‘Super for housing’ is a souped-up first home owners grants scheme – and it won’t help any more than first home owners grants have

Sixty years ago, the Menzies Government introduced the Home Savings Grant scheme, having promised to do so at the 1963 election. The scheme was the brainchild of the New South Wales Young Liberals, whose State President at the time was a young John Howard, who would of course go on to become Australia’s second-longest-serving Prime Minister, after Sir Robert Menzies himself.

The original Home Savings Grants scheme offered grants of up to $500 to married or engaged couples under the age of 36 on the basis of $1 for every $3 saved in an ‘approved form’ (usually, a savings bank or building society whose major business was lending for housing) in the three years prior to buying their first home, provided that the home was valued at no more than $14,000.

Australia’s home ownership rate peaked at 72% at the 1966 Census, the first after this scheme was introduced, and has been going down ever since. As of the most recent Census conducted in 2021, the home ownership rate was down to 66%, below where it had been sixty years earlier. Among 25-34 year-olds, the home ownership rate at the 2021 Census was down to 43%, down 18 percentage points from its peak in 1981, and only one percentage point above where it had been at the Census of 1947. Among 35-44 year-olds, the home ownership rate in 2021 was 61%, down 14 percentage points from its peak, also in 1981, and back to where it had been at the Census of 1954. Even among 45-54 year-olds, the home ownership rate at the 2021 Census was 11 percentage points below its peak, in 1991, and lower than it had been at the Census of 1961.

These sharp declines in home ownership rates among the typical first home buyer age groups have occurred despite the fact that, over the past sixty years, successive Federal and State Governments have spent over $40 billion (in today’s dollars) on ever-larger grants, with ever-looser eligibility criteria, on cash grants to first home buyers. On top of that, State Governments have over the past twelve years provided more than $10 million in stamp duty exemptions and concessions to first home buyers. More recently, state and federal governments have introduced other schemes, such as shared equity schemes and deposit guarantee schemes, all ostensibly designed to make it easier for people to buy their first home.

We therefore now have sixty years of evidence which shows, unequivocally and unambiguously, that *anything* which allows people to spend more on housing than they would be able to otherwise – be it first home owner grants, stamp duty concessions, other schemes that allow people to borrow more than they would otherwise be eligible to, lower interest rates, and easier lending criteria on the part of mortgage lenders – results in more expensive housing, and not in higher rates of home ownership.

The federal Liberal and National Parties took to the last federal election in 2022, and are intending to take to the next election, a proposal to allow people to withdraw up to 40% of their superannuation savings, up to a maximum of $50,000 for singles and $100,000 for couples, to put towards the purchase of a first home.

This is, in effect, a 'souped-up' first home owners grants scheme – except that the money is to come from peoples' superannuation savings, rather than from the Government, and those who avail themselves on it will be required to return the amount they withdraw from superannuation to their super account if and when they sell the home they purchase with those funds.

In practice, the Coalition's scheme won't help many people who wouldn't otherwise be able to purchase a first home without this sort of assistance. The median single person aged 25-34 has a superannuation savings balance of just over $20,000, while the median couple in that age bracket has accumulated superannuation savings of just over $45,000. So the maximum they'd be able to withdraw under the Coalition's scheme is a bit over $8,000 for singles and $18,000 for couples. Fewer than 3% of singles, and less than 0.3% of couples, would be able to withdraw the maximum amount.

People who have been in the workforce for longer – say, people aged between 45 and 54 – have much larger superannuation savings, particularly if they are male, and so would be able to withdraw larger amounts – a median of $36,000 for singles, and almost $52,000 for couples. 37% of singles, and 11% of couples, in this age group would be able to withdraw the maximum amount.

But these are of course people who would be more likely to have attained home ownership by this stage of their lives anyway. 'Super for Housing' might enable those who haven't, to buy their first home a few years earlier, or to buy a more expensive home.

In other words, just like first home owner grants, 'Super for Housing' will result in more expensive housing, and not in a higher proportion of people owning housing.

What it will also do, unlike first home owner grants, is result in people having lower superannuation balances when they reach retirement – unless you believe that property prices will continue rising at a faster rate than the values of the assets in which superannuation funds typically invest (in particular, shares). Given how much faster property prices have risen than the prices of shares and other assets over the past three or more decades, that's probably unlikely – but if it were to happen, then home ownership rates will almost certainly fall further with or without schemes like 'Super for Housing'.

'Super for Housing' will also entail a cost to the federal budget, because it will induce a shift in savings from superannuation, where earnings (including capital gains) are taxed (albeit at lower rates than ordinary income), to owner-occupied housing (which isn't taxed at all).

In other words, 'Super for Housing' is a thoroughly bad idea – one which, like every other scheme that has as its essence allowing people to spend more on housing than they could otherwise, will result in higher housing prices (thereby enriching those who already own housing at the expense of those who don't), whilst doing nothing to increase home ownership rates, indeed probably resulting in an even faster decline in home ownership rates, especially among younger adults.

(Saul Eslake was commissioned by Super Members Council to undertake an analysis of the Coalition's 'Super for Housing' proposal. That analysis is available here).