

Morrison flags sweeteners for super to fix affordability crisis



Banning negative gearing would be "cruel", says Treasurer Scott Morrison **Louise Kennerley**



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by [Jacob Greber](#)

Super funds and other large pools of capital are being challenged to help fix the nation's worsening [housing affordability crisis](#), with Treasurer Scott Morrison hinting at plans that would provide fresh incentives for private investment in homes for low-income Australians.

In a major speech on Monday that slams as an abject failure the current national affordable housing agreement with the states – which has cost \$9 billion over eight years and yielded 16,000 fewer public housing dwellings – Mr Morrison will make the case for a significant policy rethink.

"We don't need to spend more, and it's not necessarily about spending less, provided we spend it better," Mr Morrison will say, pointing out that public housing waiting lists have risen from 177,700 to 187,000 in that time. "You simply despair.

"This agreement is a one-way ATM providing important resources without accountability for resources."



Foreign investment in property, especially from China, low interest rates and tax breaks for investors have also added extra heat to the market and worsened housing affordability for new buyers. **Paul Rove**

Speaking just [five weeks ahead of the May budget](#), Mr Morrison will say there are a "series of options" for government to give greater certainty to large-scale property investors worried about issues such as tenant risk and "de-risking" the income stream from affordable housing.

Appetite

Mr Morrison will note that there is already [clear appetite for such investment among pension funds](#), particularly in the US and Canada.

"I would hope a similar appetite could be cultivated amongst Australian super funds," Mr Morrison will say. "What could be more in the interest of nurses, teachers or police pension fund members than investing in affordable housing for nurses, teachers and police officers?"

As is already common overseas, the goal is for affordable housing to be seen "not so much as a real estate investment, but a longer-term fixed-interest investment that can comfortably sit within institutional investment portfolios".



Labor wants to attack housing affordability by curbing tax breaks for investors but shadow treasurer Chris Bowen says Labor isn't ready to announce new policies on capital gains tax and negative gearing just yet. **Sean Davey**

Lamenting the short-termism of many real estate developments, Mr Morrison will set the scene for a fresh government push towards having more homes built, and potentially owned and leased, by institutional investors who are more likely to provide long-term stock for renters than the current market which is characterised by mum and dad investors.

By moving away from what is still very much a cottage industry compared to other developed economies, Mr Morrison will argue that long-term-focused institutional investors may even reduce the reliance on developers selling to "individual foreign investors to get projects off the ground" – a thinly veiled reference to controversial [marketing of lower-quality properties to Chinese nationals](#).

The remarks will be part of a wide-ranging address to the Australian Housing and Urban Research Institute in Melbourne that maps out the government's budget focus on housing affordability.

Two million landlords

The Treasurer will use the speech to push back against Labor's campaign to abolish negative gearing by revealing Australian Tax Office figures to be released later this week that show two million taxpayers have an interest in a residential investment property.

Some 72 per cent of those own one property, and 90 per cent own no more than two, with about 1.3 million using negative gearing, including 58,000 teachers and one in five police officers.

"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," he will say.

"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."

Fears about affordability are being exacerbated by a seemingly runaway property market in Sydney and Melbourne, where auction clearance rates held above 80 per cent over the weekend despite volumes reaching a year-to-date high.

Mr Morrison will highlight how rocketing prices are cascading throughout the property market, pushing more younger people, even those with high incomes, into becoming long-term renters. This in turn is pushing up rents and eroding availability of homes for lower-income households, and exacerbating homelessness.

Even though rental growth has lagged far behind property prices – growing just 1.5 per cent and 2.2 per cent in Sydney and Melbourne respectively – this has still made the situation worse for many people.

About 47 per cent of low-income households in the capital cities are spending more than 30 per cent of their incomes on rent, while the Commonwealth Rent Assistance scheme has failed to keep pace with market rents since 2007.

Rent distress

"So despite 80 per cent of recipients receiving the maximum payment, 40 per cent still suffer rental stress.

"This dynamic works both ways – 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.

He warns this is particularly threatening for families with children, who need access to longer-term leases to ensure they can have stable schooling and medical support.

"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 homeowners, 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."

Despite the problem growing worse, Mr Morrison notes that the Commonwealth already spends \$6.8 billion annually on affordable housing, rent assistance, and remote housing for Indigenous communities, with the states spending another \$5 billion.

"We are all frustrated by the lack of accountability and results for this significant taxpayer commitment."

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