



Deluge of affordability data forces government's hand

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Voter backlash and a slew of damaging data has made it impossible for the government to refuse to act on housing affordability, setting the scene for a May budget that unleashes superannuation fund money to fix the problem.

Prime Minister Malcolm Turnbull pledged to the National Press Club on Wednesday that "ensuring more Australians can afford to buy a home is a priority", although he warned there are "no quick fixes or silver bullets".

It has been a tough two weeks for a party that until recently denied there was anything wrong, as report after report proved the 'Australian Dream' is getting out of reach.

Former treasurer Joe Hockey famously told young people to "[get a good job that pays good money](#)" if they wanted to buy a house. As recently as last week, Deputy Prime Minister Barnaby Joyce was downplaying the affordability problem as nothing more than a "[housing crisis in Sydney](#)".



Prime Minister Malcolm Turnbull promised this week that housing affordability would be a "priority" for his government in 2017. Photo: Getty

But it's hard to argue with the new figures. Not only are home prices continuing their inexorable rise, but affordability measures are worsening – and it may even be harder to buy in Sydney than in London or Miami.

So the Coalition is giving up its war on numbers and instead looking for a solution. One of them seems to be a 'bond aggregator': a federal agency that borrows money from Australian super funds and other institutional investors and lends it to affordable housing projects.

Professor Hal Pawson at the Australian Housing and Urban Research Institute (AHURI), which has pushed for a 'bond aggregator' for more than five years, said he was very pleased the idea is "finally sinking in".

"The housing system and its lack of functionality is a problem that ambitious politicians really can't ignore at the moment," Professor Pawson told *The New Daily*.

"You could rather cynically say politicians have to be seen to be doing something. But it's also been a drip-drip of pressure building up.

"Unlike negative gearing, the 'bond aggregator' scheme is targeted entirely at expanding new supply."

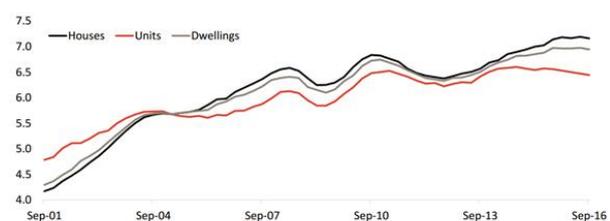
Whatever action the government takes, it won't be on negative gearing. Treasurer Scott Morrison called the proposal "crap" on Thursday.

Why the PM's hand has been forced

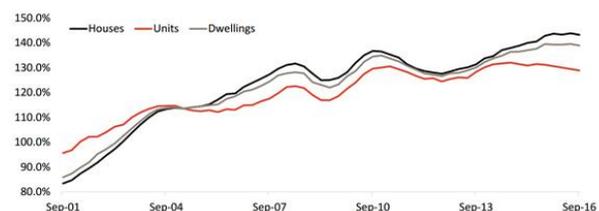
Mr Turnbull's inclusion of housing affordability in his agenda-setting speech at the National Press Club is no surprise, given the recent deluge of data.

First, Demographia [released](#) its annual housing affordability survey on January 23 naming five Australian capitals – Sydney, Melbourne, Adelaide, Brisbane and Perth – among the top 20 least affordable cities with million-plus populations.

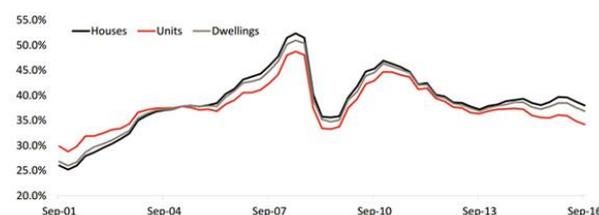
National price to income ratio



National proportion of household income required for a 20% deposit



National proportion of household income required to service an 80% LVR mortgage



Source: CoreLogic, ANU

[Click to zoom in on the affordability measures.](#)
Source: CoreLogic

Then the Housing Industry Association [reported](#) on January 31 that housing affordability had worsened across the nation by about 7 per cent in the December quarter.

The worst declines in affordability were in Melbourne (-11.6pc), Canberra (-10.7pc), Sydney (-7.3pc), Darwin (3.8pc), Brisbane (-2.9pc) and Adelaide (-2.3pc).



As the figures show, it is now relatively cheap to pay back a home loan, but the barriers to entry for new home buyers are immense.

How your superannuation may help

The Treasurer has given strong hints of what affordability measures the government will announce in this year's budget.

Mr Morrison recently [visited London](#) to confer with British officials on the UK experience of implementing a '[bond aggregator](#)' – the idea AHURI has been advocating for years.

Here's how it would work: a new federal agency, the 'aggregator', would borrow money by selling bonds to Australian super funds (and other institutional investors) and then loan this money for the construction of affordable rental properties.

The direct beneficiaries are, of course, low-income renters.

But the indirect beneficiaries include:

- Young, middle-class couples who spend a few years in these subsidised rental apartments in order to save for a deposit.
- Retirees, who access steady, reliable, low-risk, long-term streams of revenue through the investments in affordable housing made by their super funds.
- Construction industry workers, who secure work on affordable housing projects, even if the construction of market-price projects dips as some experts fear.
- The property market generally, which gets the 'supply' that the Turnbull government says is so important.

AHURI's Professor Pawson said the proposal has an "international track record" of success.

"Australia doesn't have very large social landlord entities or not-for-profit housing providers that could, by themselves, knock on the door of First State Super, for example, and present a credible case for a bilateral deal."

The 'aggregator' would fill this gap.

But Professor Pawson noted that state or federal governments would also need to sacrifice revenue to provide tax credits or some other form of subsidy to these construction projects in order to make them truly affordable.

"It's all going to depend on what additional, if any, financial support the government is willing to put its hand in its pocket to provide. And that's where there is a dilemma for the Treasurer. He is very well aware of this."

So, keep an eye on the federal budget for a 'bond aggregator' and some investor tax credits.



Professor Hal Pawson is hoping the government goes ahead with the 'bond aggregator'. Photo: YouTube