

# 'SUPER FOR HOUSING': A THOROUGHLY BAD IDEA

PRESENTATION TO A FORUM HOSTED BY  
THE SUPER MEMBERS' COUNCIL

MELBOURNE

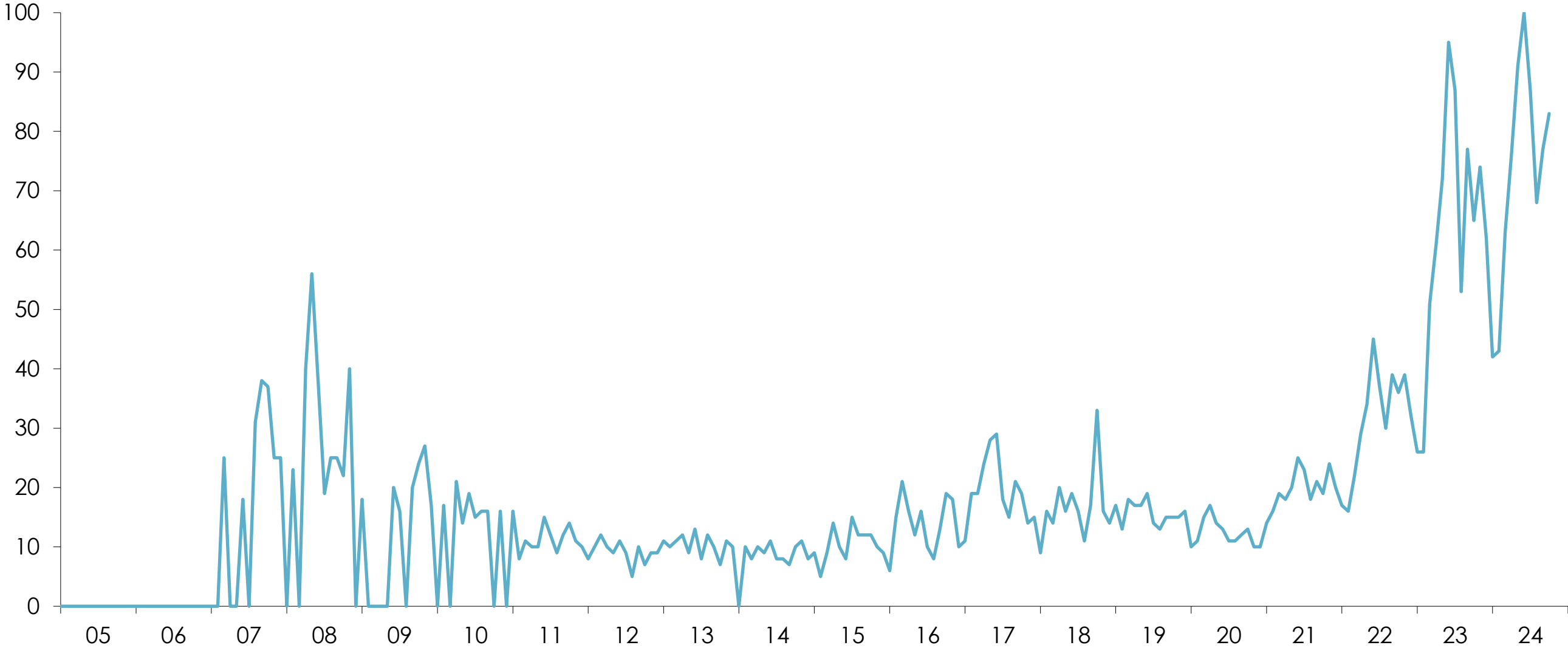
19<sup>TH</sup> SEPTEMBER 2024

**SAUL ESLAKE**

CORINNA ECONOMIC ADVISORY  
INDEPENDENT ECONOMICS

# Australia is in the midst of a housing crisis

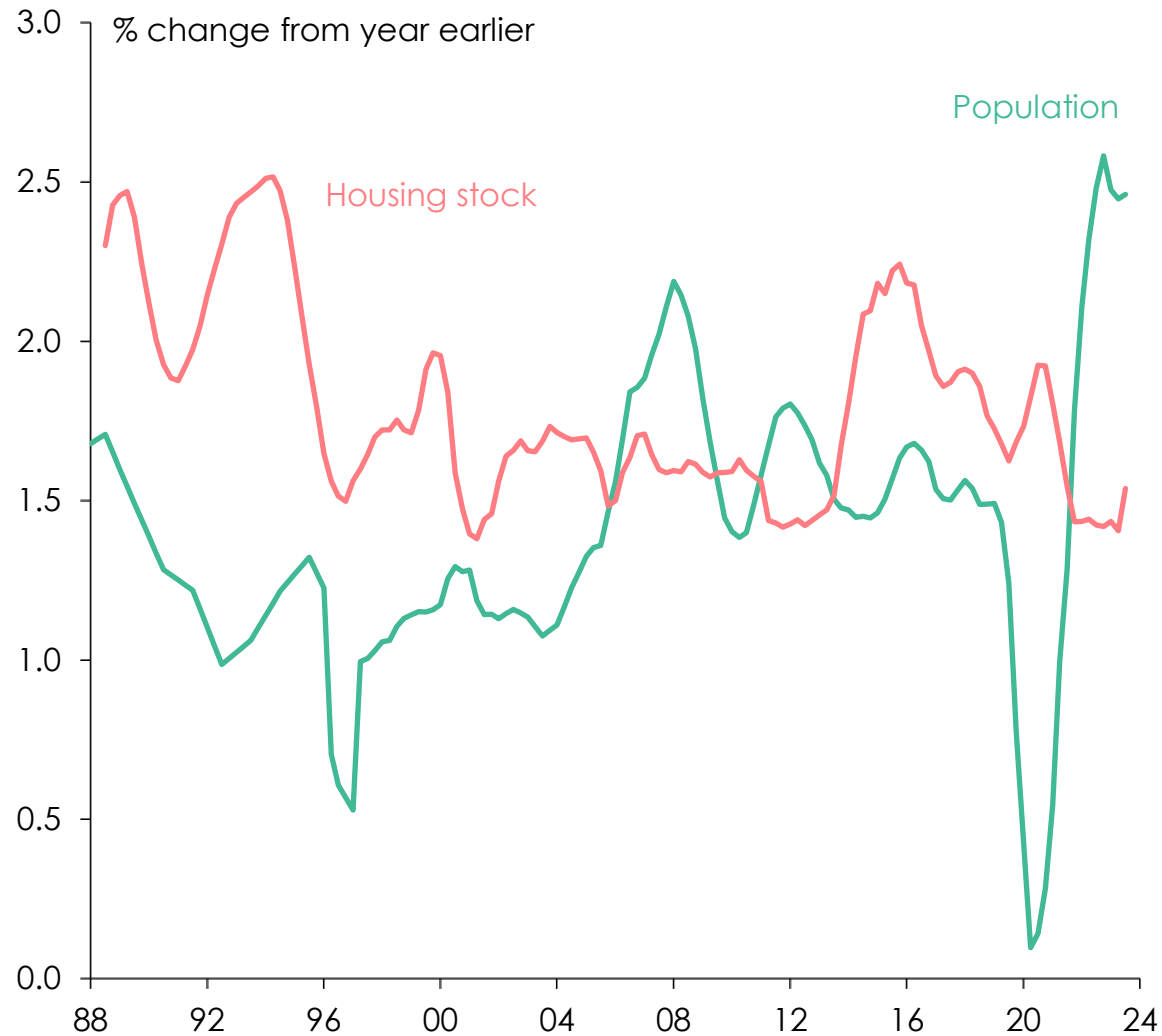
## Australian Google searches for 'housing crisis'



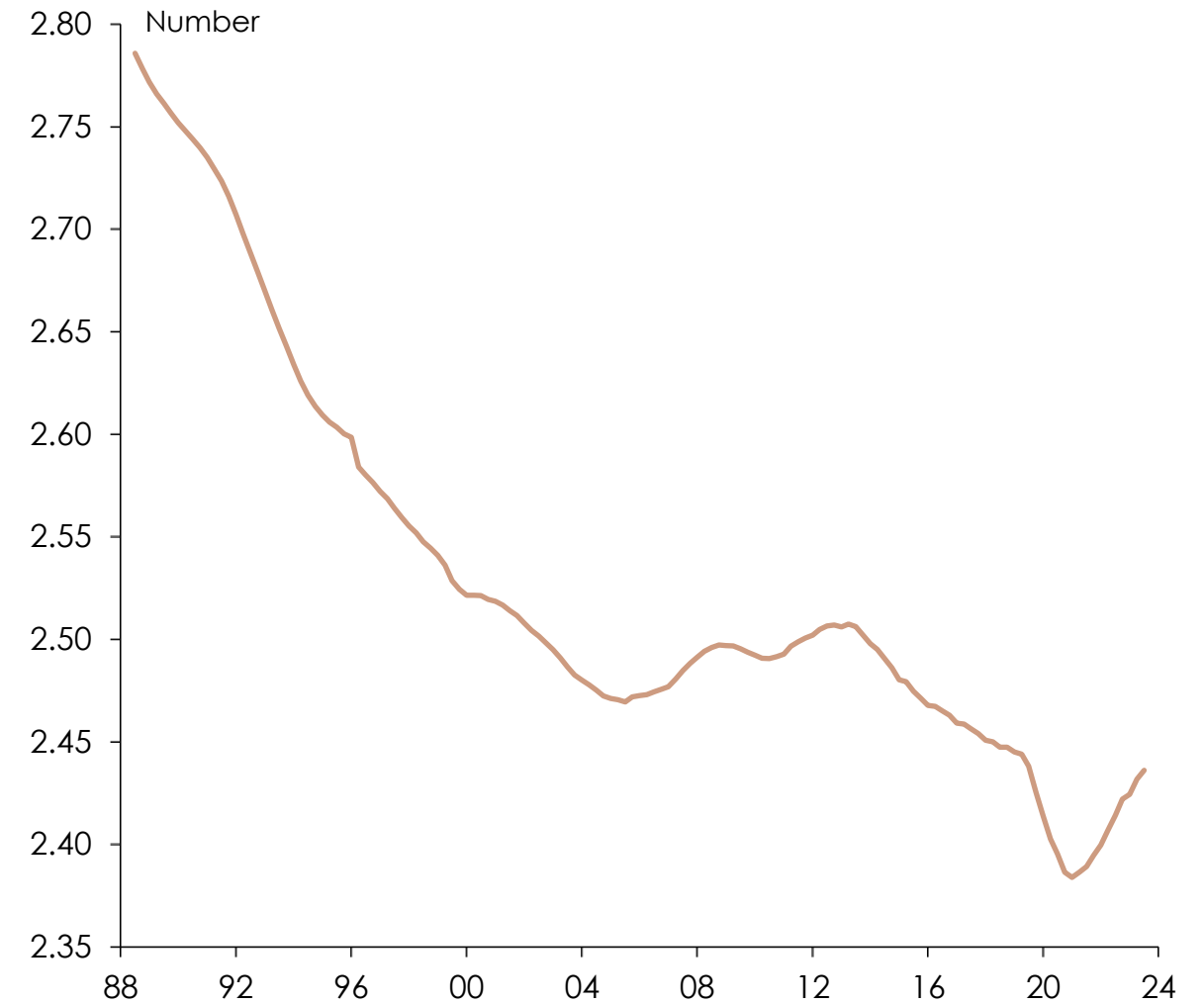
Note: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term. Source: [Google Trends](https://www.google.com/trends), 14<sup>th</sup> September 2024.

# Growth in demand for housing is outstripping growth in housing supply – especially after allowing for the ongoing decline in average household size

## Growth in Australia's population and housing stock



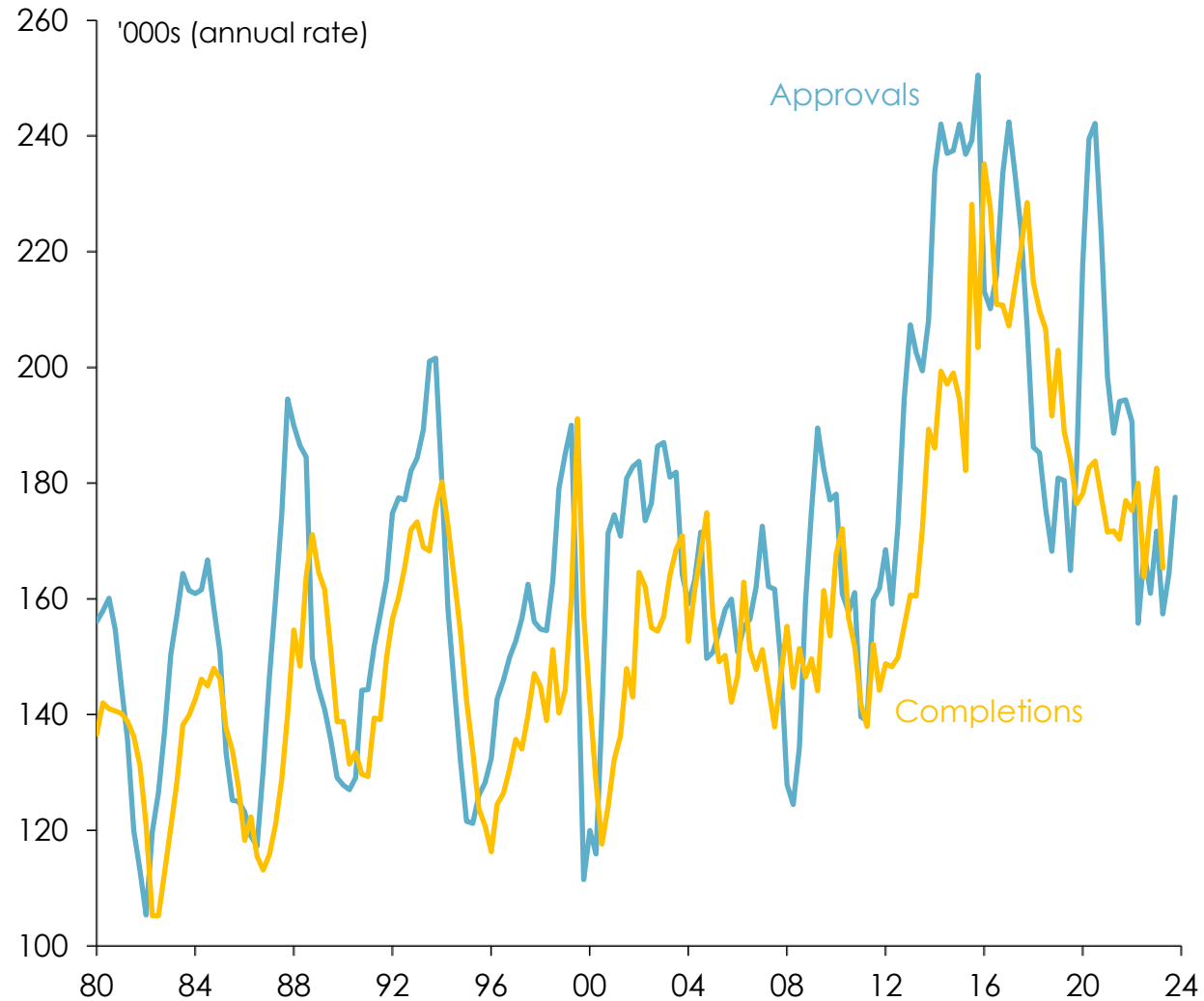
## Average number of people per dwelling



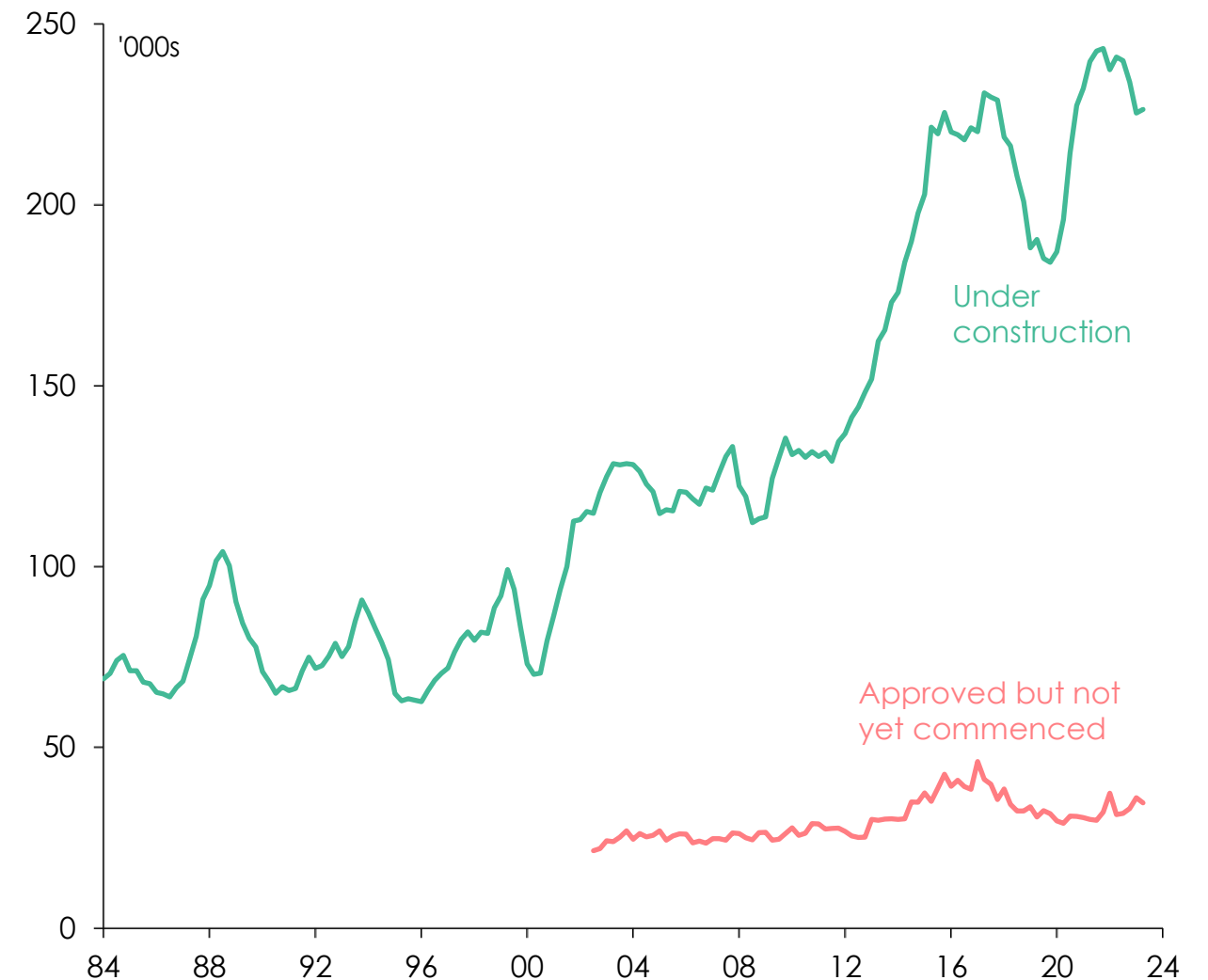
Sources: RBA, [Household and Business Balance Sheets](#); ABS, [Australian National Accounts: National Income, Expenditure and Product](#), June quarter 2024 and [Total value of dwellings](#), June quarter 2024.

# Growth in housing supply looks likely to be constrained for some time

## Residential building approvals and completions



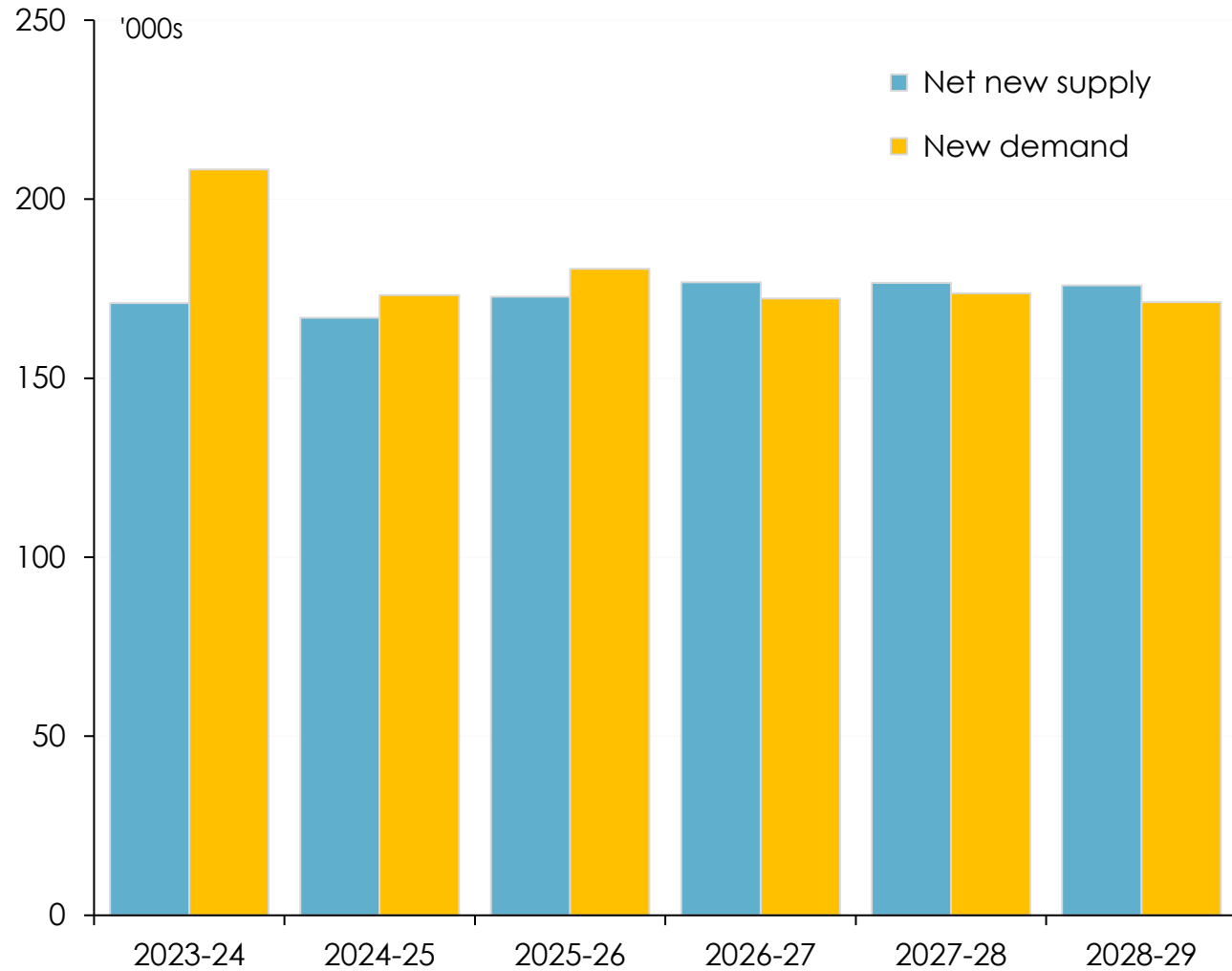
## Residential buildings under construction and approved but not yet commenced



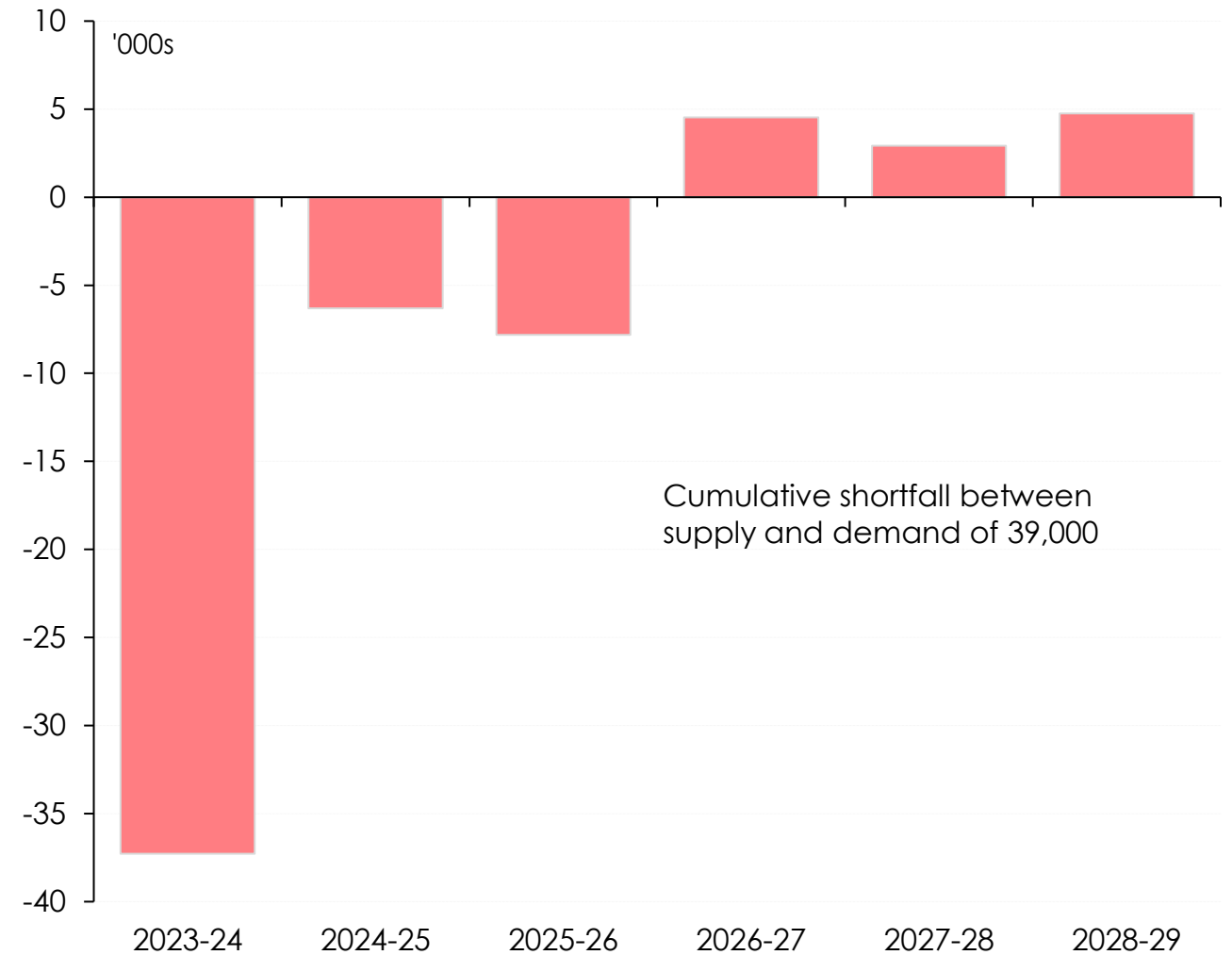
Sources: ABS, [Building Approvals](#), July 2024 and [Building Activity](#), June quarter 2024.

# The Government's National Housing Supply & Affordability Council expects the housing supply shortfall to persist for at least another five years

## Annual net new housing supply and demand



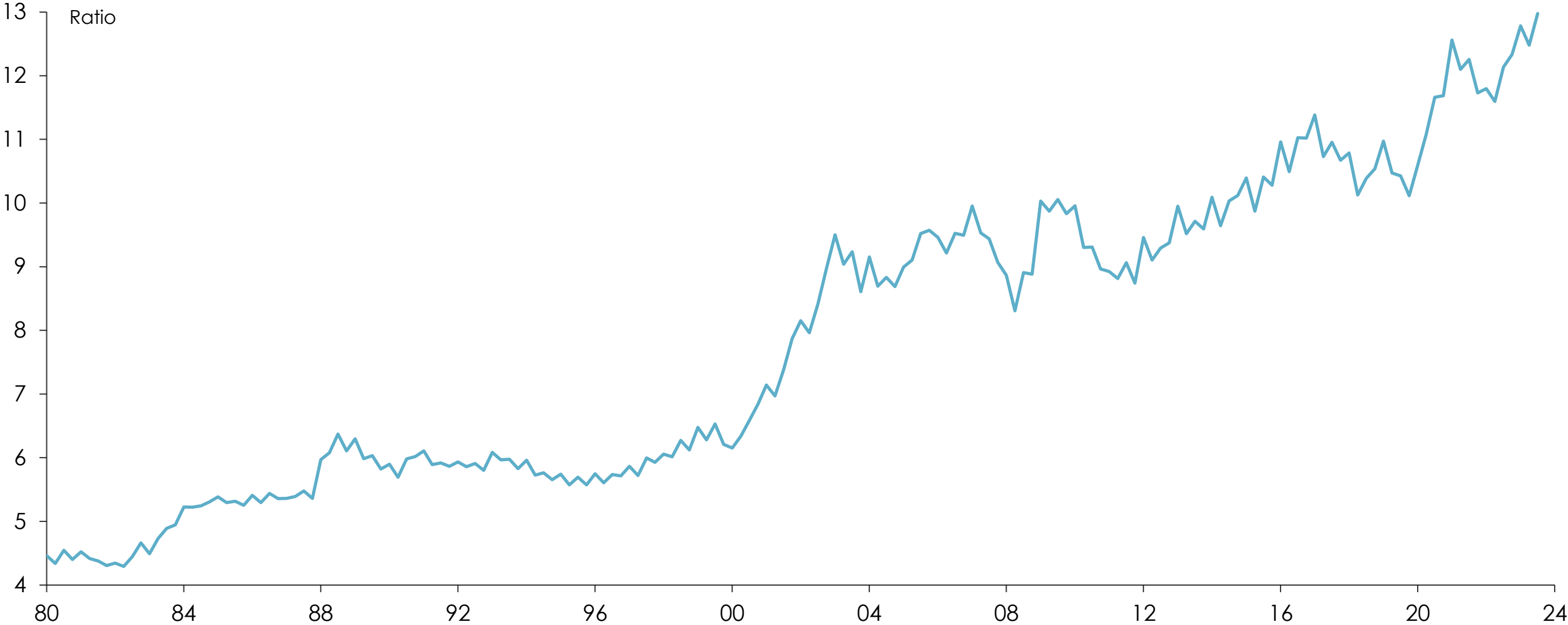
## Annual balance between housing supply and demand



Source: National Housing Supply and Affordability Council, [State of the Housing System 2024](#), 3<sup>rd</sup> May 2024.

# Housing affordability has deteriorated dramatically over the past 45 years – and especially since the turn of the century

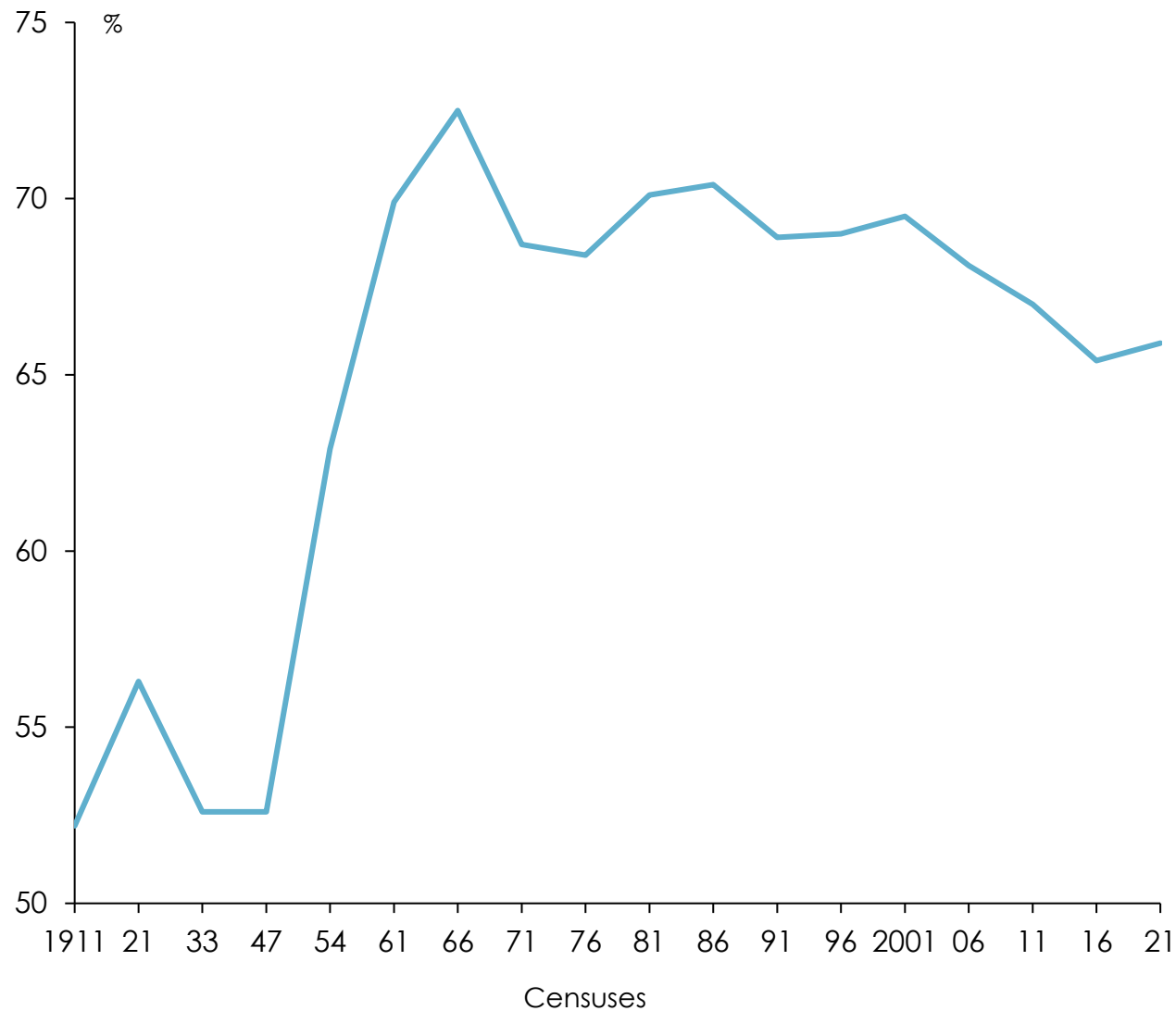
Ratio of median dwelling prices to average annual household disposable income per person aged 15 and over



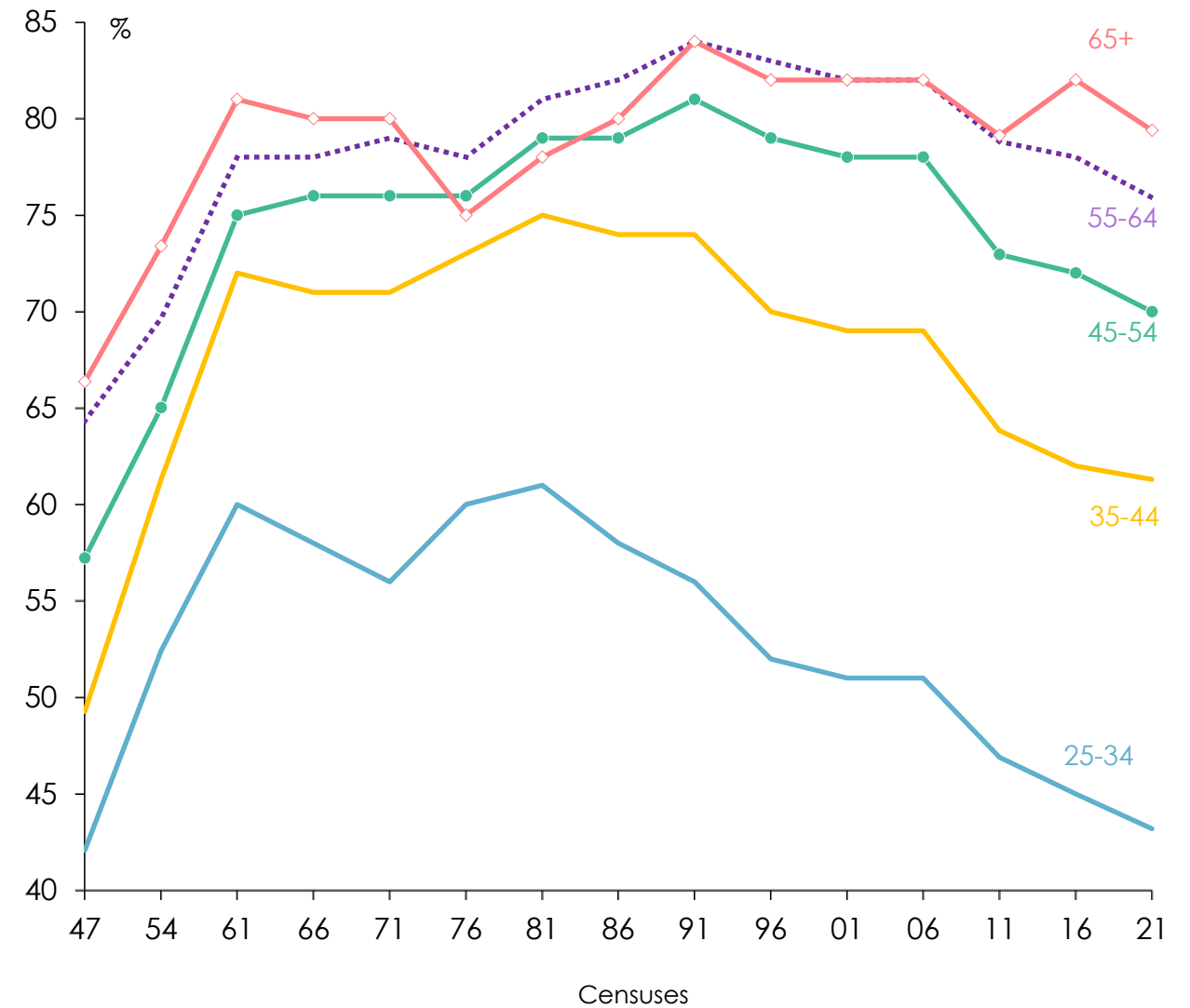
Sources: CoreLogic, [Monthly Housing Chart Pack](#); ABS, [Australian National Accounts: National Income, Expenditure and Product](#), June quarter 2024 and [Labour Force](#), July 2024.

# Home ownership has been declining steadily since 1966 – especially, over the last thirty years, among people aged under 45

## Overall home ownership rate, 1911-2021



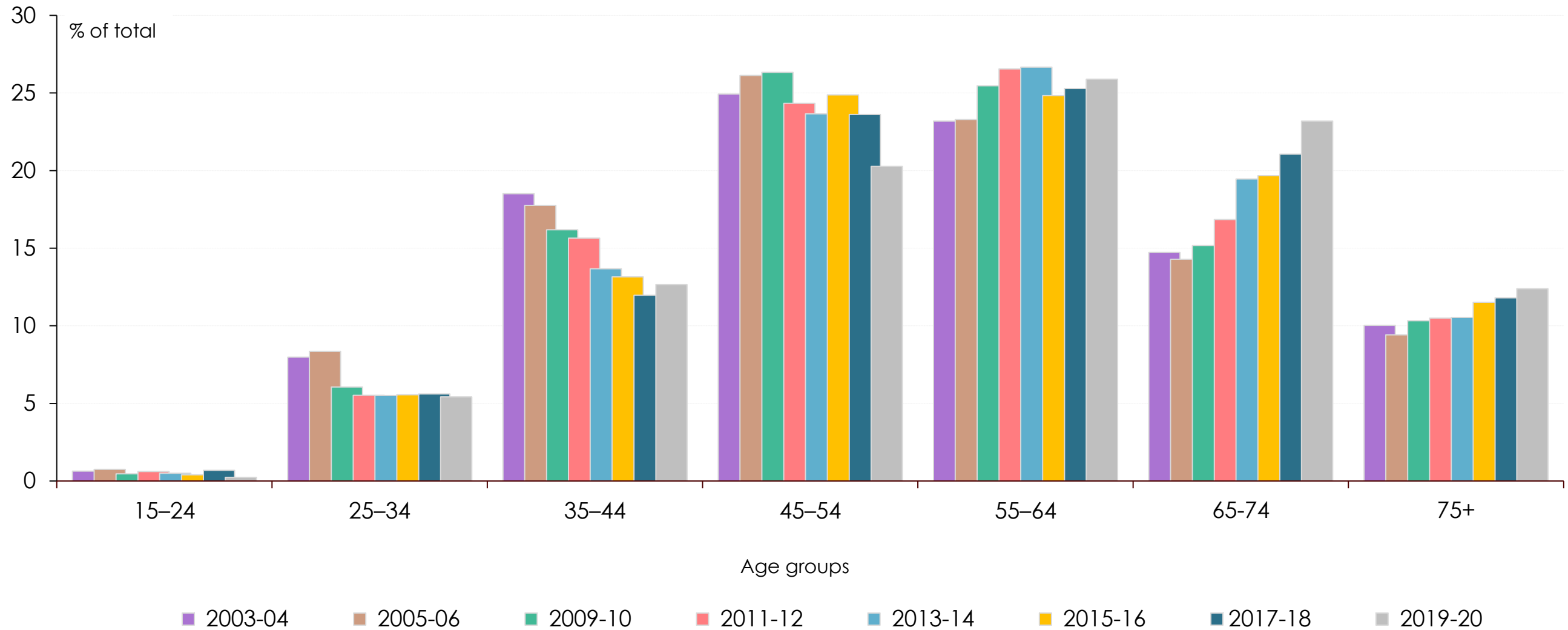
## Home ownership rates by age, 1947-2021



Sources: Advisory Council on Inter-Government Relations, *Australian Housing Policy and Inter-government Relations*, Discussion Paper No. 14 (1981); ABS, [Housing: Census](#), 2021 and previous issues; Judy Yates, [Submission to the Senate Economic References Committee on Affordable Housing](#), 2015; Rachel Clun, 'Mortgages in retirement triple, outright ownership halves for most age groups' [The Age](#), 17<sup>th</sup> July 2022.

# One little-recognized consequence of the decline in home ownership among younger adults has been a sharp rise in inter-generational inequity

Shares of household net wealth, by age group, 2003-04 to 2019-20

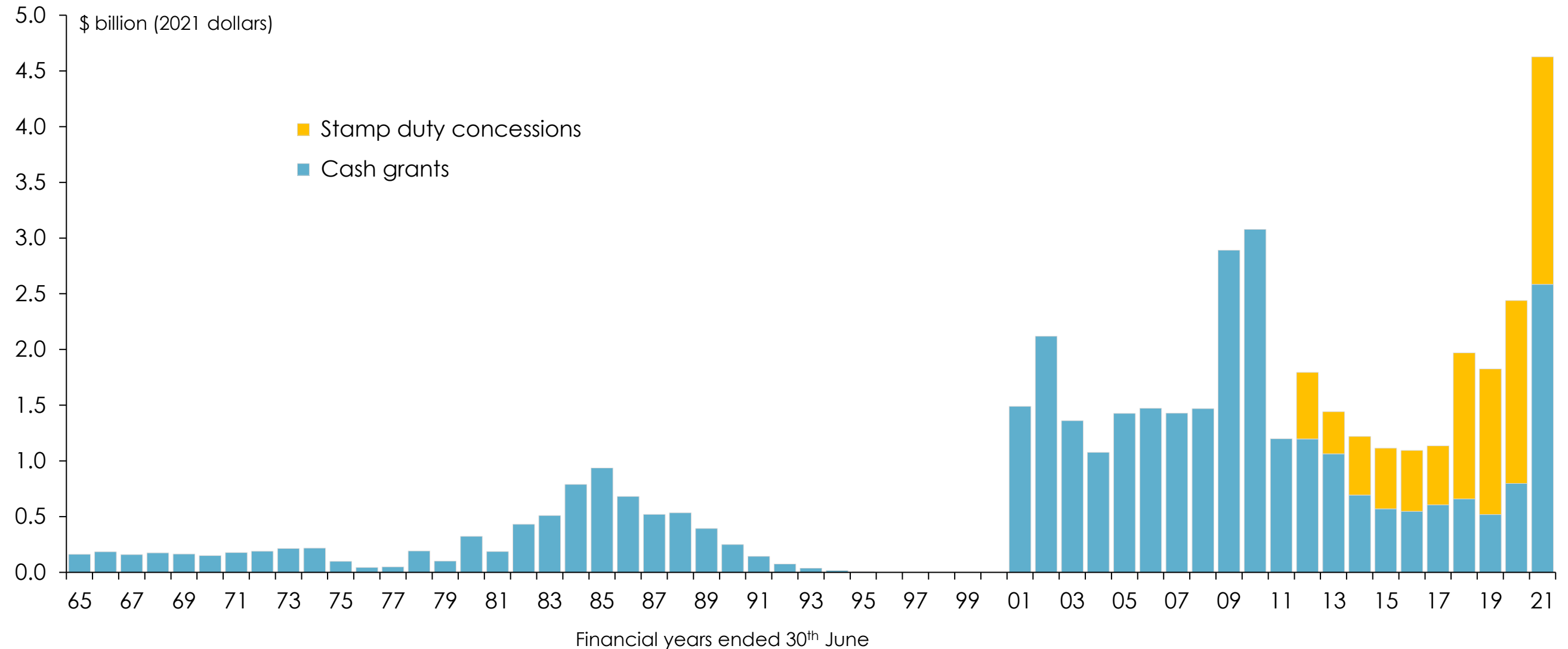


Sources: ABS, [Household Income and Wealth, Australia](#), 2019-20 and previous issues (the survey which would have been undertaken in 2021-22 was abandoned because of restrictions imposed during the Covid-19 pandemic).



# It's not a co-incidence that the decline in home ownership started just after the introduction of the first First Home Owners' Grant scheme in 1964

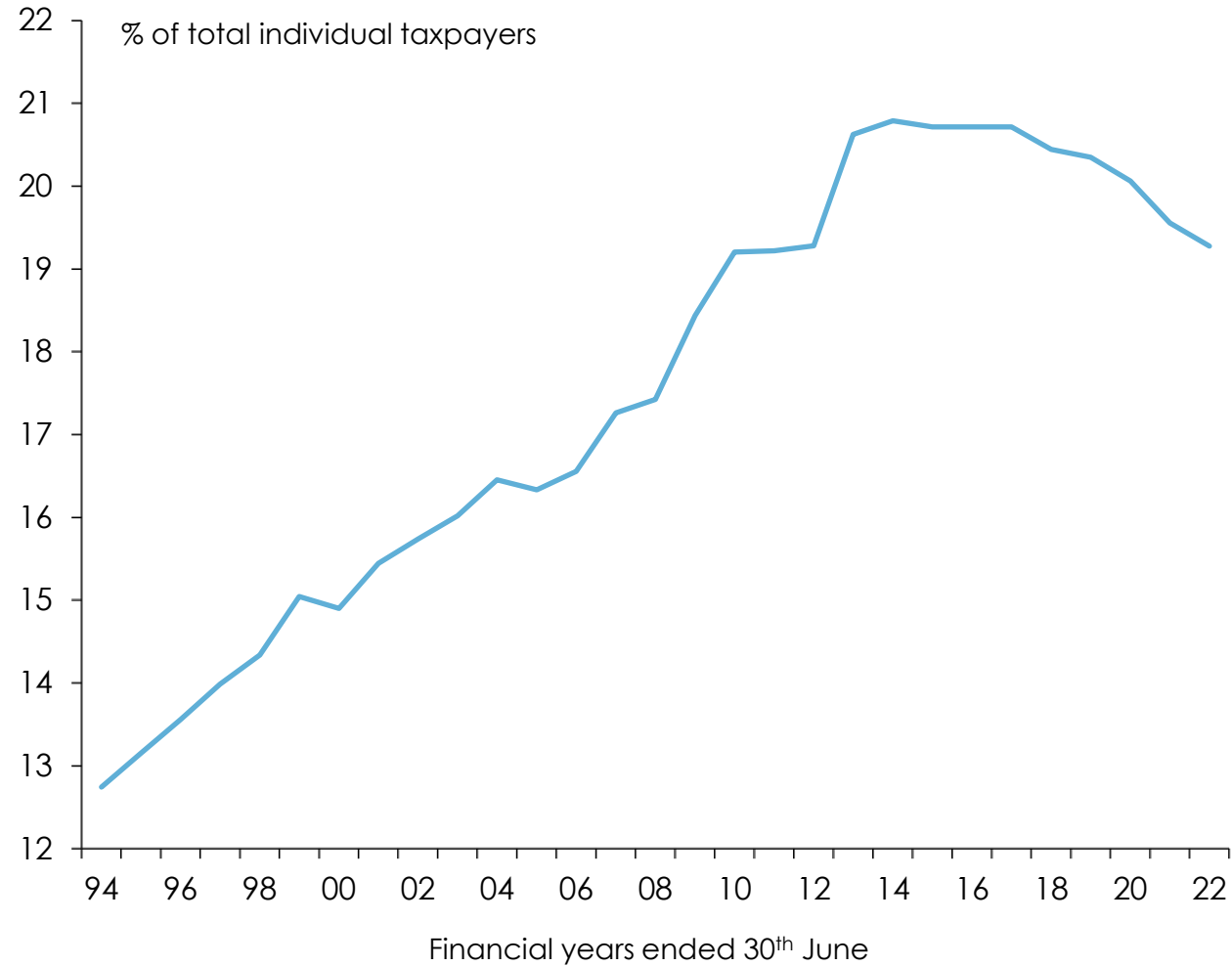
Spending on grants to and stamp duty concessions for first home buyers, 1964-65 to 2020-21



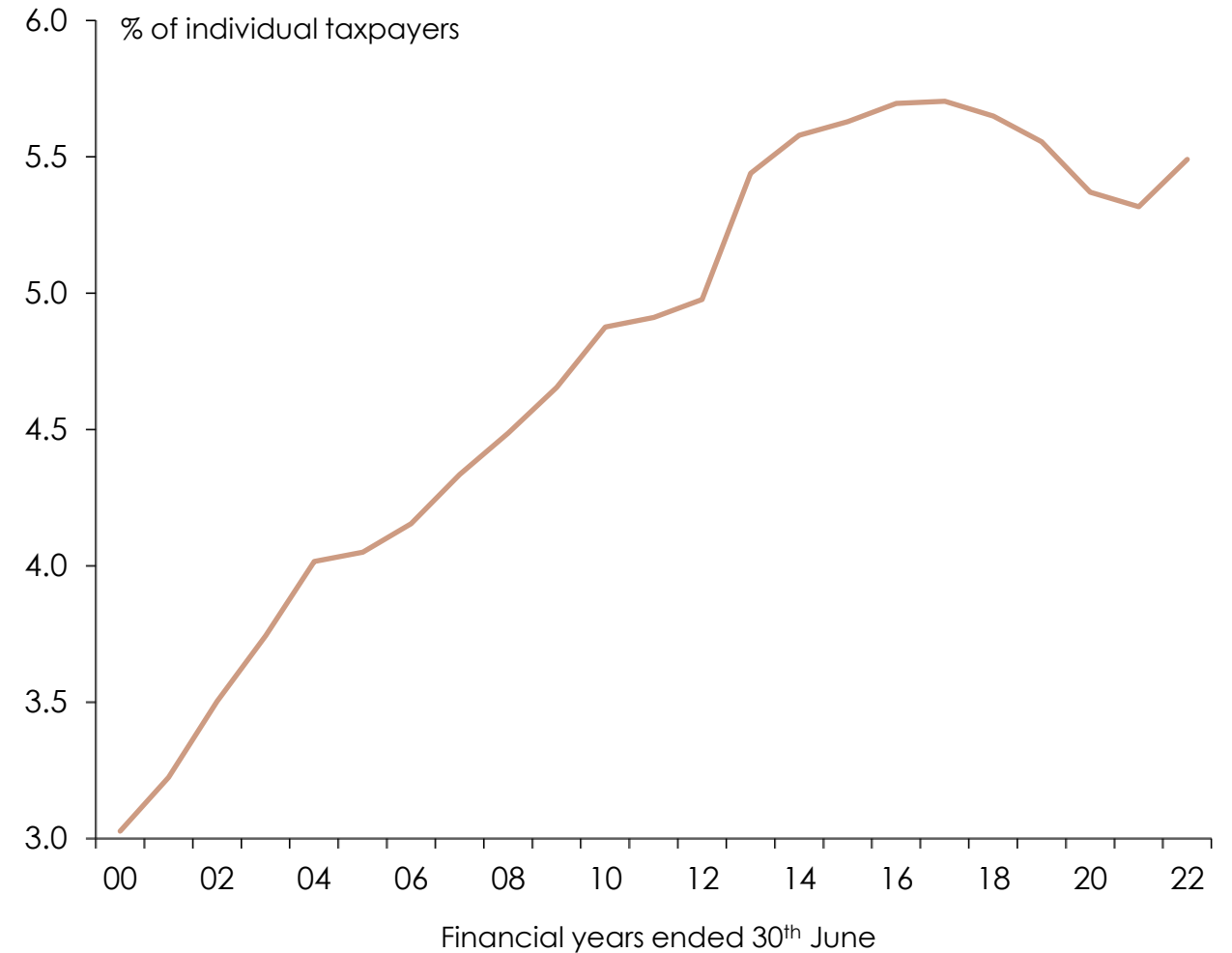
Source: Hal Pawson, Chris Martin, Julie Lawson, Stephen Whelan and Fatemeh Amanpour, [Assisting first homebuyers: an international policy review](#), Final Report No. 381, Australian Housing and Urban Research Institute, Melbourne, 7th July 2022.

# Nor is it any co-incidence that the decline in home ownership has accelerated since changes to the capital gains tax regime in 1999

## Proportion of income taxpayers reporting rental property income



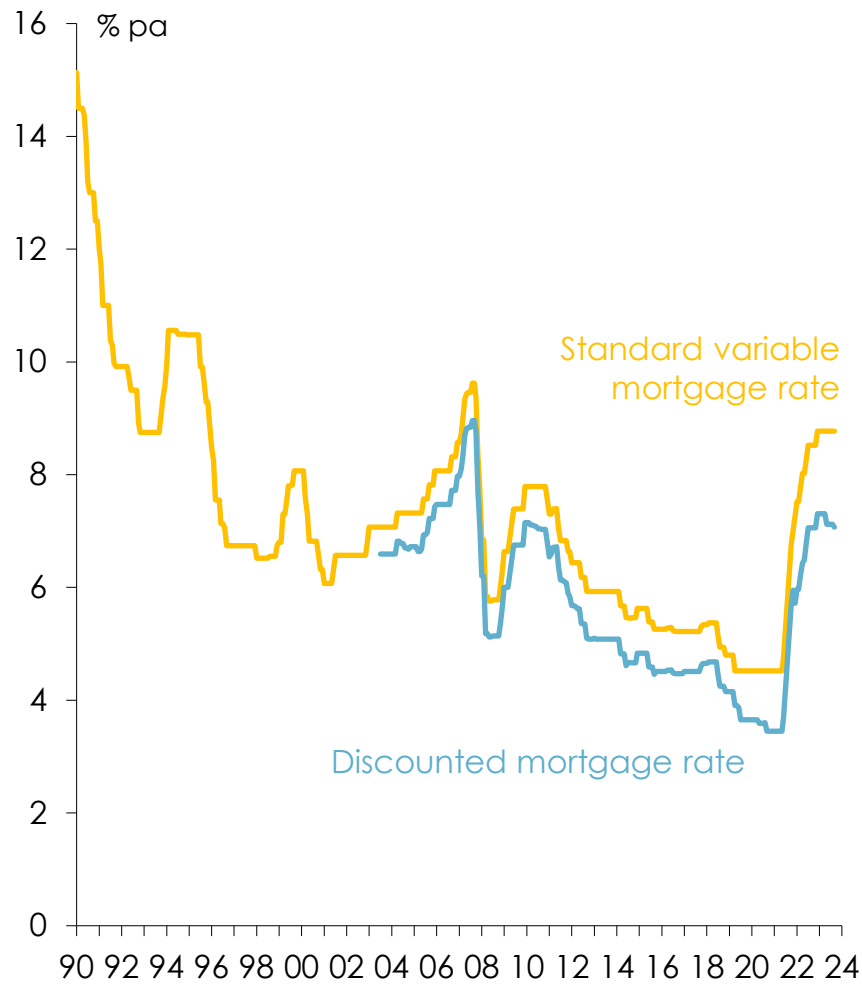
## Proportion of income taxpayers with two or more rental properties



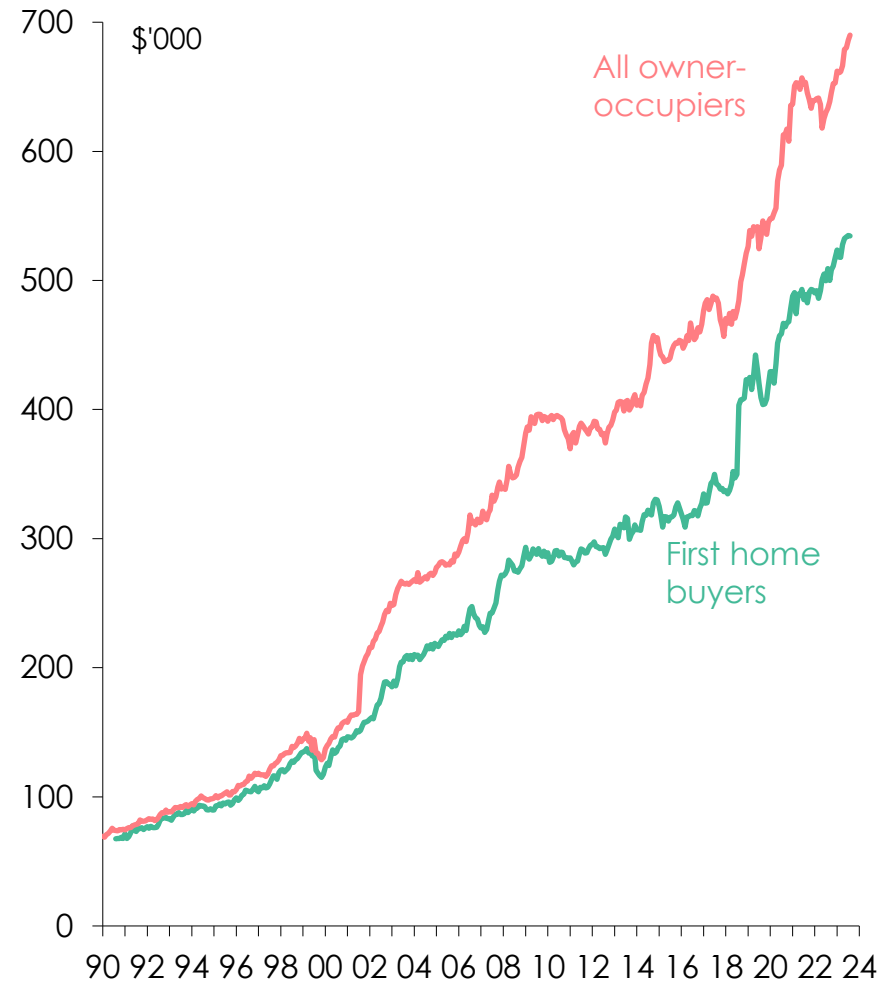
Source: Australian Taxation Office, [Taxation Statistics - Individuals: Table 1 - Selected items for income years 1978-79 to 2021-22](#), June 2024.

# Whatever beneficial impact lower interest rates since the early 1990s has had on housing affordability has been offset by higher housing prices

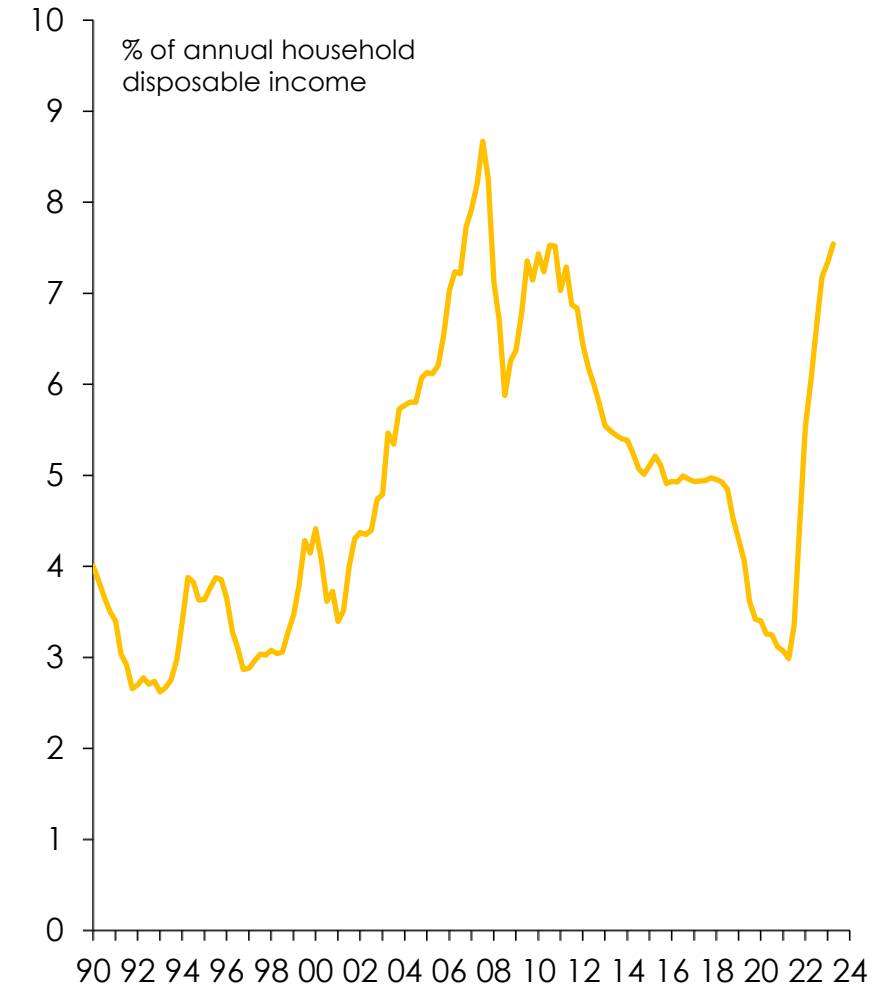
## Mortgage rates



## Average mortgage size



## Mortgage interest payments as a pc of disposable income



Sources: RBA, [Indicator Lending Rates](#); ABS, [Lending indicators](#), July 2024, and [Australian National Accounts: National Income, Expenditure and Product](#), June quarter 2024.

## So the lesson of history, going back 60 years, is ...

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Anything that enables Australians to pay more for housing than they otherwise would – be it first home-owner grants, stamp duty concessions, tax concessions for property investors, lower interest rates, looser lending criteria, and deposit guarantee or shared equity schemes – results in more expensive housing, rather than in a higher proportion of Australians owning housing

# Like every other scheme that allows people to pay more for housing, ‘Super for housing’ would result in more expensive housing

- ❑ “A superannuation for housing scheme could not be targeted efficiently to those individuals who would not otherwise achieve home ownership before retirement ... and would also reduce retirement incomes and national savings”  
– [Australian Treasury, 1988](#)
- ❑ “Pumping more money into the housing market by letting people access their superannuation savings more freely will not bring down the cost of housing; if anything, it would probably lead to further increases in the cost of housing”  
– [then Finance Minister Matthias Cormann, 2014](#)
- ❑ “If [superannuation balances] were to be redirected to spending more on housing, the result would be that people would spend more on housing”  
– [then RBA \(now Westpac\) Chief Economist Luci Ellis, 2021](#)
- ❑ “Allowing first home buyers to access or borrow against part of their super to purchase a whom would, in the absence of increased housing supply, likely increase demand and lead to higher property prices”  
– [House of Representative Standing Committee on Tax and Revenue, 2022](#)
- ❑ “Allowing a major cohort of Australians to access their superannuation all at the same time would also add even more demand for housing, which would then push up prices, particularly within the already highly competitive lower end of the property market”  
– [Grattan Institute, 2024](#)

# ‘Super for housing’ would not be of much benefit for people in the typical first home buyer age groups

## Median superannuation balances available for release under ‘Super for Housing’

Age	Median superannuation balance (\$) (non-home-owner households)				Median superannuation savings available for release (\$)			
	Single income units			Couple income units	Single income units			Couple income units
	Males	Females	Persons		Males	Females	Persons	
18-24	3,389	3,953	3,389	20,737	1,355	1,581	1,355	8,295
25-34	20,197	20,332	20,332	45,182	8,079	8,133	8,133	18,073
35-44	56,478	45,182	51,960	96,013	22,591	18,073	20,784	38,405
45-54	100,531	57,739	90,365	169,434	40,212	23,095	36,146	51,581
55-64	112,956	79,069	101,661	169,434	45,182	31,628	40,664	50,000
65-74	90,365	89,019	90,365	96,013	36,146	35,607	36,146	38,405
75+	141,195	112,956	135,547	250,223	56,478	45,182	54,219	100,089

- ❑ The median superannuation balances of singles and couples aged 25-34 are \$20,300 and \$45,200, respectively ...
- ❑ ... so the median amounts they could divert towards the purchase of a first home would be \$8,100 and \$18,000 respectively
- ❑ ... which would increase their purchasing capacity by up to \$41,000 and \$90,000, respectively (depending on their income)
- ❑ The withdrawable amounts would be much larger for older people (who are more likely to be home-owners anyway)

Note: Data on superannuation balances is sourced from the [Survey of Income and Housing](#) for 2019-20 and updated to 2023-24 values using growth in [average weekly earnings](#). 'Non-home-owner' households includes both renters and adults living with their parent or parents. Source: Super Members' Council analysis.

# ‘Super for housing’ would not be of much benefit for people in the typical first home buyer age groups

## Median superannuation balances available for release to single people under ‘Super for Housing’

Age range	Maximum superannuation release (\$)					
	\$1 - <\$10,000	\$10,000 - <\$20,000	\$20,000 - <\$30,000	\$30,000 - <\$40,000	\$40,000 - <\$50,000	\$50,000
	<i>Number of single income units</i>					
25-34	624,651	230,641	106,679	41,102	22,241	28,328
35-44	144,815	78,775	87,955	40,721	39,952	80,430
45-54	81,815	41,682	37,855	24,278	28,680	126,839
55-64	42,349	26,670	16,010	15,295	26,068	74,952
65-74	23,123	6,082	3,511	5,677	5,035	27,796
	<i>Percentage of single income units in each age group</i>					
25-34	59.3	21.9	10.1	3.9	2.1	2.7
35-44	30.6	16.7	18.6	8.6	8.5	17.0
45-54	24.0	12.2	11.1	7.1	8.4	37.2
55-64	21.0	13.2	8.0	7.6	12.9	37.2
65-74	32.5	8.5	4.9	8.0	7.1	39.0

- ❑ Fewer than 3% of single people aged between 25 and 34 have superannuation balances large enough to allow them to withdraw the maximum amount of \$100,000
- ❑ ... while more than 70% of single people in this age group would be unable to withdraw more than \$20,000
- ❑ By contrast almost two in every five people aged 45 or more would be able to withdraw the maximum amount of \$100,000

Note: Data on superannuation balances is sourced from the [Survey of Income and Housing](#) for 2019-20 and updated to 2023-24 values using growth in [average weekly earnings](#). 'Non-home-owner' households includes both renters and adults living with their parent or parents. Source: Super Members' Council analysis.

# ‘Super for housing’ would not be of much benefit for people in the typical first home buyer age groups

## Median superannuation balances available for release to couples under ‘Super for Housing’

Age range	Maximum superannuation release (\$)					
	\$1 - <\$20,000	\$20,000 - <\$40,000	\$40,000 - <\$60,000	\$60,000 - <\$80,000	\$80,000 - <\$100,000	\$100,000
	<i>Number of couple income units</i>					
25-34	343,805	143,948	81,960	45,349	6,522	2,077
35-44	164,938	92,304	116,530	71,736	34,266	26,690
45-54	41,426	28,338	56,427	25,551	30,869	22,215
55-64	23,481	15,161	39,571	17,598	12,499	13,014
65-74	17,501	14,903	12,465	7,854	2,027	7,208
	<i>Percentage of couple income units in each age group</i>					
25-34	55.1	23.1	13.1	7.3	1.0	0.3
35-44	32.6	18.2	23.0	14.2	6.8	5.3
45-54	20.2	13.8	27.5	12.5	15.1	10.8
55-64	19.4	12.5	32.6	14.5	10.3	10.7
65-74	28.2	24.1	20.1	12.7	3.3	11.6

- ❑ Only 0.3% of couples aged between 25 and 34 have superannuation balances large enough to allow them to withdraw the maximum amount of \$100,000
- ❑ ... while more than 55% of couples in this age group would be unable to withdraw more than \$20,000
- ❑ Only 5¼% of couples aged between 35 and 54 would be able to withdraw the maximum amount ...
- ❑ ... while more than 50% of couples would be unable to withdraw more than \$20,000

Note: Data on superannuation balances is sourced from the [Survey of Income and Housing](#) for 2019-20 and updated to 2023-24 values using growth in [average weekly earnings](#). ‘Non-home-owner’ households includes both renters and adults living with their parent or parents. Source: Super Members’ Council analysis.

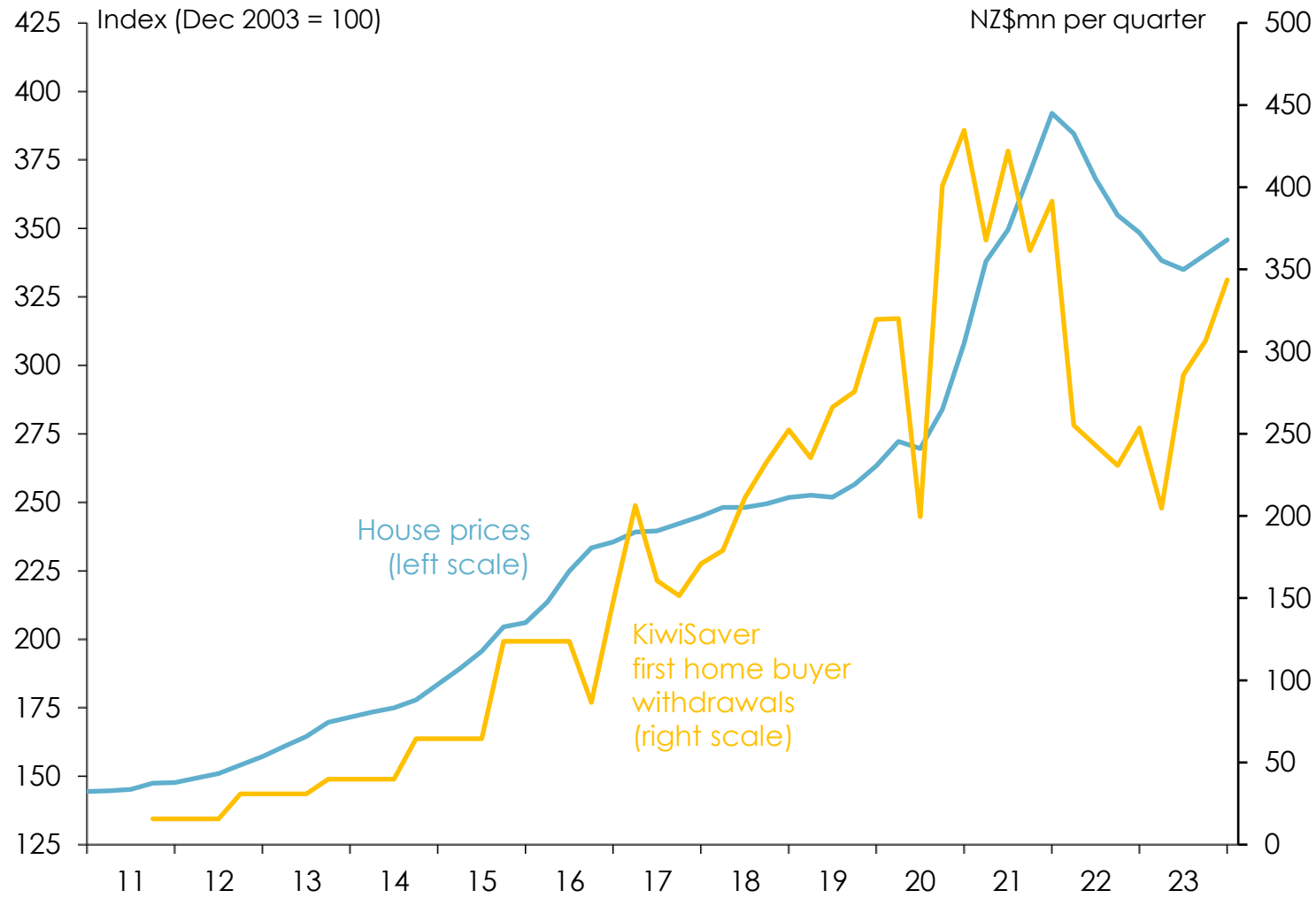


# 'Super for housing' would likely result in lower retirement incomes (after housing costs) for those who used it, and bigger budget deficits

- ❑ A hypothetical couple renting from 22 until 30, then purchasing a median-priced house two years earlier than they would have done otherwise aided by withdrawing \$55,000 from their superannuation, retiring at age 67, drawing a superannuation pension until death at 93, would have a lifetime income after housing costs \$165,000 lower (in today's dollars) than otherwise
  - the only circumstances under which this wouldn't be true would be if house prices rose consistently faster than the value of superannuation assets over the period between acquiring a home and retirement
- ❑ 'Super for housing' would also entail a budgetary cost
  - because contributions to superannuation funds, and earnings generated by superannuation funds (including capital gains) are subject to income taxation (albeit at lower rates than income in the form of wages and salaries), whereas capital gains on owner-occupied housing are completely exempt from any form of taxation
  - and because there would likely be greater demands on the age pension due to more people reaching retirement age with smaller superannuation savings
  - [Deloitte](#) modelling suggests that the annual cost to the Federal Budget arising from 'Super for housing' would escalate from around \$300 million in 2029-30 to \$1.3-1.4 billion in the 2040s and 2050s, to almost \$8 billion per annum by the 2090s

# New Zealand's experience with a similar scheme backs up these assertions

## First home buyer withdrawals from 'KiwiSaver' and New Zealand house prices



- ❑ New Zealand has had a variant of 'Super for housing' since 2010
- ❑ ... despite which the home ownership rate has dropped by 2.1 pc pts since the scheme was introduced, including a 5.7 pc pt drop among 30-34 year-olds, a 5.6 pc pt drop among 35-39 year-olds and a 5.4 pc pt drop among 40-44 year-olds
- ❑ New Zealand Treasury advised the NZ Government in 2018 that the scheme "is likely to have limited impact on affordability in general, as most of the benefit is likely to accrue to sellers in a supply-constrained market" ...
- ❑ ... and that it would even have a negative impact for any first home buyers who are not enrolled in KiwiSaver if prices rise as a result"
- ❑ KiwiSaver investment returns have been adversely affected by the need to hold more liquid assets to accommodate withdrawals

# All of which suggests ...

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## ... that 'Super for housing' is a thoroughly bad idea

- whatever individual benefits it might confer will be greatest for those least in need of assistance
- it will lead to even higher housing prices
- it won't lead to higher rates of home ownership
- it will result in lower retirement incomes for those who avail themselves of it
- and it will add to pressures on the federal Budget

## Important information

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