

Neither a borrower nor a home owner be



Talking point
Ben Hurley

I would love to own a home. I could upgrade my crappy electric stove, get a hot water system that actually fills the bathtub, and stop asking the landlord for permission to put a nail in the wall.

But I'm reluctant because I think buying a home is a dud deal. And renting, while expensive, is less of a dud deal because renters typically give the landlord a return of about 3 per cent on the asset's value. A lot of my friends in their early 30s feel the same way.

As a young professional I'm expected to pay an exorbitant amount for a place to live to make up for all the money previous generations have paid to banks. I'm the final ingredient that gives somebody licence to talk of an emotional, probably impulsive, and highly geared purchase as "the best

investment decision I ever made".

There are a lot of conflicting housing affordability measures out there, but let me put forward an anecdotal one. My mother, who wasn't rich, managed to buy a big house in Sydney's inner west in the 1970s and pay it off with a single income. OK, I concede she is an incredible woman. But it was do-able.

Today, if you can afford to pay \$500 a week on housing over 25 years, ASIC advises on its MoneySmart website, you can afford a loan of about \$270,000. Good luck finding a capital city home for that price. To get a half-decent place is going to take two good incomes, and it hasn't always been that way.

The "rent money is dead money" argument is not as simple as some make it sound. If you borrow \$500,000 for a home on a 25-year loan at a 7.5 per cent interest rate, you end up paying \$1.1 million.

The desire to recover that outlay, which goes far beyond the property's value at the time of purchase, explains why many see steep capital growth as a right. A market without

steep capital growth is seen as weak, not normal.

But this is the problem with housing as an investment: people need a place to live. It's reasonable to use the home as a hedge against inflation, or to build or renovate a home and profit from your work. But there is nothing heroic about using

I hope my generation actively resists – saves bigger deposits, rents for longer and pressures the government to stop throwing so much money at home owners.

debt to get rich off soaring house prices or climbing rents. It looks like free money, but it actually comes from the next buyer (if it doesn't catch up with the current owner).

While in the 1990s households were paying between 6 per cent and 8 per cent of their disposable income towards interest, according to the RBA, it's now close to 11 per cent

and peaked just short of 14 per cent before the financial crisis.

With the rivers of gold the banks are siphoning out of the housing market from all this debt, home owners are looking keenly towards people like me to fill the vacuum. Usually it's presented as a dubious opportunity.

The Real Estate Institute of Australia wants the government to give me the opportunity to tap into my super for the extra money I need to buy a home. With other industry groups, they have long called for greater amounts of taxpayers' money to be injected into the housing market, in the form of grants to "help" first-home owners simultaneously drive up house prices and get themselves into debt.

And then there are the screams for interest rate "relief" (which means I get less from my ING account) even though mortgage rates are historically quite low.

Personally, I reckon home owners are getting enough help already from billions of dollars in negative gearing, tax breaks for loss-making

investments, as well as generous tax treatment of the capital gains this has helped bring about.

There are competing goals here and somebody has to lose out. There is my goal of getting a place to live at a reasonable price without taking on too much debt versus the banks' goal of continuing to post record profits, and the older generation's goal of making emotional investment decisions pay.

I hope my generation actively thinks of ways to resist. Like saving bigger deposits; renting for longer; pressuring the government to stop throwing so much money at home owners; and pushing for better tenancy rights, longer leases and rent rises in line with the CPI.

Playing a waiting game may be fruitful, because negatively geared properties are only worthwhile pre-retirement, when you've got an income to claim against. And in the longer term I hope my generation will stop playing this short-sighted game of handing a greater burden to the next generation.

bhurley@afr.com.au