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Scott Morrison puts states on notice over house prices

James Massola, Chief Political Reporter

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Treasurer Scott Morrison has put the states on notice over booming house prices, flagging a major push by the Turnbull government to increase supply and help first home buyers own their own home.

And Mr Morrison will promise the next meeting of state and federal treasurers, to be held in December, will focus on how state governments can do away with planning rules that stop, or delay, new houses being built.

He will also leave the door open to incentives for state governments to reform their laws and release more land, in a broadening of one of the key recommendations of the Harper review of competition policy.

In a lunch-time address to the Urban Development Institute of Australia in Sydney on Monday, Mr Morrison will also dismiss suggestions that cheap credit is causing an investor-driven housing bubble in Australia as "simplistic".

The federal treasurer will also admit that the "market is getting away from people. No matter how hard they work or save or even earn, they are finding it harder and harder to get into the market.

"Housing in Australia, especially in Sydney, Melbourne and Brisbane, is expensive and increasingly unaffordable, but that does not mean it is over valued," he will say, according to an advance copy of the speech seen by Fairfax Media.

"Housing affordability is also not just a problem for prospective home buyers. As younger people and families are delayed or frustrated in purchasing their first home, this is placing pressure on the private rental market and, in turn, concessional or affordable housing accommodation and ultimately social housing.

"State governments cannot do much about the physical geography occupied by our cities, [but] they could do a great deal to improve planning processes and the provision of infrastructure."

Therefore, increasing housing affordability – for renters and buyers alike – must be a key priority for all levels of government, including the Commonwealth.

"The government will therefore also be discussing with the states the potential to remove residential land use planning regulations that unnecessarily impede housing supply and are not in the broader public interest. This will be the strong focus of my discussions at the next Council on Federal Financial Relations that I will convene in early December," Mr Morrison will say.

The Treasurer points out in his speech that capital city prices, particularly in Sydney and Melbourne, have been growing far more rapidly than in other parts of the country.

In fact, he will say, they have grown by 65 per cent and 40 per cent respectively since 2012 lows, though other markets such as Perth and Darwin have fallen.

"Between June 2010 and June 2015, the time taken for a dual income couple to save for a 20 per cent deposit in Sydney increased from 5.8 years to 7.9 years. In Melbourne it increased from 5.3 years to 5.8 years. However, outside NSW and Victoria, the change in the number of years to save for a deposit actually fell," the Treasurer will say.

In this context, there are risks to an approach that deals with house prices in those buoyant markets because those measures could have "the reverse effect on markets in other areas".

This is a clear reference to Labor's plan to cut back on negative gearing and capital gains tax concessions, a key point of difference between the major parties at the last election.

The speech underscores the Coalition's focus on increasing supply rather than, as the government argues Labor's policy will do, reducing the number of buyers in the market by crimping demand through changes to the country's tax regime.

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