

24 July 2024

Senate Standing Committee on Economics
Via email: economics.sen@aph.gov.au

Dear Committee Secretary,

Supplementary Submission – Improving consumer experiences, choice, and outcomes in Australia's retirement system

As you are aware, the Real Estate Institute of Australia (REIA) is the national body and voice for the real estate profession in Australia.

REIA's primary function since 1924 has been advocacy for policies that support a successful real estate industry.

Housing and rental affordability are at a steady rate of decline, as vacancy rates remain below the healthy benchmark of 3%.

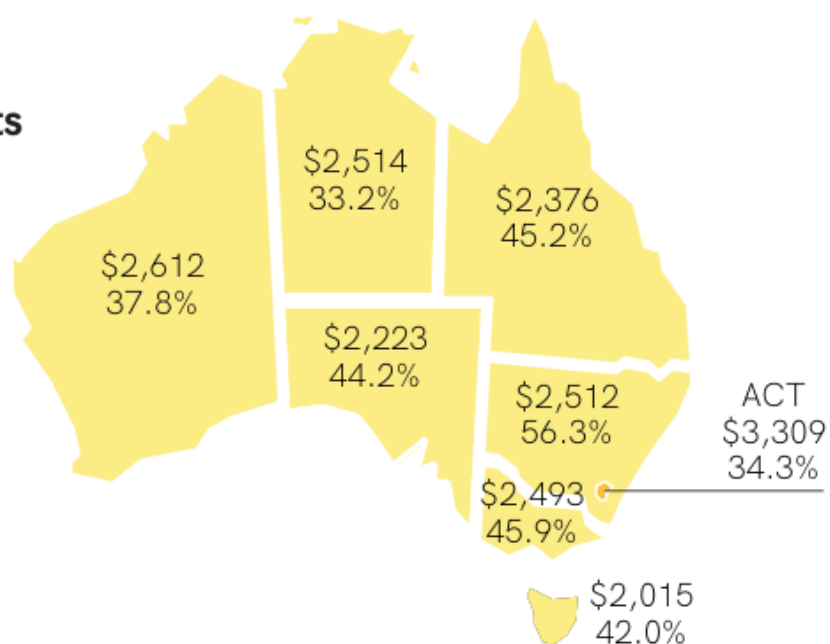
Whilst much of the current crisis focusses on renters, it is home loan affordability is now at its worst level in 20 years, exceeding the conditions facing mortgage holders in the Global Financial Crisis of 2008.

REIA's Housing Affordability Report (HAR) is widely considered to be Australia's most authoritative indicator on housing affordability.

The REIA HAR March quarter 2024 revealed the proportion of income required to meet average loan repayments now sits at a massive 46.7% nationally.

Family Income and Weekly Repayments

Median weekly family income and proportion required to meet loan repayments



Support for mortgage holders on their primary place of residence is a critical cost of living measure that must be considered.

As per the Committee's request (July 2024), REIA has prepared a preliminary case study on the use of superannuation to offset mortgage accounts against the REIA Housing Affordability Report.

Assumptions

The key assumptions used for this case study are as follows:

- The average age of first home buyer is 36.
- This case study assumes the use of superannuation for a male and female couple of \$172,000 (based on the average super deposit at 36 of \$96,000 for men and \$76,000 for women).
- The average mortgage of first home buyer is \$519,000.
- The average interest rate for first home buyers is 8.8%.
- The average monthly repayment is \$4999.
- The median weekly income is \$2468.

Limitations and Considerations

- This case study does not consider the cost benefits and design and delivery implications. This includes the operational changes required to hold a portion or the entire super balance against an offset account.
- REIA notes such a proposal is likely to be met with resistance by key implementation stakeholders but that this would likely encourage a more competitive banking and superannuation environment.

Summary Findings

	Current	With Super as Offset	Change
Loan accruing interest	\$519,000	\$347,000	\$172,000
Monthly repayments	\$4999	\$3342	\$1657
Loan to income ratio	46.7%	31.2%	15.5%

Source: ATO, REIA HAR, moneysmart.gov.au

Under this scenario, housing affordability for the individual household improves by 15.5 percentage points which is equivalent to housing affordability levels in 2004.

Conclusion

REIA notes the Australian Government's Retirement Income Review 2021 which determined that a successful retirement is based on three factors: home ownership, compulsory superannuation and additional voluntary savings.

The addition of the flexible use of compulsory superannuation on a voluntary basis to offset mortgages would without doubt provide a major adjustment to housing affordability for those electing to use it. It would help in the long-term households achieve all three successful retirement components.

Thank you for the opportunity to provide this Supplementary Submission. I encourage you to speak with REIA's CEO, Anna Neelagama, on the above via 0448 692 245 or anna.neelagama@reia.com.au.

Yours sincerely,

Leanne Pilkington
REIA President