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RIGHTSIZING & THE RIGHT REFORMS THE KEYS TO BOOSTING QLD PROPERTY MARKET SAYS REIQ

With no support measures announced for the established housing sector in the Federal Budget, the Real Estate Institute of Queensland (REIQ) believes support measures must go further than construction and new housing to ensure the long-term stability of Queensland's property market.

"Extending the *First Home Loan Deposit Scheme* is welcomed. However, limiting first home buyers to new construction is a short-term sugar hit that's only supporting a portion of the property market," says Antonia Mercorella, CEO of the REIQ. "For the Federal Government to overlook established housing is disappointing considering the original scheme, which enables first-home buyers to purchase property with as little as 5% deposit and no need for Lenders Mortgage Insurance, included established residential dwellings. By doing so, it helped remove entry barriers for more first-home buyers by exposing them to a wider range of affordable price points, particularly for many young families for whom new construction may not be feasible."

The cost of new construction has increased by a staggering 220.3% between 1995-2018¹ while established housing has risen on average 113.95% by comparison for the same period, with annual price inflation ranging from 4.5% in the early 1990s through to 2.5% the last decade². With CPI over that same period growing by 69.9% and mean gross household income increasing by 64.7%, it points to a potential housing affordability issue for many first home buyers across regional parts of Queensland, particularly without an extension to the *HomeBuilder* scheme or other incentives.

"Without an extension of the *HomeBuilder* scheme, industry comments, supported by recent media reports, suggest builders won't be able to keep up with the demand from existing applicants – particularly in South-East Queensland," explains Ms. Mercorella. "Every *HomeBuilder* approved sale needs to be contracted, with council approval and finance in place by 31 December along with any land subdivisions completed, and construction work started by 31 March next year. As a result, building costs are rising – and that shouldn't be happening in this environment."

Despite relatively stable market conditions, low interest rates and high levels of demand, it appears to not be enough to sustain new residential construction. Hence the deposit carrots for first home buyers to come out in favour of new homes. But what about burgeoning buyer demand for established housing? It's a case of more carrot and less stick.

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¹ ABS: 4130.0 - Housing Occupancy and Costs, 2017-18

² <https://www.rba.gov.au/publications/bulletin/2015/sep/3.html>

“Any stimulus measures for the property market must support the whole of real estate for the benefit of all Queenslanders, which includes providing access and choice in established housing,” adds Ms. Mercorella. “By doing so, it will help drive consumer confidence upward, accelerate our economy and increase the labour market across both construction and real estate, two of Queensland’s largest industry employers.”

Without comprehensive stimulus measures that extend to established housing, it’s likely to exacerbate artificial price hikes in an already volatile climate, making it increasingly difficult for many buyers to purchase property. High unemployment, a pause in immigration, rent reductions and mortgage deferrals all still pose threats to property prices in the short- to medium-term. While dire predictions of a dramatic plunge in housing values have so far failed to materialise, it doesn’t discount the fact we still need to protect our property market.

“With established home sales outpacing new listings, buyers are back out in force and ready to purchase property. However, sellers are really yet to follow,” explains Ms. Mercorella. “Property sales plummeted as physical distancing restrictions forced a temporary halt on open homes and on-site auctions. We’ve done remarkably well to maintain relatively stable property market conditions across Queensland throughout this pandemic, but these conditions won’t last if we don’t have more sellers back in the market and best way to do this is via *rightsizing*.”

Analysis commissioned by State Treasury reveals that as many as 50,000 properties are under-utilised every year across Queensland³. Much of this can be attributed to people living in their homes years longer than is suitable for their stage in life. Whilst aging in place is a factor, high transactional costs are a key deterrent for prolonged property hold.

“More often than not retirees who plan to sell the family home, buy something smaller and live off what’s left are thwarted by the distorting effects of stamp duty alongside other costs associated with buying and selling,” adds Ms. Mercorella. “Nowhere is real estate more fundamental to the health of an economy than in Australia which is why the Queensland Government needs to replace stamp duty with a broad-based land tax, with immediate transfer exemptions for those aged over 65 years. This would make downsizing an easier financial decision for older Queenslanders, significantly increase stock listings and generate much-needed economic activity. It’s a win-win-win all around.”

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³ <http://www.skynews.com.au/news/top-stories/2017/03/11/govt-to-encourage-elderly-to-downsize-homes.html>