‘Super for housing’ – will it help solve or exacerbate the housing affordability crisis?

by

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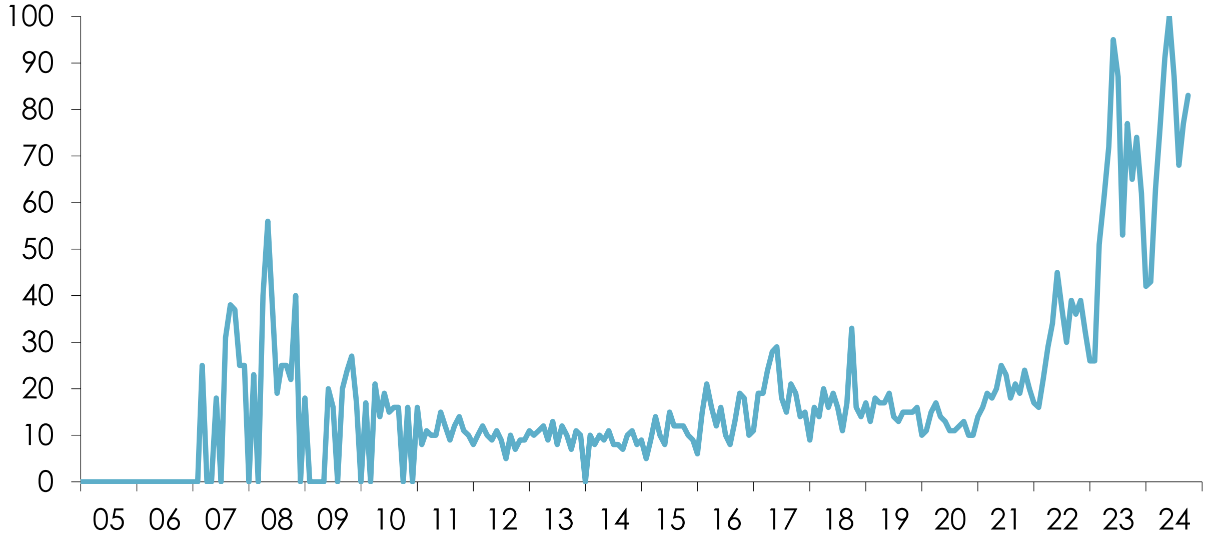
Executive Summary

- Australia is in the midst of a growing housing crisis, affecting both those who aspire to own their own homes, and those who are likely to remain renters throughout their lives.
- Australia's housing crisis has multiple causes, on both the 'demand' and 'supply' sides of housing markets. As such it is most unlikely – indeed it is not possible – that there can be any single 'solution' to the multiple problems which constitute Australia's present housing crisis. Rather, Australia's housing problems require changes to policies affecting both the 'demand' and 'supply' sides of housing markets.
- If not corrected, the ongoing decline in home ownership rates will undermine one of the key (though often unstated) assumptions underpinning Australia's retirement income system, namely, that the vast majority of retirees will have very low housing costs (because they either own their homes outright, or are renting in public or social housing).
- There is now almost six decades of evidence pointing unambiguously to the conclusion that, in circumstances where the demand for housing exceeds the supply of it, policies which enable Australians to pay more for housing than they would otherwise be able to do result in more expensive housing (to the benefit of those who already own housing) rather than in a higher proportion of the population owning housing.
- In the light of that evidence, it is incontrovertible that allowing prospective home-buyers to access some proportion of their accumulated superannuation savings (even with a prescribed upper limit), as proposed by the Liberal and National Parties during the 2022 election, and subsequently, will result in residential property prices rising at a faster rate than they would otherwise, especially if (as seems likely) growth in the supply of housing falls short of the growth in the underlying demand for housing.
- In practice, the scheme proposed by the Liberal and National Parties would be of little benefit to people in the 'traditional' first-home buyer age cohort of 25-34 years, because their accumulated superannuation savings are typically too small for withdrawing even the stipulated maximum of 40% to make a material difference to their prospects for attaining home ownership: rather, the greatest benefits under such a scheme would accrue to people aged 45 and over.
- Most people who would be likely to take up such a scheme would end up having lower disposable income after housing costs and much lower incomes in retirement.
- Such a scheme would also entail a significant additional cost to the Federal Budget.

Australia's 'housing crisis'

There's a growing sense that Australia is in the midst of a 'housing crisis'. One indication of that is the increase in online searches for that phrase, as shown in Chart 1.

Chart 1: Online searches for 'housing crisis'



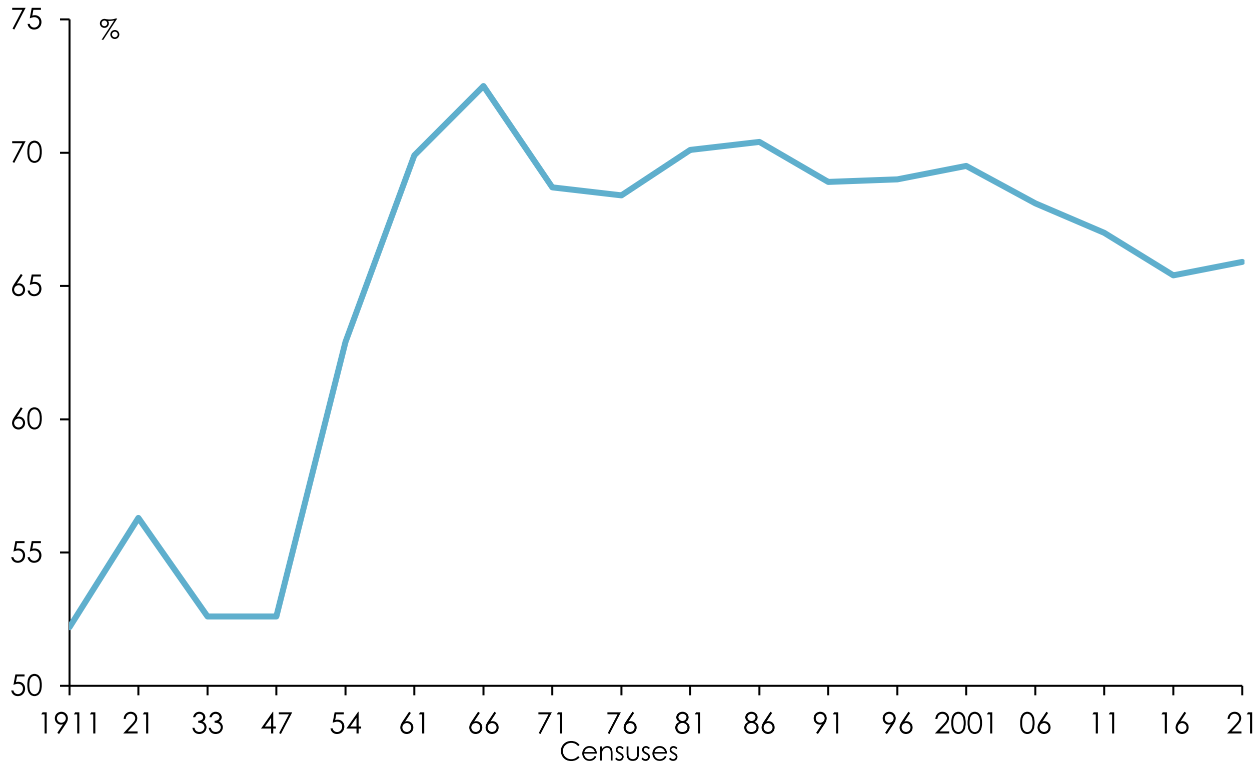
Note: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term. *Source:* Google Trends (accessed 14th September 2024).

The Australian 'housing crisis' has a number of dimensions. In particular, housing costs have been a major contributor to the rise in inflation since the end of the Covid-19 pandemic, with rents rising by 16.4% and new dwelling purchase costs by 36.2% over the two years to the June quarter of 2024, as against a 10.7% increase in wages (ABS 2024a, ABS 2024b). Almost 122,500 people were estimated to be experiencing homelessness at the time of the last Census, in August 2021 a 50% increase from the number at the time of the 2001 Census (ABS 2023). The proportion of low-income rental households (those in the bottom 40% of the income distribution) spending more than 30% of their income on housing rose from 21.6% in 2009-10 to 46.7% in 2019-20, while the proportion of low-income owner-occupier households with a mortgage spending more than 40% of their income on housing rose from 21.6% to 37.4% over the same period (ABS 2022b), and both proportions will almost certainly have risen further since then.

Just as it has multiple dimensions, the Australian 'housing crisis' has multiple causes. One of those causes is the long-term decline in rates of home ownership, not least because it has contributed to the ongoing increase in the demand for rental accommodation. People who, in previous generations, would have owned their own homes, are instead renting – either for longer periods before becoming home-owners, or without ever becoming home-owners – and increasingly competing with people who, both in previous generations and at present, would never have been able to attain home ownership, for the limited supply of rental accommodation.

Australia's home ownership rate, as recorded in successive Censuses, peaked at 72.5% in 1966, and thereafter declined to 65.4% in 2016 before ticking up slightly to 65.9% in 2021 (Chart 2).

Chart 2: Australia's home ownership rate at Censuses



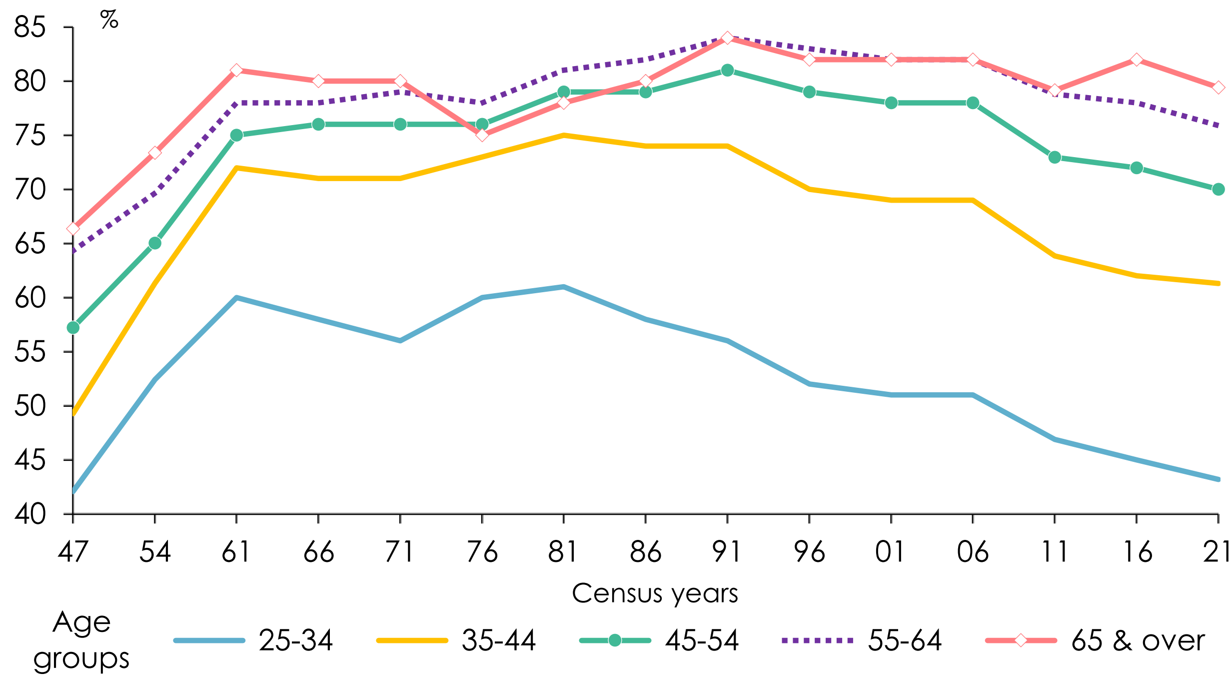
Sources: ABS (1996, 2009 and 2022c); Advisory Council on Inter-Government Relations (1981).

The apparently relatively small decline in Australia's overall home ownership rate over the past six decades conceals much larger declines in home ownership rates among every age group except those aged 65 and over.

This is illustrated in Chart 3, which shows that the home ownership rate among people aged 25-34 has declined by 17 percentage points from its peak in 1961, to be only 1 percentage point above where it was at the Census of 1947. The home ownership rate among people aged 35-44 has fallen by 14 percentage points from its peak in 1981, to be back to where it was at the Census of 1954. The home ownership rate among people aged 45-54 has fallen by 11 percentage points from its peak in 1991, to below where it had been at the Census of 1961. And the home ownership rate among people aged 55-64 has fallen by 8 percentage points from its peak, also in 1991, to below where it had been sixty years earlier.

The only age group among whom the home ownership rate has fallen by less than the overall rate is those aged 65 and over, for whom it has dropped by only 5 percentage points. But this group's share of the total Australian population increased by 8.5 percentage points between the 1966 and 2021 Censuses.

Chart 3: Australia's home ownership rate at Censuses, by age group



Sources: Yates (2015); Daley and Coates (2018); Clun (2022).

There is no single cause of the decline in home ownership rates, especially among younger age cohorts, over the past six decades.

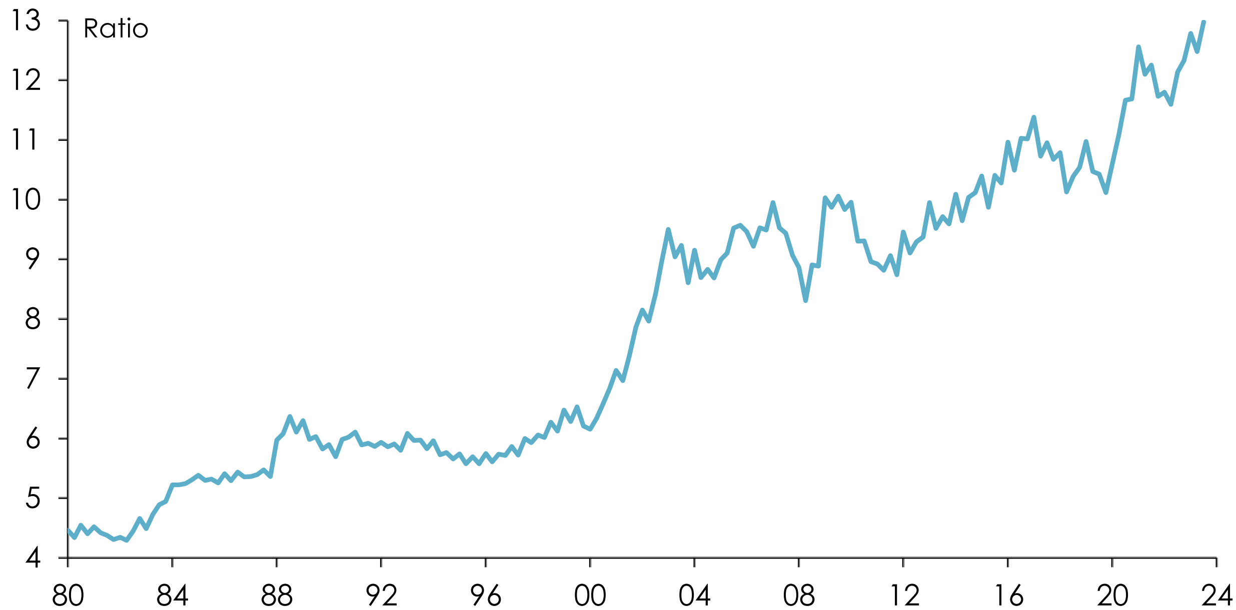
One sometimes over-looked factor is the profound changes that have taken place in the life trajectories of young adults since the years immediately after the end of World War II, and especially since the early 1970s. Between 1940 and 1974 the median age at first marriage (often a stage in life associated with the purchase of a first home) declined from 26.5 to 23.3 years for men, and from 23.3 to 20.9 years for women; but since 1974 it has risen to 32.5 for men and 30.9 for women (Qu and Baxter 2023). There has likewise been a significant increase in the age at which women have their first child (also traditionally a key 'trigger' for the decision to purchase a home). These trends are by no means unique to Australia, but have occurred in almost all 'advanced' economies (OECD 2024).

Young people stay in the education system for much longer than was customary in the 1950s and 1960s, and if they undertake tertiary education, emerge from it with significant HELP (formerly HECS) debt (averaging $26,495 in 2022-23, up from $10.459 in 2005-06), which was not a consideration for people who entered tertiary education before 1989 (the number of outstanding HELP/HECS debtors as a proportion of the population aged 22-45 has risen from 17.5% to 34% between 2005-06 and 2022-23) (ATO 2023).

However, it is clearly the case that the decline in home ownership rates over the last thirty years in particular also owes much to declining housing affordability (Eslake 2013 and 2017b; Reserve Bank of Australia 2021: 4-9; Kohler 2023).

'Housing affordability' is an inexact concept, open to measurement in a variety of ways, and with different implications depending on how it is measured. One indication is given in Chart 4, which shows quarterly median dwelling prices as a multiple of annual average household disposable income per person of working age (ie, 15 and over).

Chart 4: Median Australian dwelling prices as a multiple of annual household disposable income per person of working age



Sources: CoreLogic (2024), ABS (2024c and 2024d); Corinna Economic Advisory calculations.

Over the period depicted in Chart 4, median dwelling prices rose by 2,208% (equivalent to an average annual rate of 7.4%); while household disposable income per person aged 15 and over rose by 689% (equivalent to an average annual rate of 4.8%). For reference, the consumer price index rose by 430% over the same period (equivalent to an average annual rate of 3.9%; while the national accounts measure of average employee earnings rose by 610% (equivalent to an average annual rate of 4.6%).

The ratio of dwelling prices to this measure of household income rose from 4.5 times to 13 times over the 44-year period shown in Chart 4. Of this increase, just over three-quarters occurred in two distinct periods, between the December quarters of 1998 and 2007 (when it rose from 6.1 to 10.0), and between the December quarters of 2011 and 2017 (when it rose from 8.9 to 11.4). A further significant increase occurred between the September quarter of 2020 and the December quarter of 2021, when the ratio rose from 10.1 (having fallen over the preceding three years) to 12.6.

The significant increase in the ratio of dwelling prices to household disposable incomes over this period had two important (and highly detrimental) consequences for aspiring home-buyers.

First, it has meant that would-be first-time buyers need to accumulate much larger deposits in order to qualify for a mortgage given the usual requirement for a deposit of 20% of the purchase price (without being required to take out lenders' mortgage insurance). One calculation suggests that an average-income household would need to save 20% of its income for 5.7 years in order to accumulate a 20% deposit on a median-priced home in 2023, compared with 4.7 years in 2013 and 3.9 years in 2003 (Jopson 2023).

Second, it has required first-time buyers to take out and service much bigger mortgages, relative to their incomes, than has been required of previous generations of first-time buyers. The average mortgage taken out by a first-home buyer rose from $74,580 in the December quarter of 1991 to $656,000 in the December quarter of 2023 (ABS 2024e), an increase of 780% (equivalent to an annual rate of 7.0%). As a multiple of average annual household disposable income per person aged 15 or over, the average first-home buyer mortgage has risen from 3.6 times to 9.5 times over this period.

Repayments on the average first-home buyer mortgage in the December quarter of 1991 at the then standard variable mortgage rate of 13.13% would have been $858 per month or $10,382 per annum, equivalent to 49.5% of average annual household disposable income per person aged 15 or over; by the December quarter of 2023, repayments on the average first-home buyer mortgage at the discounted variable mortgage rate of 7.31% were $4,779 per month of $58,023 per annum, equivalent to 83.9% of average annual household disposable income per person aged 15 or over (RBA 2024; moneysmart.gov.au; see also Australian Treasury 2024: 135--137).

The putative benefits to first-home buyers of the decline in interest rates since the early 1990s have been more than offset by the increase in property prices over the same interval. Or, to put it differently, the benefits of lower interest rates have accrued entirely to those who already owned residential property before interest rates began their trend decline, or who have subsequently bought and then sold residential properties.

The decline in home ownership rates will have at least two significant longer-term consequences.

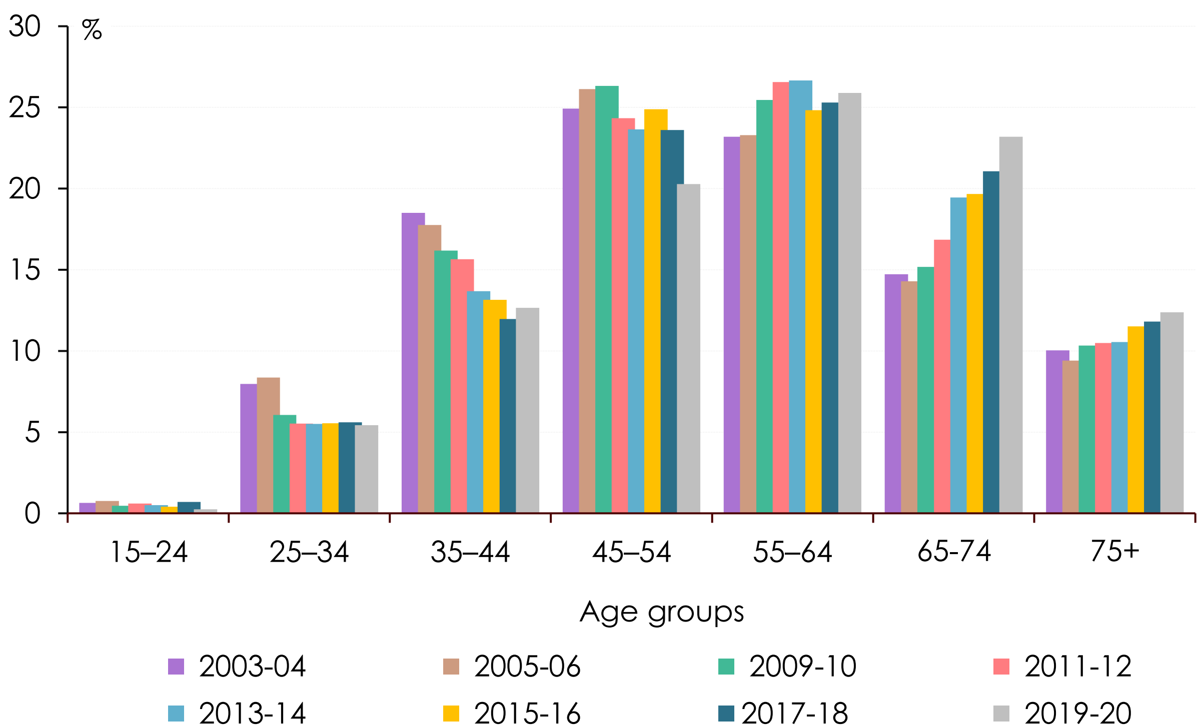
First, Australia's retirement income system has long implicitly assumed that the vast majority of retirees will have very low housing costs, because they will either own their homes outright (and hence their housing costs will consist solely of repairs and maintenance plus council rates), or will be accommodated in social housing where their rents will be fixed at a (low) percentage of their age pension, or in private rental housing supplemented by Commonwealth Rent Assistance.

That assumption has been valid for most of the post-war era, and has allowed pensions (and hence taxes) to be lower than would otherwise have been the case (all else being equal).

But it will not be valid over the medium-to-longer term. It is now virtually inevitable that an increasing proportion of Australia's population will over the next three decades enter their retirement years without having fully paid off the mortgage on their homes – in which case they will quite rationally use some or all of their superannuation savings to pay it off (and thus rely on the age pension for their retirement income) – or will have never attained home ownership at all – resulting in a higher proportion of the retiree population being entitled to the age pension and to Commonwealth Rent Assistance (Eslake 2017a: 15-17).

Second, the on-going decline in home ownership among Australians aged between 25 and 55 is leading to increasing inequality in the distribution of wealth across generations. While it is inevitable that older generations will be wealthier than younger ones, given that they have been in the workforce for longer and have had more time to accumulate assets and pay down debt, the *share* of total household net worth owned by households 'headed' by people aged between 25 and 54 declined by 13.1 percentage points between 2003-04 and 2019-20, while the share owned by households 'headed' by people aged over 55 has risen by 13.5 percentage points over the same period (Chart 5).

Chart 5: Shares of Australian household net worth, by age groups, 2003-04 to 2019-20



Source: ABS (2022a and previous issues); Corinna Economic Advisory.

Increasing inequality in the distribution of wealth across generations is less likely to be ameliorated by Australia's (relatively progressive, by OECD standards) tax-transfer system than increasing inequality in the distribution of income, given that wealth (and in particular, wealth held in the form of owner-occupied housing) is only lightly touched by Australia's tax system.

It seems probable that inequality in the distribution of wealth will be exacerbated by the increasing importance of inter-generational transfers as a factor in facilitating first home purchases. By one count, almost 60% of first-home buyers in the September quarter of 2021 received assistance from their parents, up from less than 10% a decade earlier (Digital Finance Analytics 2021), with around $34 billion in loans making the 'Bank of Mum and Dad' the ninth biggest mortgage lender in Australia (Hughes 2021) – although it appears to have retreated somewhat since then (Digital Finance Analytics 2023). The ongoing increase in the proportion of people who never attain home ownership means that the proportion of prospective first-time buyers who are able to access 'the Bank of Mum and Dad' will decline over time, thereby potentially accelerating the decline in home ownership rates and increasing the concentration of wealth among those who are still able to obtain this kind of assistance (Whelan et al 2023a: 44-75).

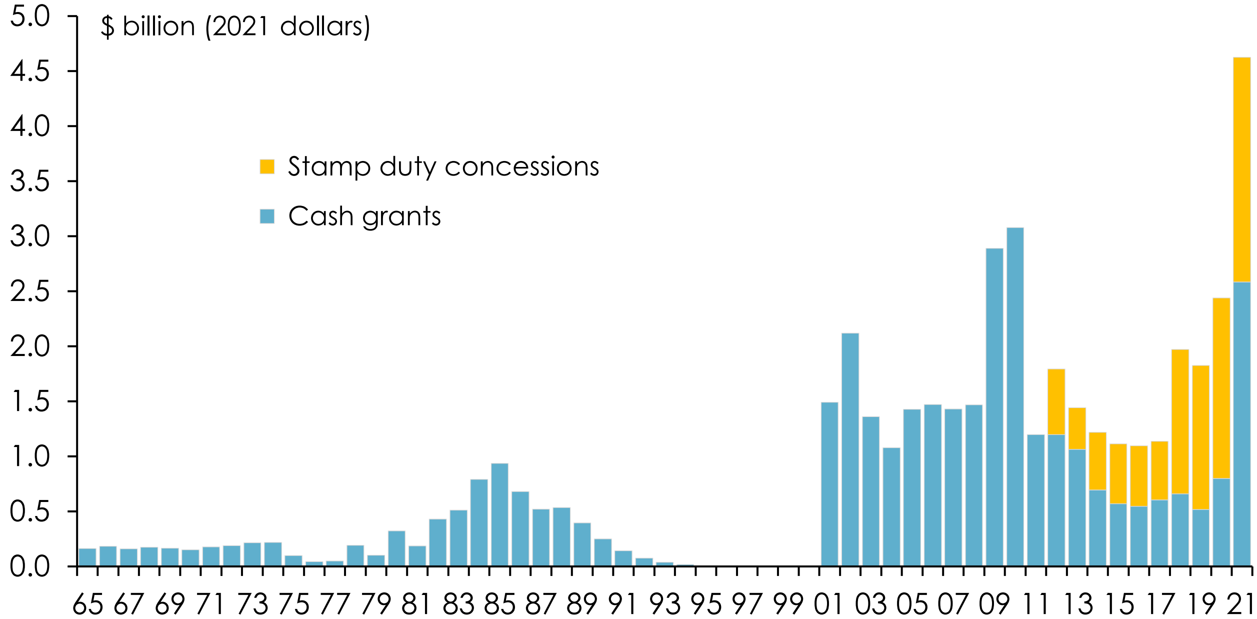
Government policy responses to the decline in home ownership rates

The substantial declines in home ownership rates among both young adults and 'middle-aged' Australians documented in the previous section has occurred notwithstanding a plethora of government programs ostensibly intended to achieve the opposite result. By one estimate, the Commonwealth, State and Territory governments spent more than $38 billion (in 2021 dollars) on cash grants to first home buyers between 1965 and 2021, and a further $9.4 billion on stamp duty concessions for first home buyers between 2012 and 2021 (Chart 6).

In fact it is probably *not* a co-incidence that the decline in home ownership rates began shortly after the commencement of the first of these schemes, the Home Savings Grant scheme introduced by the Menzies Government in 1964 in fulfilment of a promise made at the 1963 elections. This marked the beginning of a substantial and sustained (and for the most part bi-partisan) shift in government housing policies away from "the mix of supply-side and demand-side measures that characterized policy in the early post-war period" to policies that "have focussed almost exclusively on demand-side measures designed to boost the capacity of [first home buyers] to pay for housing" (Whelan et al 2023b: 4).

And this has been despite the fact that "there is a broad consensus among economists and policy makers that such measures are poorly targeted and have proved largely ineffective in arresting the systemic decline in home ownership exhibited by younger Australians" (Whelan et al 2024: 10; Pawson, Martin et al 2022: 42-44).

Chart 6: Government spending on grants to and stamp duty concessions for first home buyers, 1965-2021



Sources: Pawson, Martin et al (2022).

Australian experience over the past six decades overwhelmingly suggests that *anything* which allows Australians to spend more on housing than they would be able to otherwise – be it policy interventions by governments (such as first home owner grants, stamp duty concessions, loan guarantee schemes and the like) or other factors (such as lower interest rates and easier loan eligibility criteria on the part of mortgage lenders) – results in more expensive housing, rather than in a higher percentage of Australians owning housing.

This is especially the case in a 'supply-constrained' market – that is, one in which the demand for housing (from both owner-occupiers and investors) exceeds the supply of it – as Australia's housing market has been for most of the past three decades.

For at least the first three decades after the end of World War II, government policy (at all three levels of government, and under governments of both political complexions) was primarily focussed on increasing the supply of housing, either by constructing new housing directly (for rent to low-income 'working families' or pensioners, or for sale to families who didn't qualify for loans from private sector mortgage lenders) or by facilitating the construction of new housing by the private sector (for example by making land available for residential development, constructing transport infrastructure and other suburban amenities in new housing estates, etc.).

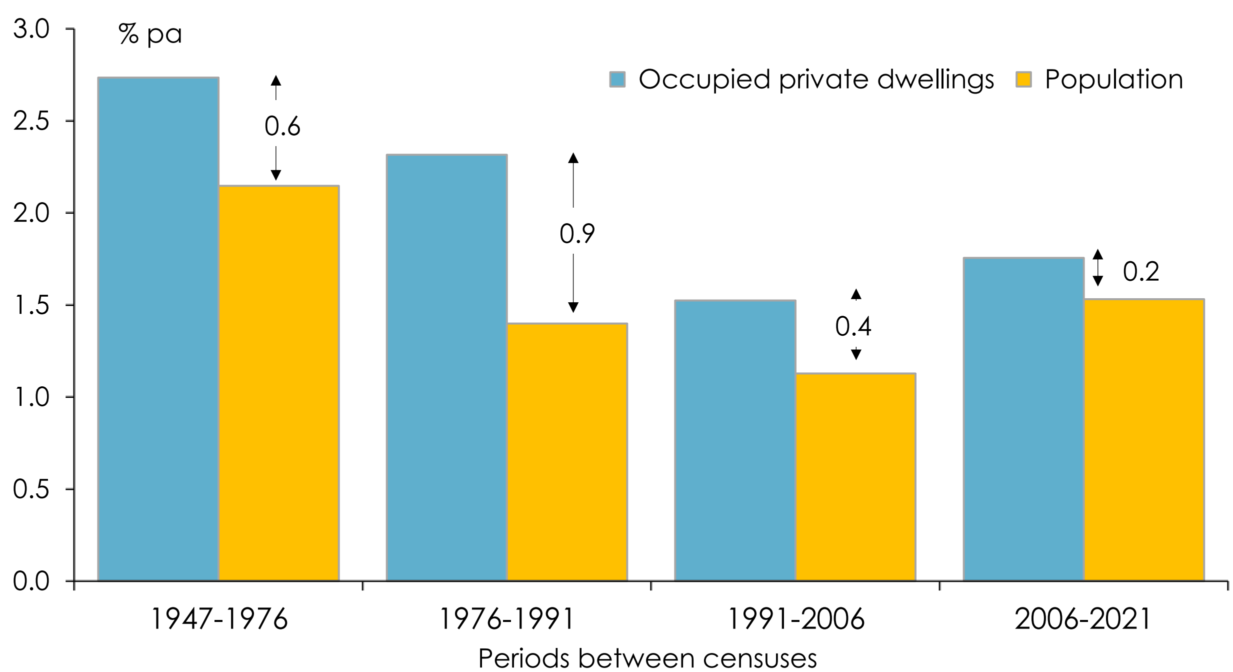
Up until the introduction of the Menzies Government's Home Savings Grant Scheme in 1964, the only government policy which had the effect of boosting the demand for housing was the immigration program (which of course was not a 'housing policy', but which inevitably and unavoidably boosted the demand for housing).

But from the mid-1980s onwards, Federal and state government policies increasingly moved away from increasing supply towards boosting demand (by making increasingly generous cash grants, with diminishingly onerous eligibility criteria, to first-home buyers, and reducing the amount of tax paid by first-home buyers and residential property investors in the form of stamp duties and capital gains tax, respectively); while state and local government policies increasingly had the effect, intentionally or otherwise, of restricting increases in housing supply and/or adding to the cost of building new housing.

Thus the number of dwelling completions by the public sector fell from an average of just over 14,000 per annum between 1955-56 and 1990-91, to just over 7,300 per annum during the 1990s, to just over 3,800 per annum during the 2000s, and after a brief upturn in the aftermath of the global financial crisis, to less than 3,000 per annum between 2012-13 and 2022-23. Conversely, spending on cash grants to first home-buyers doubled as a percentage of GDP from an average of 0.04% between 1964-65 and 1990-2000, to an average of 0.08% of GDP between 2000-01 and 2020-21.

As shown in Chart 7, the growth rate of the stock of occupied dwellings (as recorded at Censuses) exceeded that of the population by a significantly greater margin between 1947 and 1991 than it has done over the past three decades. This is especially significant given that as a result of various social changes (including smaller average family sizes, increased rates of family break-up, and population ageing), the average number of people per dwelling has fallen from over 4 in the late 1940s to less than 3 in the 2000s, implying that population growth understates the growth in 'housing demand' to a greater extent in the 21st century than it did in the third quarter of the 20th century.

Chart 7: Growth in Australia's population and stock of occupied dwellings, 1947-2021



Sources: ABS (2022c and previous issues).

It seems clear from the foregoing that effective solutions to Australia's 'housing crisis', and in particular to the decline in home ownership rates which, as noted earlier, has been a factor exacerbating the imbalance between the demand for and supply of rental housing and thus a significant contributor to the escalation in rents, must avoid further inflating the demand for housing and instead focus on boosting the supply of housing – and, in particular, 'affordable' housing.

Would allowing access to superannuation savings to purchase housing help?

Ahead of the 2022 Federal election, the Liberal and National Parties (the Coalition) proposed a '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, to be devoted towards the purchase of their first home. Users of the scheme would be required to return the amount withdrawn, plus a *pro rata* share of any capital gain, when the home is sold. According to the Coalition, "this scheme will help young Australians with the cost of living and reduce mortgage stress, by boosting the deposit used to purchase the house and lowering repayments – saving thousands of dollars a year" (Liberal Party of Australia 2022: 2).

Since the 2022 election, the Coalition in Opposition has re-iterated its on-going support for this scheme, with shadow ministers variously suggesting that the $50,000 limit could be increased (Sukkar 2024), or that existing home-owners be allowed to transfer superannuation savings into mortgage offset accounts (Kehoe 2023).

An alternative suggestion, recommended by a Coalition-dominated Parliamentary Committee in 2022, is that first home buyers be allowed to use their superannuation savings as collateral for a housing loan, as an alternative to a deposit - although it added that this should be conditional on "implementing policies to increase the supply of housing" (Standing Committee on Tax and Revenue 2022: 85).

Proponents of the use of superannuation in any of these ways argue that home ownership status has a bigger impact on a person's security in retirement than his or her superannuation balance – that is, a person or couple who have attained home ownership and paid off their mortgage before reaching retirement will be in a better financial position than if they had never attained home ownership, or reached retirement age with a large mortgage still outstanding on their home (Bragg 2024).

Some proponents also argue that housing represents a better investment than superannuation because, by at least some calculations, the returns from residential property have historically been almost the same as those from shares (and higher than those from bonds) with less volatility, because investment in housing can be more highly geared than investment in other assets, because owner-occupied housing enjoys more favourable taxation treatment than superannuation, and because owner-occupied housing is exempt from the pension assets test, unlike superannuation savings or other assets (Hand 2023; Rice and Ng 2024: 12-14).

There are however four significant problems with policy suggestions of this nature.

First, to the extent that any scheme such as those suggested above were to be widely availed of by prospective first home buyers, in a supply-constrained market such as Australia's has been for many years, now is, and seems more likely than not to continue to be for the foreseeable future, it would inevitably result in higher housing prices rather than in higher rates of home ownership, with the value of the additional spending enabled by prospective buyers being able to access their superannuation savings ending up in the hands of existing home owners and/or builders and property developers.

This conclusion is unequivocally and unambiguously supported by the evidence of the impact of policy measures which have enabled those able to take advantage of them to pay more for the housing they purchase than they would have been able to otherwise, as set out in the first part of this report. Measures which put additional purchasing power in the hands of would-be home buyers, be they cash grants, stamp duty concessions, deposit or mortgage guarantees, lower interest rates and easier lending criteria, have all resulted in higher residential property prices and done nothing to reverse the decline in home ownership rates, especially among people in the age cohorts at which these measures have ostensibly been targeted.

This was the conclusion of the Australian Treasury when it considered a similar proposal in the context of the 1998-99 Budget. It noted that "a superannuation for housing scheme could not be targeted efficiently to those individuals who would not otherwise achieve home ownership before retirement" and that "it would also reduce retirement incomes and national savings" (Australian Government 1998: 2-15). It would be surprising if Treasury's view had changed since then.

Fromer RBA Assistant Governor (Economic) Luci Ellis, now chief economist at Westpac, has noted that "if [superannuation balances] were to be redirected to spending more on housing, the result would be that people would spend more on housing" (House of Representatives Standing Committee on Tax and Revenue 2021: 14).

Former Finance Minister Mathias Cormann, now Secretary-General of the Organization for Economic Co-operation and Development (OECD), has a similar view, stating in 2014 that "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" (Crowe, 2014).

Even the House of Representatives Standing Committee on Tax and Revenue which recommended that people be allowed to access superannuation savings in order to enhance their capacity to purchase housing acknowledged that "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 Representatives Standing Committee on Tax and Revenue 2022: 85).

Allowing people to withdraw up to 40% of their superannuation balances for the purchase of housing would enable some people to spend considerably more on housing than otherwise.

The Grattan Institute concludes that "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" (Coates and Moloney 2024), albeit by less than the $75,000 suggested by Super Members Council modelling (SMC 2014b).

Table 1 shows the median superannuation balances for different categories of non-home-owning 'income units' in different age groups, in the 2023-24 financial year.

Table 1: Median superannuation available for release

	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*
Age	*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

Note: Data on superannuation balances is sourced from the ABS *Survey of Income and Housing* for 2019-20 and uprated 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.

Thus for example the median non-home-owning couple both aged between 35 and 44 would be able to add almost $38,500 to their deposit, which depending on their income would allow them to borrow up to an additional $192,500 (assuming a 20% minimum deposit requirement), implying a total increment to the amount they could afford to pay of just over $231,000. For the median couple aged between 45 and 65, if they had not previously bought a home, the increment to their spending capacity could be (again depending on their income) over $400,000.

Depending on the number of prospective first-time buyers who availed themselves of this opportunity, the impact on housing prices could be substantially greater than that of first home owner grants.

Second, a scheme of this nature would (by contrast with the examples given above) be of very little value to younger aspiring home-buyers.

That's because, as Table 1 above also shows, the median superannuation balances of singles and couples aged between 25 and 34 – the archetypal first home buyer cohort – are only $20,300 and $45,200 respectively, which means that the median amounts which they could divert to the purchase of a home would be just over $8,100 and $18,000 respectively. Again, depending on their incomes (which are highly likely to be lower than those of people in older age groups), this would increase their purchasing capacity by up to $40,500 and $90,000, respectively.

Table 2 shows the number and percentage of single non-home-owner households who would be able to withdraw amounts within $10,000 ranges up to the maximum of $50,000 under the scheme proposed by the Coalition at the 2022 election.

Table 2: Number of single people eligible to withdraw sums within specified ranges under the Coalition's 'Super for Housing' proposal

	Maximum superannuation release ($)					
Age range	$1 - <$10,000	$10,000 - <$20,000	$20,000 - <$30,000	$30,000 - <$40,000	$40,000 - <$50,000	$50,000
	Number of single income units					
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
	Percentage of single income units in each age group					
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

Note: Data on superannuation balances is sourced from the ABS *Survey of Income and Housing* for 2019-20 and uprated 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.

Table 2 shows that fewer than 3% of single non-home-owners aged between 25 and 34 have superannuation balances large enough to withdraw the maximum amount of $100,000 (combined) allowable under the 'Super for Housing' proposal; while more than 78% of single people in this age range would be unable to withdraw more than $20,000.

Similarly, only 5¼% of single non-home-owners aged between 35 and 44 would have superannuation balances large enough to withdraw the maximum amount of $100,000 (combined); while more than 50% of single people in this age range would be unable to withdraw more than $20,000.

The scheme would be much more advantageous to people aged 45 and over.

Table 3 shows the number and percentage of couple non-home-owner households who would be able to withdraw amounts within $20,000 ranges up to the maximum of $100,000 ($50,000 for each member of a couple) under the proposed 'Super for Housing' Scheme.

Table 3: Number of couples eligible to withdraw sums within specified ranges under the Coalition's 'Super for Housing' proposal

	Maximum superannuation release ($)					
Age range	$1 - <$20,000	$20,000 - <$40,000	$40,000 - <$60,000	$60,000 - <$80,000	$80,000 - <$100,000	$100,000
	Number of couple income units					
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
	Percentage of couple income units in each age group					
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

Note: Data on superannuation balances is sourced from the ABS *Survey of Income and Housing* for 2019-20 and uprated 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.

Table 3 shows that fewer than 0.3% of couple non-home-owners aged between 25 and 34 have superannuation balances large enough to withdraw the maximum amount of $50,000 allowable under the 'Super for Housing' proposal; while more than 55% of couples in this age range would be unable to withdraw more than $20,000.

Similarly, only 5¼% of couple non-home-owners aged between 35 and 44 would have superannuation balances large enough to withdraw the maximum amount of $50,000; while more than 50% of couples in this age range would be unable to withdraw more than $20,000.

In simple terms, 'Super for Housing' would do little for the people who are most in need of assistance in order to become home-owners, and would do most for those who need it least.

Third, allowing people to withdraw savings from their superannuation accounts in order to purchase housing during the early part of their working lives would inevitably mean that they had smaller superannuation balances upon reaching retirement than would be the case had they not done so – such that in most circumstances, under plausible assumptions, the loss of income in retirement more than offsets whatever savings in lifetime housing costs accrue from earlier entry into home ownership.

Super Members Council (2024c) has modelled the impact of the proposal to allow people to withdraw up to 40% of their accumulated savings (up to a maximum of $50,000 per person) towards the purchase of their first home on the lifetime disposable income after housing costs of a hypothetical couple from age 22 until assumed death at age 93 (Super Members Council 2024). Each member of the couple is assumed to earn their respective median wage for their age and gender whilst working, with the female partner assumed to work part-time between the ages of 29 and 43 in order to care for children, while the male partner is assumed to earn some business income between the ages of 45 and 66. The male partner is assumed to have a starting superannuation balance of $4,000 and the female partner $2,500.

The couple are assumed to rent from age 22 until age 30, when they purchase a median-priced house, two years earlier than they would have done otherwise, assisted by withdrawing a combined $55,000 from their superannuation accounts. Both partners are assumed to retire at age 67, at which point their superannuation assets, having earned an assumed 7.5% pa (after tax but before fees of 58 basis points) during the accumulation phase, are converted to an account-based pension earning 6.5% per annum (before fees) and, together with non-superannuation assets held in the form of term deposits, drawn down at a rate of 10% pa until death at age 93.

The SMC modelling finds that this couple's disposable income after housing costs over the course of their lifetime is over $165,000 lower (in today's dollars) than it would have been otherwise – despite attaining home ownership two years sooner than they would otherwise have done. While the couple's housing equity is $161,900 higher at retirement than it would have been otherwise (because they have benefited from a longer period of rising house prices), this additional wealth is untapped unless they sell their home: but their superannuation assets are $149,000 lower (in today's dollars) than they would otherwise have been, which under the assumptions above results in their disposable income after housing costs being $107,600 lower during retirement (even after drawing more on the government-funded age pension). Additionally, their lifetime housing costs are $142,200 higher than they would have been otherwise, because of the higher rents paid during the eight years prior to attaining home ownership, and higher stamp duty, mortgage interest and council rates during the period of home ownership (flowing from the scheme's estimated impact on the general level of residential property prices).

Even if the impact of the proposed scheme on the general level of residential property prices were half what SMC has estimated – ie 4.5% rather than 9% - so that the impact on lifetime housing costs is $29,300 (in today's dollars) rather than $142,200, the hypothetical couple's lifetime disposable income after housing costs would still be $52,600 less than otherwise.

Alternatively, if it were to be assumed that the hypothetical couple were able to bring forward their entry into home ownership by four years (rather than two), lifetime disposable income would be $87,600 lower than otherwise assuming a 9% increase in the general level of property prices.

Finally, the proposal to allow people to withdraw accumulated savings from their superannuation accounts in order to finance the purchase of housing is likely to entail a significant cost to the Federal Budget. That's 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 of greater demands on the age pension due to more people reaching retirement age with smaller superannuation savings.

Modelling undertaken by Deloitte for Super Members Council (2024a) suggests that the annual cost to the Federal Budget arising from the scheme proposed by the Coalition 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.

These shortfalls would need to be made up by tax increases elsewhere, spending cuts or additional borrowings.

New Zealand's experience

New Zealand has had 17 years' experience with a scheme conceptually similar to that proposed by the Coalition for Australia. New Zealand's KiwiSaver scheme allows (though unlike Australia doesn't compel) employees to contribute between 3% and 10% of their pre-tax earnings to 'approved saving schemes' (of their own choosing, their employer's default scheme or a government-selected scheme), in which case employers are required to contribute at least 3% of each participating employee's pre-tax earnings to the employee's KiwiSaver account. In addition the New Zealand Government makes an annual contribution of up to a maximum of NZ$521.43 to each member's account.

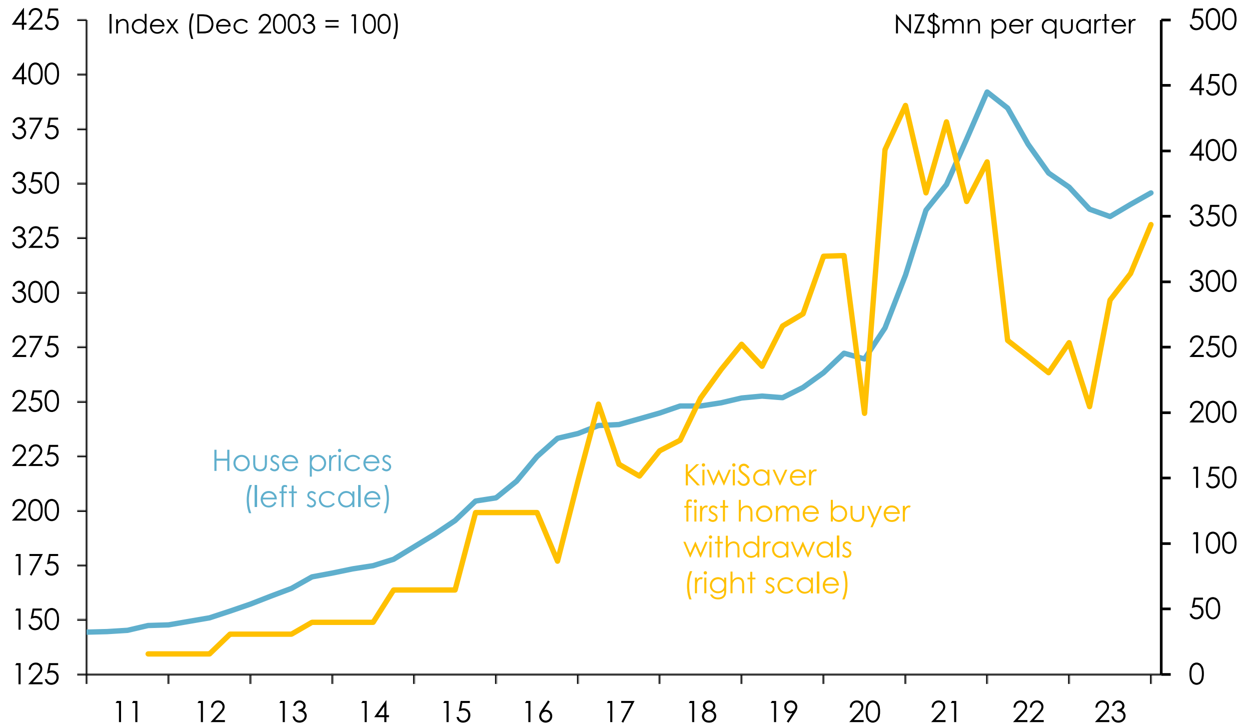
New Zealanders who have been KiwiSaver members for at least three years are permitted to withdraw their accumulated savings to purchase a first home, subject to maintaining a minimum balance of NZ$1,000.

Since the beginning of the 2011-12 financial year, over 379,000 New Zealanders have withdrawn a total of just over NZ$11bn from their KiwiSaver accounts to fund the purchase of first homes.

The number of withdrawals for this purpose peaked at 54,524 in the 2020-21 financial year, with the average withdrawal also peaking in that year at just under NZ$23,500, before falling back to 37,330 withdrawals averaging NZ$18,515 in 2023-24 (New Zealand Inland Revenue 2024).

Acknowledging that there are many factors which influence the trajectory of house prices, there appears to be a reasonably close correlation between KiwiSaver withdrawals by first home buyers and house prices in New Zealand, as shown in Chart 8, which suggests that periods of faster growth in house prices have co-incided with periods in which the volume of withdrawals from KiwiSaver accounts have risen rapidly.

Chart 8: First home buyer withdrawals from KiwiSaver and New Zealand house prices



Sources: Reserve Bank of New Zealand (2024) and New Zealand Inland Revenue (2024).

The ability to withdraw retirement savings in order to facilitate first home purchases has evidently not arrested the decline in home ownership rates in New Zealand.

Between 2006 (the first Census before the KiwiSaver Scheme was introduced) and 2018 (the most recent Census), New Zealand's overall home ownership rate dropped by 2.1 percentage points to 64.3%, with the home ownership rate among 30-34 year olds falling 5.7 percentage points to 51.1%, among 35-39 year olds by 5.6 percentage points to 59.2%, among 40-44 year olds by 5.4 percentage points to 65.7%, and among 45-49 year olds by 5.7 percentage points to 70.3%.

This is consistent with advice given by the New Zealand Treasury to New Zealand's Housing and Infrastructure Ministers in 2017, 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" (New Zealand Treasury 2022: 8).

Moreover, the need to hold additional liquid funds in order to meet demands for withdrawals by prospective first home buyers has adversely affected the investment returns to KiwiSaver members. Over the ten years to March 2024, investment returns to KiwiSaver members were 79 basis points per annum lower than the returns to Australian MySuper members – a difference which, if maintained over a typical member's lifetime, would reduce the amount of savings accumulated upon retirement by $130,000.

Conclusion

Australia's housing system is increasingly failing to meet the aspirations of a growing proportion of Australians, in particular those who in decades gone by would have had the capacity to become home-owners, but also those who both then and now were and are likely to be life-time renters. This failure has been long in the making, and policy responses by governments at different levels and of different political persuasions have failed to provide effective solutions or remedies.

Proposals advanced by the Liberal and National Parties to allow prospective first-home buyers to access superannuation savings in order to purchase housing would allow those who were highly likely to attain home ownership anyway to purchase more expensive housing, thereby putting additional upward pressure on property prices (to the detriment of those without large superannuation savings); would do little to help (and may hinder) the home owner aspirations of those with relatively small superannuation savings; would likely reduce the retirement incomes of the majority of those who accessed such a scheme; and would likely entail a significant long-term cost to the Federal Budget.

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Important notice