Saul Eslake: Super for housing will exacerbate the housing affordability crisis

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Using super for a housing deposit would make homes more expensive, hinder the home ownership aspirations of young Australians, reduce retirement incomes, and lead to a significant long-term cost to the Budget, a Corinna Economic Advisory report authored by Saul Eslake has found.

In an independent report, commissioned by the Super Members Council, Mr Eslake charts how a long list of demand-side Australian housing policies over several decades have simply made homes more expensive.

He warns super for a house would be the worst of all.

“We have 60 years of history, which unambiguously tells us, anything that allows Australians to pay more for housing than they otherwise could leads to more expensive housing and not more homeowners,” he said.

“Of all the demand-fuelling housing policies, the Coalition’s super for housing policy would be the biggest – it can only lead to higher prices.”

“If super for house was introduced, it would be one of the worst public policy decisions in the last six decades.”

Mr Eslake said the decline in home ownership rates could undermine a key assumption in Australia’s retirement system - that most retirees will own their own home – and noted the need to expand housing supply.

However, the Coalition’s ‘Super Home Buyer Scheme’ under which people would be allowed to withdraw up to 40% of their superannuation savings up to a maximum of $50,000, would likely hinder home ownership aspirations for younger Australians.

The Corinna Economic Advisory report points to 17 years of evidence from a similar New Zealand scheme to back its findings. New Zealand’s KiwiSaver allows for withdrawal for home deposits, but since its introduction home ownership rates have declined by 2.1 per cent overall and by 5.7 per cent for people in their early 30s.

“Advice given by New Zealand’s Treasury said the benefit of KiwiSaver would go to sellers in a supply-constrained market, and that’s exactly what has occurred. There are fewer homeowners since the scheme’s introduction,” Mr Eslake said.

“In New Zealand, house price spikes coincide with periods in which the volumes of withdrawals from KiwiSaver accounts have rapidly risen.”

The need to carry additional cash has also harmed returns for KiwiSaver members, meaning it has returned less than the Australian MySuper members for the last 10 years. This difference in investment returns could mean $130,000 less at retirement.

Analysis of super balances also shows the scheme would heavily favour older and wealthier non-homeowners.

- The median non-home-owning couple both aged between 35 and 44 would be able to add almost $38,500 to their deposit, which with borrowing could allow them to spend $192,500 more
- The median couple aged between 45 and 65, if they had not previously bought a home, could spend $400,000 more
- Compared to the median couple aged between 25-34, this archetypical home buying age could only withdraw $18,000 – leading to a $90,000 higher purchase price.

In fact, 78% of single Australians aged between 25-34 could not withdraw more than $20,000 under the scheme.

“It would do little for the people who are most in need of assistance in order to become homeowners and would do most for those who need it least,” Mr Eslake said.

“And depending on the number of homeowners who accessed the scheme, the impact on prices could be far greater than first homeowner grants.”

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The scheme would also lead to those who used the scheme retiring with less super and having to be more reliant on the taxpayer-funded age pension.

Mr Eslake added one solution will not solve Australia's housing crisis – instead we must focus on boosting the supply of housing – and, in particular, 'affordable' housing.

"Super for housing would just make the affordability crisis worse."
