraser dismissed the impact of the $6.2 billion budget levy on banks as “trivial” and said he expected it to have little impact on interest rates.

He stood by the budget forecast that the levy on the liabilities of the big five banks would raise $6.2 billion over four years.

“We are in the process of confidential discussions with the banks and we see no reason to change our forecasts,” he said.