HOUSING, BIG BUILD AND MANUFACTURING COMMITTEE

Members present:
Mr CG Whiting MP—Chair
Mr JJ McDonald MP (via videoconference)
Mr DJ Brown MP
Mr MJ Hart MP (via videoconference)
Mr RI Katter MP (via videoconference)
Mr TJ Smith MP (via videoconference)

Staff present:
Ms M Salisbury—Acting Committee Secretary
Dr V Lowik—Assistant Committee Secretary

PUBLIC HEARING—INQUIRY INTO THE HELP TO BUY (COMMONWEALTH POWERS) BILL 2024

TRANSCRIPT OF PROCEEDINGS

Monday, 27 May 2024

Brisbane

MONDAY, 27 MAY 2024

The committee met at 9.15 am.

CHAIR: Good morning. I declare open this public hearing for the committee's inquiry into the Help to Buy (Commonwealth Powers) Bill 2024. My name is Chris Whiting. I am the member for Bancroft and chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past and present. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander people whose lands, winds and waters we all share.

With me here today are: Jim McDonald, the deputy chair and member for Lockyer, via videoconference; Don Brown, member for Capalaba; Michael Hart, member for Burleigh, via videoconference; Robbie Katter, member for Traeger, via videoconference; and Tom Smith, member for Bundaberg, via videoconference. This hearing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. I also remind members of the public that they may be excluded from the hearing at the discretion of the committee.

These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. I ask you to turn your mobile phones off or to silent mode and to please put your computers on silent mode.

MILTON, Mr Dean, Chief Operating Officer, Real Estate Institute of Queensland

CHAIR: Welcome. I invite you to make an opening statement before we start our questions.

Mr Milton: Thank you for the opportunity to provide our views and input in relation to the Help to Buy (Commonwealth Powers) Bill 2024. The Real Estate Institute of Queensland, the REIQ, is the state's peak body for the real estate industry, representing the profession for more than 100 years. We believe that everyone should be able to make educated, informed decisions about buying, selling or renting property and business in Queensland. The REIQ CEO, Antonia Mercorella, is a member of the Housing Supply Expert Panel and has represented the institute in all of the housing summits and round tables.

Overall, the REIQ supports the bill and the framework it establishes. Queensland has the lowest level of home ownership rates of all states, and any measures to boost that level are welcome. A shared equity scheme will bring Queensland into line with other states, such as New South Wales, Victoria and Western Australia. However, we are keen to see the final details of how the scheme will work when it passes the federal Senate.

Our current view is that the criteria that have been suggested are too restrictive. For example, with Queensland responsible for 25 per cent of all residential sales, we are only receiving 20 per cent of the 10,000 spaces in the scheme. To that end, we would encourage the Queensland government to introduce its own scheme with slightly different settings—in particular, a minimum 10 per cent deposit; three years worth of proven savings; an increased income threshold for families, couples and singles; a maximum stake for the government of 30 per cent; and a higher maximum purchase price based on the region. It should be noted schemes such as this do have limitations by their very design and should be partnered with other targeted policies to help boost home ownership, such as stamp duty reform. However, as I said, we are overall supportive of the legislation and the scheme it establishes. Thank you for the opportunity to discuss this bill with you today.

CHAIR: Thank you for your submission. One of the things you talked about is increasing the income threshold and the house cap level, and other witnesses have talked about that as well. Can you talk about how important that is and why you have said that?

Mr Milton: Without having seen the final details of the scheme obviously, in the policy it was based on, I think it was $90,000 for a single and $120,000 for a couple or family. Looking at median wages and future Fair Work Commission pay rises, we believe that would put some pressure on that maximum threshold of $120,000 or $90,000 and would probably exclude certain types of workers, such as key workers, who would be above that threshold in a lot of cases. We would like to see some flexibility around that and also how that is indexed each year. If people get a pay rise and they go over that threshold, what does that mean for them?

Looking at the price caps, I believe it would be $600,000 within the Brisbane LGA and it would be $500,000 outside of Brisbane. Based on the current median prices, you would be hard pressed to find any dwellings with that price point in the current market. They do exist in various LGAs, but with the price increases over the last five years we would expect that median price to be pretty restrictive in what you can access.

CHAIR: One of the other witnesses said it should be $800,000 or $850,000 for the capital and $600,000 or $650,000 for other areas.

Mr Milton: Yes. That is about 80 per cent of the median prices so that is probably about the right level.

CHAIR: You also talked about the fact that a 10 per cent deposit is important. Can you outline why that is important for the REIQ?

Mr Milton: From our perspective, it just shows financial discipline. A two per cent deposit is potentially too low a hurdle and would put pressure on that repayment. Obviously, the bank would have to assess the ability to repay, but we would expect something around that 10 per cent deposit mark to just set a slightly higher benchmark for people to enter the scheme as well. Showing three years worth of proven savings and a higher deposit rate would indicate that they have that ability to save and fund the loan going forward.

Mr McDONALD: I appreciate the questions the chair just asked. You mentioned other targeted reforms such as taxation, but is there anything else you would like to bring to the attention of the committee?

Mr Milton: Again, it is outside the scope of this bill obviously, but from our perspective stamp duty reform and the first home buyer tax-free threshold has been set since 2009. We would like to see that increase to reflect current median prices. We would advocate for that to move to an $800,000 mark, given Tasmania will be sitting at $750,000 soon. Ours ends at $600,000 and we would like to see ours increase. Given our price difference and our higher prices compared to Tasmania, we should probably have a higher tax-free threshold than that state.

Mr McDONALD: In terms of your awareness of how the bill is progressing through the federal government, I know it is a pretty challenging question for you, but does the REIQ have any idea of when that could be resolved based on your consultation?

Mr Milton: No. We have not had any consultation. We did a submission on part of the initial policy, but we have not been consulted since that.

Mr McDONALD: Was there any modelling done for you to suggest the changes to the $90,000 and $120,000?

Mr Milton: From our perspective we would like to see that moved to about $120,000 for a single, which we think reflects closer to where the median wage is heading, and around $200,000 for a couple. Again, a working couple would probably be getting close to that in the current market.

Mr McDONALD: Thanks.

Mr HART: Has your national body had any input to the federal government on setting up this bill?

Mr Milton: We are not actually part of a federal body. There is a Real Estate Institute of Australia, but we are not part of that so I am unsure if they have had any input into that bill.

Mr HART: Are any of the other real estate institutes part of that body?

Mr Milton: I believe some are, but we are definitely not part of it.

Mr HART: I am concerned about this cap level and the median house prices in every other state. I imagine you are not aware of what those median prices may be.

Mr Milton: I did read it but I cannot recall. I know Sydney and Melbourne were higher and Brisbane was third, but I cannot recall the exact numbers.

Mr HART: Is that why you are suggesting that Queensland should go it alone, because maybe we need some different settings as far as caps, income, deposits and things like that go?

Mr Milton: I think they could run side by side. I think this is a good scheme for low-income earners but from a Queensland perspective it would be great to see a similar scheme to target a different demographic.

Mr HART: The price cap is $650,000 in Brisbane and regional centres. I live in Palm Beach on the Gold Coast. If I could find a house for $650,000 I would buy it today I think. What would you think is a reasonable price cap? I know you have suggested $800,000 in Brisbane and regional areas, but is that figure even realistic? In Palm Beach, $1 million will not buy you a house.

Mr Milton: I think somewhere around 80 per cent of the median price for each LGA would be a good setting because that would not put too much inflationary pressure on. There are properties in the outer suburbs of Brisbane where you can get $800,000 and below. New builds in some cases are below that level with house and land packages, but this bill does not target new builds. There is a first home owners grant from the state government to support that. From our perspective, I think if you were to target it by LGA and look at the median price in each of those, which is easily available, you could look at something around 75 to 80 per cent. First home buyers probably should not be buying above the median; everybody should probably start at a smaller level and work their way up.

Mr HART: Is it clear for you from reading the information that has been put out by the federal government as to what happens if someone cannot meet their repayments going forward or if circumstances change—for example, they get divorced? What happens to the equity in the home?

Mr Milton: I am not 100 per cent sure in those exact circumstances, but from what I gather you have a loan with the bank so it would just be through the normal process. With the 60 per cent or 70 per cent that you borrow personally and you cannot make the repayments, if you come to an agreement with the bank and the bank has to take repossession, then the government would become a secured creditor and be able to get their money back first.

Mr HART: It is not 100 per cent clear to me either.

CHAIR: A couple of submitters have talked about issues with lenders mortgage insurance. Could you tell us what ramifications the changing circumstances in this scheme might have on liability for that?

Mr Milton: From our understanding, if you do go over that income threshold and you no longer qualify for the government scheme, you would need to secure the funding yourself for the balance of that loan. In that case, you would be liable for lenders mortgage insurance—not initially because the government is guaranteeing the balance. If you were to go over the income threshold or fall out of the scheme, then you probably would have to pay that, which is obviously quite a large component.

CHAIR: I think that is one of the things we would like to be clear. The Commonwealth will explain that a bit more but it needs to be properly clarified what happens once those participants go over an income level.

Mr Milton: Yes, absolutely 100 per cent. That is probably the piece that we are most concerned about: in that circumstance, what happens? It would be great to get some clarity around that.

Mr HART: Dean, on the equity payout option that you brought up in your submission, the bill says that you can purchase one time at five per cent. Do you think you should be able to buy the whole equity position out, say you won the lottery or something like that? What are your thoughts there?

Mr Milton: We think that if your circumstances change and you can afford to pay back the government, we believe you should be able to pay that back quicker than the five per cent per year. There is probably something on the government side that we are not considering there, but from our perspective the consumer should be able to choose when they pay that money back.

CHAIR: We have no further questions. Dean, thank you very much for your time.

LEVEN, Mr Paul, Deputy Executive Director, Housing Industry Association Queensland

HECKEL, Mr Sam, Assistant Director, Housing Industry Association Queensland

CHAIR: I now welcome representatives from Housing Industry Association Queensland. Would you like to make an opening statement and then we will have some questions for you?

Mr Leven: Thank you, Chair and members of the committee, for the opportunity to appear on behalf of our members to speak on the state legislation to back the Commonwealth's Help to Buy scheme. The Housing Industry Association is Australia's only national industry association representing the interests of the residential building industry. HIA represents a membership of about 60,000 across Australia involved in a diverse mix of companies and sole traders that construct over 85 per cent of the nation's new building stock. That is a bit of background on who we are.

Queensland continues to suffer from a severe housing crisis. Unfortunately, many Queenslanders are doing it tough when it comes to finding shelter and a place to call home. This situation can be witnessed in city and regional areas of our state.

The key challenge for HIA is reminding the public and policymakers that the housing market is interdependent—that is, every first home buyer when buying a newly constructed home represents an individual or couple or family who will move out of a rental and will most often cease competing in the rental market for life. This creates downward pressure on the housing market, resulting in less competition for those in dire need of rental accommodation, and highlights the importance of placing heavy emphasis on the purchase of new homes and the subsequent freeing-up of existing homes through utilisation of the Help to Buy scheme—that is, it needs to focus on helping first home buyers into new homes rather than existing homes. I note from other submissions that there is some industry agreement about this matter.

First home buyer activity has declined significantly in Queensland. The average age of a first home buyer has increased from 26 years of age to 36 years of age over the past two decades. The result of this is that more people are competing for very limited rental stock for a significantly longer period. That is why HIA has indicated support for the Help to Buy scheme since its announcement in 2023 and encourages the creation of more initiatives aimed at supporting first home buyers and especially first home buyers purchasing new homes.

Saving for a deposit is the biggest challenge that faces first home buyers. Brisbane now has a median dwelling price of $818,000. Astonishingly, a household would be expected to save over $163,000 to achieve a 20 per cent deposit. That is no easy feat considering the current cost of living. Therefore, it is no surprise that the Productivity Commissioner has labelled the bank of mum and dad as Australia's fifth largest financial institution. Of course, there is one glaring issue with the bank of mum and dad, which is that this now important lender is not open to all Australians. Not all parents are in the financial position to guarantee loans or financially support their children by other means. HIA believes all Australians should have the choice and the opportunity to own a home and the Help to Buy scheme represents a viable alternative pathway to home ownership for some Australians, should they wish to take it.

Once again, HIA welcomes the opportunity to appear at today's hearing to discuss the legislation that is before the parliament. We support the Help to Buy initiative and look forward to seeing it up and running in Queensland. With the committee's indulgence, I will on the whole defer members' questions to Sam Heckel, my HIA colleague, who knows the subject matter in this area. Thank you again, Chair and committee, for allowing HIA to appear today.

CHAIR: Thank you very much, Paul. Sam, we will be asking questions of you about the Commonwealth scheme. HIA has pointed out the issues with changing circumstances and how that affects eligibility. We have talked with Dean about what happens when income changes and people have to go out of the scheme. You have pointed out that we need to educate people or certainly get more information, which is probably the key phrase, on what happens if the building contract becomes varied, the contract price goes above the price cap or the valuation changes after construction and it is above the price cap. Can you talk a bit more about what you see as the issues we need to be educated on?

Mr Heckel: The bill is obviously quite complex. The federal government legislation is also complex and has significant financial ramifications for participants in a number of circumstances. I would also note that internationally with other shared equity schemes we have seen situations where people have felt let down by the government that has participated in a shared equity scheme. One example would be in the United Kingdom where they have a shared equity scheme. Lots of people are feeling that they are trapped in that equity scheme because they cannot purchase out the entire government share. That is based on the increased cost of living. They feel trapped. It is a process that over there they call 'staircasing'.

Coming back to our legislation, a number of circumstances are mentioned in that bill that made us think about some of the unintended consequences here. As you pointed out, of course there is that situation where your new build contract now exceeds the threshold. I could not find anything in the legislation that answered the question of exactly what happens. My understanding was that, when a variation came in less than—so the bank variation came in less than what the property was estimated and actually did cost—the government would take a greater share of equity in the home. There is that really important piece there to educate consumers on what they are actually signing up to. I note that the Queensland government website for the first home owner grant has some really easy to follow examples and tick boxes where you can work your way through it and understand all the implications of the scheme.

Mr McDONALD: I appreciate the submission and the dot points that you have made. Can you talk us through your thoughts around the income thresholds and also the house caps in terms of the median prices? Do you have some thoughts on that?

Mr Heckel: To clarify, our read of the draft exposure bill at the federal government level had Brisbane, the Sunshine Coast and Gold Coast at $700,000 and then it was $550,000 for the remainder of the state. As was pointed out previously, there are not many locations where you can buy a new house and land package for that value so that $700,000 cap is really not going to work for industry on house and land packages. It could be more suitable when we are talking about potentially a townhouse or unit product, but there is not much of that out there either at the moment. I would also reinforce the point that the Logan City Council area, the Redland City Council area and the Moreton Bay area are all under that $550,000 cap. There is no chance, to my understanding, of buying a house and land package in those areas at that price point.

Mr McDONALD: In regards to the income thresholds for a single person of $90,000 and a couple of $120,000, do you have any thoughts?

Mr Heckel: We would think that that is quite low as well. For example, under the Western Australian Keystart scheme, I believe, a single is at $100,000. We are definitely short of where we should be to make the scheme a success.

Mr McDONALD: I think you point about the interconnectedness of new housing supply and renters becoming owners and not ever renting again is pretty key. Do you have any thoughts about stimulating the opportunity for people to take this up and get into the market so as to free up the rental supply?

Mr Heckel: Our three key suggestions for the scheme would be, firstly, we think we need to focus on new homes and not existing. Of course, that has the added benefit in a lot of cases of freeing up a rental and encouraging further supply. As you pointed out, the number of participants for the scheme at 2,000 annually in Queensland we think is quite low. On top of that, the point that I have just mentioned we do not think is going to be viable for too much uptake anyway.

Mr HART: Sam, you mentioned the cap being a problem for house and land packages. Is your reading of the bill that it only applies to a house and land package or if you already own land can you enter the scheme for just the house purchase or construction?

Mr Heckel: I do not have an answer for that, I am sorry. I am not sure.

Mr HART: In the HIA submission you mention in Victoria there is the ability to purchase more expensive properties. How does that happen and are they the only ones?

Mr Heckel: There are different price points for each state. What is most baffling for the HIA in Queensland is that our median dwelling price in Brisbane is at $818,000, which actually exceeds Melbourne, but for some reason they have been left with a price cap of $850,000 where we are at $700,000. It just does not make sense.

Mr HART: You have a national peak body. Have they been consulted on the progress of this bill and did they raise this point with the federal government?

Mr Heckel: My understanding is that they have appeared before a committee similar to this at the federal government level. I am not sure of the specific details of what was mentioned as our key issues.

Mr HART: Is that something that you can come back to us on?

Mr Heckel: Yes, of course.

Mr HART: Sam, it sounds like you have looked around the world at other schemes. Is there one that works really well in another country? If there is, what are the benefits of it and would it work in Australia, in your opinion?

Mr Heckel: I do not think we need to go as far as looking internationally for good examples, the reason being it ends up being such a different housing market where there are higher volumes of apartment construction that probably is not as consistent with Queensland. I think the best example would be the WA Keystart program. It has been operating from 1989. I understand over that period it has had about 120,000 successful applicants and people moving through the system into home ownership. I think that is probably a better starting point.

Mr HART: Is this applicable to units, Sam?

Mr Heckel: Yes, it is.

Mr HART: I wonder how that would work with bodies corporate.

Mr Heckel: That was what I touched on with some of the issues in the United Kingdom. People felt that they were trapped in these schemes as their body corporate maintenance fees went up and also the rising cost of living. They felt that they could never buy out the government share so they felt trapped.

Mr SMITH: You spoke about potential price caps and the ability to afford cheaper or more affordable housing. Is there an avenue that we could look at to have this scheme in the regions in particular and really focus priority on encouraging regional Queenslanders who are looking to get into the affordable housing market? Is that a better situation for somebody up in Bundaberg or Maryborough where it is more affordable on average than it would be in Moreton Bay or down on the Sunshine Coast et cetera?

Mr Heckel: Yes, 100 per cent the scheme would be more viable in those locations with that $550,000 price cap. My understanding is that the cost of land in those regional areas is less than our metropolitan areas, but then at the same time there are quite expensive build costs in regional areas as well. To your point, I agree that it might be more viable in those regional locations. I understand that the Queensland government has been running some different schemes in those areas as well to encourage first home owners such as the regional first home buyer grant.

Mr SMITH: Do you think that what we will see is maybe a little bit similar to NRAS where developers look to build blocks of four or six units and then actively seek to engage with the federal government about being an attraction point? Is there a likelihood that we will see developers build to a specific cost to entice people to enter into the program via their development?

Mr Heckel: I think at the current participant cap at 2,000 per year you probably would not see that scenario playing out. I do not think there are any issues in trying to sell affordable properties at the moment; it is the challenge of delivering them, so, yes, you could sell it to anyone in the wider public.

CHAIR: Member for Traeger, do you have a question?

Mr KATTER: Yes, I do. With regard to the first home owners scheme, my experience has been that it is pretty useless once you move outside of any of the regional cities, or perhaps I should say west of the Great Divide, because the economics just do not stack up in that for almost every place in my electorate the cost of building new is difficult to recover in the market and, therefore, there is no application for it. Insofar as this relates to this bill, you just mentioned it as being a stimulant. Have they been your findings as well?

Mr Leven: We would probably have to get back to you on that one. We would need to have a look. It is not something that we have tracked closely, member.

CHAIR: Member for Traeger, that was about how the First Home Owners' Grant operates in those specific regional areas?

Mr KATTER: Yes, correct. If you pull out, say, Toowoomba, Roma and maybe Charters Towers—it is marginal—just about everywhere else there is very little take-up. When we are talking about this in a policy sense and how it combines with this, it is almost misleading to say that it would help or carry over because in the majority of that area west of the Great Divide it is just irrelevant because the cost of new construction is very difficult to recover in the market.

CHAIR: We can take that as a question on notice as well. In terms of the renovations or additions under $20,000, what is the potential impact of that? Is that during construction or after the completion of the project?

Mr Heckel: Yes, that was after the completion of the project. If you were to complete renovations at less than $20,000, the federal government would not get the property revalued and they would not change their percentage share, so in a sense they would be benefiting from those renovations at the point of sale in the future.

CHAIR: Good point. There are two questions on notice. One is about getting the HIA's submission at a national level on the bill that was put forward in the Commonwealth parliament and the HIA's view on the impact of the First Home Owners' Grant west of the Great Dividing Range.

Mr Leven: Just to clarify, Chair, is that the regional First Home Owners' Grant that the—

CHAIR: Member for Traeger, is that—

Mr KATTER: As far as I am aware, there is no regional one; it is just the first home buyers grant.

Mr Leven: Thank you.

CHAIR: There is a regional finance plan, but this is the First Home Owners' Grant which is applicable across the state. If we could have those answers by the close of business on Thursday, 30 May, that would be great. Thank you, Sam and Paul, for coming along today.

Mr Leven: Thank you, Chair and members of the committee.

AHLUWALIA, Ms Naveen, Executive—Policy and Legal, Mortgage and Finance Association of Australia

HOY POY, Mr Chad, Queensland State Manager, Mortgage and Finance Association of Australia

CHAIR: I welcome representatives from the Mortgage and Finance Association of Australia. I invite you to make an opening statement and then we will have some questions for you.

Ms Ahluwalia: Thank you for the opportunity to appear before the Housing, Big Build and Manufacturing Committee. We are here representing the MFAA's over 15,000 members and in particular how they support all prospective home owners, including first home buyers and vulnerable customers, to enter the housing market in Queensland. Owning a home is an aspiration for many Australians and our members provide an essential service to their clients, explaining the options on how they can achieve their home ownership aspirations. Critical to the success of the government's housing agenda is a robust, competitive and efficient home-lending market and a continued acknowledgement of the critical role that the mortgage-broking industry plays within this market. Mortgage brokers are seen as a trusted source of information for homebuyers and are in a position to educate and explain various options to meet their customers' specific needs.

In the December quarter our data shows that mortgage brokers facilitated 71.8 per cent of all home loans in Australia. This is what we call market share and we gauge that against consumers going directly to a lender and we have seen this market share consistently rise due to the growing demand for our members' services. To give this committee perspective, mortgage broker market share has seen a 12.4 per cent increase since 2020 when market share was 59.4 per cent. Mortgage broking is heavily regulated. Brokers are required to be licensed and they are subject to the same responsible lending obligations as lenders. In addition to that, in 2020 the mortgage broker best interests duty was introduced as well as regulations around broker remuneration.

To give you a sense of the broker market in Queensland, there are approximately 3,000 mortgage brokers living and working in this state. Approximately 70 per cent are our members. They, like our members across the nation, help their clients with home loans, ensuring that they are aware of all of their options and helping where needed with financial literacy, with budgeting and with connection and understanding of the various government schemes out there. Our research also tells us that mortgage brokers typically deal with a higher proportion of first home owners than the direct lender channel, and this is not surprising. With the availability of Commonwealth and state-based initiatives to support Australians seeking home ownership, from a consumer's perspective it can be complex and confusing to navigate this information.

We understand from our engagement with Housing Australia at the federal level that 80 per cent of all applications for the federal First Home Guarantee scheme actually go through the broker channel. That is an increase of approximately eight per cent from 2022 when it was around 72 per cent. It is also really important to note that our members provide access to customers in regional and rural Australia. Approximately a third of our broker members live and work outside the metropolitan area and they help their customers navigate home loans to get access to credit as well as business and agri-lending. The service they deliver is increasingly vital to our growing regional communities as bank branches progressively close across regional and rural Australia.

As noted earlier, our members are the first port of call for their clients seeking assistance for financial literacy and budgeting. They help their clients with digital literacy, they provide assistance, they provide connection and understanding in times of natural disasters and economic downturn. In our view, consumer choice is incredibly important when it comes to providing access to credit and financial products, and that is in tandem with providing access to government-led support schemes. Consumers should absolutely have a choice whether to apply for their home loan either directly through a lender or through a mortgage broker.

In conclusion, we consider that brokers play an integral role in supporting first home owners and vulnerable customers and you will have noted in our submission that brokers will be integral, in our view, to facilitating access for their customers into the home equity scheme. On the federal level, we understand from our engagement with Housing Australia that the scheme will include a diversified panel of lenders, and that will include lenders who utilise the broking channel to receive home applications. The last point we wanted to make was that we are in a cost-of-living crisis. Housing affordability continues to be a challenge for ordinary Australians. The scheme is intended to address this and we understand that Queensland is in a proud position to potentially provide your constituents with first access to the scheme. Thank you, and we are happy to take questions.

CHAIR: Thank you, Naveen. The gist of it seems to be that you want to make sure that mortgage financers—finance brokers—are not excluded from this scheme or fully embraced by it, shall we say. Clearly they would not be excluded. Having said that, you point to the example of the Victorian Homebuyer Fund where you can only get that through three lenders. That is fairly unique. You have the Keystart program in Western Australia and you have what is proposed here, but you found the Victorian model rather restrictive; is that correct?

Ms Ahluwalia: That is absolutely right. Initially when the Victorian shared equity scheme was stood up there were two lenders on panel. They did not use brokers to distribute their products and that was enormously restrictive not just to our members but to their customers as well. What we saw happening was that they had customers or borrowers coming to them looking to access that scheme and unfortunately our members were having to redirect those seeking to access the scheme to lenders directly and obviously those prospective buyers who looked to access the scheme did not have the benefit of the broker navigating them through not just the application process but the loan process as well.

CHAIR: You said there is a diversified panel being set up that includes brokers in the federal scheme. Can you tell us a bit more about what you mean by 'diversified panel' and how that panel will work?

Ms Ahluwalia: We have engaged with Housing Australia at a federal level and we had asked very specific questions around how Housing Australia was looking to set the panel up. We understand from the conversations that we have had with Housing Australia that they are going to be mirroring the federal home guarantee scheme, which works very well. The panel—and obviously they are at the very commencement of looking at applications from lenders—is looking at the scheme mirroring very similarly in terms of that cohort of lenders and that will be very similar to the First Home Guarantee scheme as well.

Mr McDONALD: Thanks, Naveen and Chad, for being here today and sorry I am not there in person. Can you just take us through the issues with the restrictive practice that is happening in Victoria and how that can be avoided in this scheme? Is it state legislation that needs to address that or federal legislation given that this has come from the Commonwealth?

Ms Ahluwalia: In terms of this particular scheme, Housing Australia will be administering the scheme which means that they will be, in essence, operationalising the scheme. In terms of the legislation, we are actually engaging and have just put a submission on the program directions. We have in our submission been very clear that the panel of lenders will need to include those lenders that allow for the scheme to be accessed through brokers. We do not see that there is a need for legislative change. We are quite comfortable also with the program directions, particularly given the engagement that we have had with Housing Australia that the intent in terms of the design of the scheme will include that the panel's lenders will go from lenders that potentially do not utilise the broker channel to lenders that do.

Mr McDONALD: Yes, so that is positive but it is just not set in stone yet, so you would be asking for us to advocate to see whether that 78.1 per cent of the market share is unlocked with this?

Ms Ahluwalia: Yes, absolutely.

Mr McDONALD: In terms of the value of both salaries for couples and singles as well as the valuing of properties available in the scheme, I know that your submission does not touch on that but do you have any thoughts on that?

Ms Ahluwalia: We do not have any thoughts on that. Our advocacy and policy in relation to our engagement with the scheme and the legislation really has been around making sure that there is access for prospective scheme applicants and that it should be enabled through brokers.

Mr HART: I am trying to think of the best way of asking a question that is in my head. Obviously you guys watch exactly what banks do in order to get the best outcome for the client and the broker. This is going to be a scheme I imagine that the bank will totally control, but get an equity position from the federal government to make up part of their lending package. Are you aware whether there will be any different sorts of restrictions or interest rates or conditions that would be different to just a normal straightforward mortgage?

Ms Ahluwalia: It is a very good question. We understand that the government will be looking to, in effect, put in up to 40 per cent of the equity in the home, which means that a prospective home purchaser will then be required to obtain a home loan for the 60 per cent. We would expect that it would be market competitive rate and it would be market competitive particularly if there is a diversified panel of lenders. Obviously if you have two to three lenders it might not be as competitive as if you were to have a larger panel of lenders.

Mr HART: Is the broking industry affected by the fact that some of the money will come from a bank and some will come from the government, as in are your fees pegged to what the bank contributes or the total amount of the loan?

Ms Ahluwalia: In terms of broker remuneration, it is from the amount that is borrowed directly from the bank. For example, I said it was 60 per cent. It would be a percentage of that 60 per cent of the borrowing.

Mr HART: There will be a big difference to brokers as to whether they direct people into this scheme or not, as in your income level, because you will get a certain amount from this scheme and a different amount from a 100 per cent mortgage?

Ms Ahluwalia: It is a good question, but we do not see it that way. Our members comply with the best interest duty and that actually means that if they have a customer coming to them and they are eligible for the scheme—we see that now across many, many government schemes—our members are facilitating on behalf of their customers. This scheme will be no different.

Mr HART: Sorry, I am not having a go at the broking industry. I love the broking industry. I am more interested in the education process. Brokers would be an important part of the process of getting this information out there. I wonder whether that assists with the education scheme so we do not need to see as much TV and radio advertising if the broking industry is doing it for us.

Ms Ahluwalia: Absolutely. Our members are in the position of consistently educating their customers. We think that consumer awareness of this scheme, and this scheme has not as yet been stood up, is low so our brokers will be in a position to provide education in terms of eligibility to their customers. A previous person who was here at the inquiry talked about education with the home guarantee scheme with fact sheets and things like that. We are looking to work similarly with Housing Australia around the design of that as well as in terms of what brokers need to understand the scheme, as well as what their customers need to understand the scheme.

Mr KATTER: My background is in rural valuations. My observation from the last 12 years as a MP is there has been an enormous reluctance from lenders to participate in a lot of those remote and rural towns. I hear stories of 40 to 60 per cent LVR offered unless you have a guarantor. You might just comment on that first. If what I am claiming there is true, how do you see this having an impact on these, from my point of view not that remote towns, but anywhere west of Charters Towers? West of the Great Divide it all becomes very difficult to make lending viable.

Ms Ahluwalia: I am not sure if I can comment specifically on the challenges that those in rural and remote Australia have in terms of accessing loans. What we can say is that, from the research that we have undertaken, our members are integral to those communities when it comes to giving them access to credit. They are working in those communities. They represent the same population in terms of when we look at the fact that there are 19,000 brokers in Australia. The vast majority are actually in regional and rural areas. They reflect the population of those areas and they are really quite important when it comes to assisting those people in those towns to obtain a home loan.

Mr KATTER: I understand that. I will leave it as a comment. Perhaps if you could be mindful of that in your discussions with them because certainly for me it is a very real thing.

Ms Ahluwalia: I think my colleague might want to add some colour to that.

Mr Hoy Poy: Talking generally in relation to lenders, the lower the LVR the more open they are to different properties and the more rural properties. Having that LVR basically at 70 or 60 per cent you will find that more lenders are open to lend in those areas. It will have a greater value for clients in your local community.

Mr KATTER: You are saying this policy would have greater value?

Mr Hoy Poy: If lenders have to secure a lower debt to the security value, so if the deposit is higher which is what this scheme is offering, then the lenders, from a strictly credit or policy point of view, their credit team would be more open to lend in these areas. The higher the LVR gets, if we are looking at say a five per cent deposit or 10, that is where we are introducing lender’s mortgage insurance as well which can be restrictive, but also some lenders will not go above 70 or 80 per cent in rural and regional locations.

Mr KATTER: If I could respond to that, I would be pretty keen to interrogate that because I would have thought—I always get it mixed up, APIG or APRA—guidelines are driving that requirement to have a much greater proportion of deposit. It is probably more 60 per cent than 70, 80 per cent. But let us say it is, I would have thought that is to bring them back to the same metrics where you are applying the 70, 80, and 90 per cent. I would not have thought that would put you at an advantage. I would have thought that would just bring them back to a risk level that banks find acceptable, similar, and commensurate with that of the metropolitan area.

CHAIR: That is a detail for when the bill goes into the federal sphere. Our federal colleagues should be interrogating that. That is a good point on how to make general finance more accessible to regional and rural areas. Thank you for your time today.

QUIGGIN, Professor John, Vice-Chancellor's Senior Fellow in Economics, University of Queensland (via videoconference)

CHAIR: Welcome. If you would like to give a brief opening statement, after which we will have some questions for you. Thank you for your brief submission. You raise some issues that we would love to hear more about.

Prof. Quiggin: Thank you very much for inviting me. I should say it was only a brief submission. I have not had time for a detailed analysis of the scheme so I am looking at it largely from a couple of first principles. The first is in general I do not think the solution to economic problems is innovative finance. We have big problems obviously with housing stock, with the need for infrastructure and so forth. We have to find the resources to do those things and clever ways of financing, which we have been trying various kinds of for many decades, have not really improved our situation compared to the standard way of just paying for the buildings and going ahead and bearing the costs.

Secondly, in terms of our housing problems, we have had a long history of attempts to assist homebuyers. The fact that we have cycled through so many schemes I think indicates that they are all problematic. The underlying difficulty is that most of the benefits go to existing homeowners by beating up the price of homes. Those are general principles which illustrate where I am coming from. I think the specific concern I have about the current scheme is that it is essentially a lottery. If we look at previous schemes like the First Home Buyers Grant, that was eligible to everybody who met a set of conditions.

This scheme has been set up and it appears that it is quite expensive and the result is that it is for a limited number of people on a first come first served basis. It is likely to select people who know their way around the system. These are people who are themselves educated and skilled in this kind of thing or have family who can back them, who can help them to navigate whatever is involved and get in quickly and make the best possible case. For all of these reasons, I have my doubts about this scheme. I think the fundamental problem in the Australian context really is in the rental market and that is really where we should be putting our efforts. That completes my statement. I would be happy to take questions.

CHAIR: The point you made about the limited number of places is one that we have not considered. I think it is a very valid point. With a limited number of places and on a first come first served basis, those with the education, experience and knowledge are going to be the first to get them. I represent the Deception Bay area. It may well be that many of my residents are not au fait with how to navigate the system and they may well miss out. If we are doing this scheme, expanding the number of places makes it more equitable in many ways; would that be fair to say?

Prof. Quiggin: If it is expanded enough that most people who meet the conditions can get it, I think then some people will miss out, but from what I can see it would have to be expanded quite a lot really to meet those conditions. The number of places, I think 2,000 in Queensland every year, and the limits on eligibility would rule out quite a bit of the housing stock, of course. That has pluses and minuses, but it certainly means in some areas it will be almost impossible to qualify for the scheme. I guess I am unconvinced that these problems with the scheme can easily be remedied, but I would be interested to see a result.

CHAIR: If the number of places were expanded, would there be a potential impact on inflation? A great concern for policymakers always is are we doing anything to increase the inflation of these house prices.

Prof. Quiggin: Inflation is a complicated thing. The Reserve Bank is focused on consumer prices and on various submeasures of consumer prices. I have my concerns about the way the Reserve Bank handles things, but clearly some of the policies we have seen—for example, electricity prices—feed directly into the CPI and affect measured inflation. There has been a long dispute in fact—the previous Governor of the Reserve Bank was a major participant in it—as to whether the central bank should worry about asset prices including house prices. That went back and forth. I took some part in it. The upshot really is that they do not, except in some second hand kind of way.

The effect on house prices which will certainly be inflationary in the sense of pushing those up will not be of direct concern to the Reserve Bank but of course will be a concern to homebuyers who are outside the scheme. They will have to pay more. It will not be a concern to home owners who as a group will benefit. There may be some flow through if the scheme is successful in promoting home construction into the demand for all of those resources that go into home construction, and we know all of those workers, materials and so forth are in short supply.

Mr McDONALD: Thank you, John, for your submission, albeit it is brief but straight to the point. John, in regard to your comment that the '2000 places a year gives the scheme an undesirable lottery character', do you have any idea how that could be best managed?

Prof. Quiggin: In terms of allocating the places, there are various ways once you have these short-term schemes. For a long while, really until HECS came along, the university sector was like that. The people who got in were very happy about it and the people who missed out missed out. In the countries that still have that kind of thing—the US in particular—there are all sorts of ways of picking the most qualified and deserving people. We also see lots of schemes of this kind where as long as you meet the qualifications you are in.

My understanding in this case is that, if somebody announced a new Taylor Swift concert in Brisbane and sales opened at midnight, we would expect 30 seconds past midnight every place to be gone. I have not done enough on the scheme to work out—there will be a date given and plenty of notice—whether it is literally first come first served, press the button on the scheme and you are in, or whether there is something more to it. As I say, we just have not seen in terms of the scheme a lively discussion of these kinds of operational details. It is a cute and clever design. The Housing Australia Future Fund was a bit like that. Eventually we stripped out most of the cute bits of it and ended up saying, 'We will put $500 million a year into social housing,' which was much closer to the mark, I think, than the original version of that scheme.

Mr McDONALD: You make that point well with regard to public expenditure. Did you want to expand on that at all?

Prof. Quiggin: As I say, at the back of this I feel as though there is a desire to get the result particularly without putting money on the budget and without in some sense to inflate the impact of the public component. On the whole I do not really think that can be done. In the end the resources are the resources. The subsidy we provide is what it is. I would prefer if we are going to do this kind of thing to just have it as something along the lines of the first home owner scheme. We just hand out a certain amount of cash to everybody who buys a home, subject to price limit or whatever.

It is quite difficult, I think, to figure out what the contingent liabilities are here. The public is taking equity in these houses. What happens if the Reserve Bank either misjudges or judges correctly, depending on what you think the objectives are, and manages to get house prices down to 2015 levels, say, which were pretty high back then? That implies a big equity loss for everyone who owns equity in houses. In this case it would be the Commonwealth. Doing the analysis of this scheme is a complicated task. I got the request and thought I will put in some things on general principle. Those are the kinds of concerns I have about it.

Mr BROWN: Do you have a number of social housing that should be constructed in Queensland in a year?

Prof. Quiggin: Not to hand. I have worked on this in the past and, of course, the shortfall is very, very large. We know that—far larger than the budget for this scheme. I sometimes disagree with my economist colleagues, but on this issue when we have looked at what is a top priority for Australian governments well before the current crisis building more social housing was right at the top of that list. We have seen, fortunately, some moves in the right direction, but we are still in the grip of the kind neoliberal mentality that led us to sell off the public housing stock in particular in the past. The governments just do not want to get involved with what is inevitably a very difficult area of policy.

Mr BROWN: With the cost of building at the moment, is there a diminishing return in regard to the price governments can get to build houses? If they increase the social housing build, what price they can get to build those houses?

Prof. Quiggin: Certainly there is immense pressure on all of the resources we need. I am, in general, supportive of infrastructure. I have been casting a very critical eye on a bunch of proposals coming from the federal government—sometimes at the state level—for projects that really seem much lower priority than both housing, particularly social housing, and some of the more urgent infrastructure needs. Football stadiums and things of that kind, I think, are things that are taking resources away from these needs. They are described as creating jobs but really what they are doing is creating vacant jobs in the industry where we actually need people. It is not as though there are lots of unemployed carpenters and electricians sitting out there waiting to be called up to work on the projects that are being created. It is a huge problem. To my mind, this policy is, at best, a diversion.

Mr HART: Thanks, John, for giving us your opinion here today. I think you have made some very valid comments. John, have you had a look at the way this bill is structured as far as total budget is concerned and what the total budget might be if it applied to everybody who may be eligible under present conditions?

Prof. Quiggin: No, I have not. I was sent a request to comment and I gave a very brief one. I could probably take a question on notice on both that and the shortfall in social housing if you would like me to write something and send it a little bit later?

Mr HART: Yes, I think that would be valuable, if you would not mind, John.

CHAIR: We will get back to that as a question on notice after we finish.

Mr SMITH: We are talking about social housing but then in the Help to Buy scheme it is about providing that independence and separation from government for those who make the purchase. Is there a potential option in future that works better where the federal government engages contractors throughout regional Queensland to build housing infrastructure, be it in the form of unit blocks or housing estates. The federal government then owns that infrastructure and can then work on these low purchase schemes. Is that potentially a better option in future that you see in terms of there being more delivery of housing and a different mix of dwellings owned by the federal government? Therefore, they can control that buy-in and whatever they get from that they can reinvest back into further expansion of dwellings.

Prof. Quiggin: Broadly speaking, I agree. Historically this has been a function of state governments, and I think that is probably the appropriate level of government. The federal government in most things—possibly too much—hands over the money and gets the states to do the work. In housing that has always been the case. It was mentioned in the explanatory memorandum that there are options for public housing tenants to buy the houses they live in with assistance.

Unlike the lottery character of the previous scheme, this makes sense in the sense of we had this problem—there are many problems of course with public housing—that people are put in public housing because they are in need but then their circumstances improve. We do not want to evict them but we also do not want them remaining and occupying public housing estates. Allowing people to buy their homes and using those procedures to do with new housing may be a way of helping to turn over the public housing stock in a way that lets people who have a temporary need for public housing get out of that state and into home ownership.

I am not a real expert on this social housing question. I share, as I say, the consensus that we need a lot more of it, but I have never worked closely in the sector to understand the detail problems. Nonetheless, it seems much better to have a fairly clear indication of who owns it rather than these kinds of co-ownership schemes which I think are fraught with potential difficulties.

CHAIR: There being no further questions, Professor, thank you very much. I have been following your work for years. It is a great joy to see you here. Thank you once again. There was a question on notice on social housing numbers needed. If we can have a response to that by close of business Thursday, 30 May, that would be appreciated.

DAWSON, Ms Emma, Executive Director, Per Capita Centre for Equitable Housing (via videoconference)

CHAIR: I now welcome Emma Dawson, the Executive Director of Per Capita Centre for Equitable Housing. You have probably seen how this works. We allow a few minutes for an opening statement, after which we will have some questions for you. Thank you for joining us today via videoconference.

Ms Dawson: Thank you for inviting me to present on behalf of the Per Capita Centre for Equitable Housing. I am coming to you today from the lands of the Bunurong people of the Kulin nation and pay my respects to elders past and present.

Per Capita is supportive of the passage of this bill, which effectively will allow Queensland to refer powers to the Commonwealth to participate in the national Help to Buy scheme. We would note that home ownership in Queensland has fallen by six per cent over the last 30 years and outright home ownership has fallen even more—by more than 13 per cent—which is particularly challenging considering outright home ownership is one of the key pillars to avoid poverty in retirement. Thirty years ago around half of young adults in Queensland were able to buy their first home by the age of 30. That has dropped now to around a third of young adults being able to enter home ownership before their thirties.

The Per Capita Centre for Equitable Housing conducted a nation-wide survey of attitudes towards home ownership last year. Queensland specific results found that 75 per cent of those living in Brisbane and 81 per cent of those living in regional Queensland are worried they will not be able to buy a home at all and almost two-thirds say they would not be able to buy a home without a large inheritance. That is, of course, where shared equity schemes come in. They can help people who do not have access to the bank of mum and dad. They help with both the deposit gap and the repayment constraints, so they are better than, for example, mortgage guarantee schemes.

We also note that the way this bill has been drafted will ensure that, while those powers are able to be referred, this would not affect any existing programs such as Queenslanders' pathway shared equity scheme, which is available to social housing tenants, and it would allow Queenslanders to access the federal scheme with no additional cost to the state government and without ceding its constitutional powers, so we do support the bill being passed.

CHAIR: Thank you, Emma. I have a question—and this is something your submission pointed out very specifically. You talked about the other states' shared equity programs such as South Australia and the Keystart program in Western Australia. You said that the scheme addresses both the down payment—the deposit—and the repayment constraints and that that is more effective plan just providing a mortgage guarantee. That is a very good point. Have all of those other shared equity schemes had all of those components or is this something that is unique to this scheme?

Ms Dawson: Shared equity schemes in general do have those benefits over, for example, mortgage guarantee schemes because they are able to take a share in the home, not just of the ongoing repayments but of the total cost of that home so it reduces both the deposit gap and the repayment constraints over time. This scheme, in particular, is designed so that applicants only require a two per cent deposit and they do not need to take out mortgage lenders insurance. That overcomes one of the biggest hurdles for young people in particular, which is being able to save that deposit. It was estimated that it would take a couple on average incomes, saving a full 20 per cent of each of their salaries, more than five years to save a deposit for an entry-level home in Queensland. For a single person, that is almost entirely impossible. It does have that benefit over the deposit gap.

CHAIR: One of the things we have talked about with earlier witnesses is the mortgage guarantee. In this particular scheme, it is a two per cent deposit and the federal government becomes a mortgage guarantor. If more equity is bought into the home by the homeowner or they go out of the scheme, they have to take on mortgage insurance which previously they would not have had with that property.

Ms Dawson: Yes.

CHAIR: That has to be an important part of the education around this program for people taking on these schemes. A range of other things would happen if circumstances changed, but that is one of the things that needs to be communicated well to all people who are participating in this scheme.

Ms Dawson: Absolutely, Chair. I think that understanding the parameters of the share of equity that the government owns in one's home and the cost of exiting the scheme, if participants want to exit the scheme down the track, is to ensure that they then have sufficient capital and repayment capacity to not only buy out the share of the Commonwealth's original investment but also ensure that they then do not enter into a situation where the equity that they have in their home falls below the threshold and then requires them to take out that mortgage lenders insurance as well. There will be a need for careful education and financial services advice to people participating in the scheme. It does provide a pathway for people who otherwise would find it unaffordable to enter the housing ownership market.

CHAIR: In terms of equitable access, there is a two per cent deposit. Other submitters from industries have said that five or 10 per cent is ideal and that is what they want. With house prices the way they are, getting that five per cent is almost beyond the means of most people these days, isn't it? We have to rethink what we are asking for when we ask for deposits; is that correct?

Ms Dawson: That is absolutely right, Chair. I note that there is growing anger in the community among people who have paid rent for years if not decades, reliably and without ever missing a rental payment, and yet they are still deemed not eligible for a mortgage that, given the cost of housing at the moment, might end up costing them less in mortgage repayments than they are paying on rent. That is entirely because of the inability to save a lump sum at the same time as you are paying rent in the private market if you do not have access to family wealth or family capital. Saving up that deposit can become prohibitive. It has been for low-income earners for a long time but is now becoming prohibitive even for average and middle-income earners. The ability to access a home loan without having that lump sum saved is an important feature of this scheme. It also points, I think as you rightly say, to our need to reconsider the lending rules to support people who are quite capable of making repayments on an average mortgage but are unable to save that lump sum while they are servicing their rent at the same time.

CHAIR: I think that is a very good point that has not been made before: for people with a very strong history of paying quite large rents, which could be above house repayments, strangely enough that does not count in their favour.

Ms Dawson: No. What this scheme does is that the government provides the surety that the loan is not going to default and make a loss because of the lack of initial equity. Of course, the reason banks require a 10 per cent deposit plus mortgage lenders insurance or a 20 per cent deposit without is to ensure that, if fluctuations in income and house prices mean that that property has to be sold before the purchaser has built up any equity in it, the lender is not making a loss. Here the government is stepping in to take on that risk.

Mr McDONALD: Emma, I appreciate the submission by the Centre for Equitable Housing. Can you tell us how your organisation is funded and who pays for the research? There is some very good information in your submission.

Ms Dawson: The Centre for Equitable Housing is entirely funded by philanthropic grants. Our major funder is the V&F Housing Enterprise Foundation, which is a philanthropic institution established in Victoria about three years ago, entirely dedicated to housing equity. So far they have funded all of the primary research at the Centre for Equitable Housing. Per Capita generally has a mix of funding including, primarily, philanthropic support, some institutional funding from organisations like Maurice Blackburn, some of the trade unions, the Electrical Trades Union and others. The Centre for Equitable Housing itself does not accept money from anyone with a vested interest in the property market. We do not accept money from developers. The centre's research is entirely funded philanthropically.

Mr McDONALD: I note on page 6 of your submission you talk about the housing shortage. You state that Queensland's population grew by over 700,000 between 2012 and 2022 and note the number of dwellings that have been built. Can you talk us through some of that, the shortages and some of your thoughts about improving that situation?

Ms Dawson: That is a really important question and goes to the heart of our work at the centre. While these schemes are very important to support people getting into home ownership, the genuine and longstanding crisis in housing in Australia is at the bottom end of the income scale—that is, people on low incomes and particularly those on fixed incomes such as income support. That is where the decline in investment in social housing, community and public housing has really hit hard over the past 30 years.

As you noted, in the decade to 2022 Queensland's population grew by over 700,000 people but there were only an additional 1,343 social homes built and added to the market in that time. There are almost 30,000 people now on the waiting list for a social home in Queensland. It is projected that the shortfall in the number of social homes required to house low-income and fixed-income Queenslanders will reach 175,000 within the next two years. Critically, in Queensland over 22,000 people were homeless on the last census night. I note that the census really only tracks very visible homelessness like rough sleeping. The majority of people experiencing homelessness are not counted in the census because they are couch surfing and so on.

While we think this scheme is very important and it is a good step towards home ownership, as limited in scope as it is, the critical task for federal and state governments nationally is to invest in much more social housing—good quality social housing—that can be made available to people to give them a secure rental home that does not put them in rental stress and has a capped rent according to their income.

Mr McDONALD: Do you have any thoughts around the requirements of pricing? You talked about the median price in Brisbane and other LGAs being well above the limits that are already set and people’s salaries. Do you have any thoughts around that?

Ms Dawson: I think the limits are sensibly set. I recognise that the median house price across the country and particularly in capital cities has gone up sharply over the past few years. Most first home buyers are not buying at the median. What this scheme will support people to do is to buy their first, entry-level home. While everyone dreams of the three- or four-bedroom classic Australian home on the quarter-acre block, most young Australians and older Australians in rental stress now are quite accepting of the fact that they will start off somewhere smaller. It is important to cap the scheme not only for its fiscal viability but to ensure that it is (inaudible) most in need and those who have the lowest capacity to buy into the market themselves. You have to remember that still the purchaser is required to make the repayments and own the bulk of the equity in the home and so I think it is set at a reasonable level for first home buyers to buy an entry-level one- or two-bedroom home.

Mr BROWN: In your submission, you refer to reforming negative gearing and capital gains tax. Do you have a position on how far we should go in reforming negative gearing? Is it that if you own two investment properties you should lose the benefit?

Ms Dawson: We do not have a hard and fast position on that issue. Our position is more that the incentives, as they are, are encouraging speculation—rampant speculation—in the property market. We do recognise that negative gearing is an important consideration, particularly for a lot of what we would call hobby investors—that is, those who are often referred to as mum-and-dad investors who may only have one investment property and they are highly indebted to do so.

My personal view is that, as the Prime Minister noted earlier this year, negative gearing is not a housing equity measure; it is a housing supply measure and as such it should be reformed to be a supply measure. I would look at grandfathering existing negative gearing of the one investment property but in future applying it to newly constructed housing to encourage supply of new housing in the rental sector. Actually it is the capital gains tax discount, when that was introduced at the turn of the century, that combined with negative gearing so we really started to see house prices escalate away from income. I would look at perhaps reforming the capital gains tax discount to encourage purchasers who intend to rent their property to hold that property longer so that they can provide more secure long-term tenure to tenants. There are a range of ways of reforming those taxation concessions or those incentives to ensure that they do not disadvantage people who have a modest investment property to provide for their retirement, but at the same time does not allow us to continue rampant speculation that is pushing competition for first properties, particularly those properties at the lower end of the market, out of the reach of first home buyers.

Mr BROWN: A lot of the submissions talk about federal and state policy positions. We have brought in reforms to try to speed up the provision of NDIS housing. A developer is trying to build NDIS housing in my local government area. That has been taken to court twice now and held up for close to two years, for six units. Some of the reforms that the state and federal governments are doing are being hamstrung at a local government level. It seems that we have to come up with the solutions but they are creating the problem.

Ms Dawson: It is an excellent point that all levels of government need to recognise that we have a housing affordability and availability crisis and work together to make more homes available, particularly for people with disabilities and who need specialist NDIS housing or retirement housing. Different local councils take a different approach, of course, and it is important that local communities have a say over the design and makeup of their neighbourhoods. All too often, there are small barriers put in place of what should be larger schemes. I think it is important for all systems of government to coordinate properly and ensure that we are smoothing the pathway for the provision of essential housing as far as possible.

The example you give is a very good one because it is clearly a developer who has a social licence and a social imperative to get on with building that housing. I would also say that, particularly in areas of larger cities including Brisbane, there are many instances of developments having been approved and then being held back by developers because of the financial constraints on them making a profit. A lot of that has to do, of course, with supply chains and building materials at the moment as well. All of these levers need to be pulled together to ensure that we have houses available for people to live in.

CHAIR: Thank you for that. That was a bit of a broad question but it has been a broad-ranging discussion. Member for Burleigh?

Mr HART: No thanks, Chair. I think Emma has covered everything pretty well.

CHAIR: There being no further questions, Emma, I thank you very much for your time today. We have appreciated the time you have been able to give to us. I point out that I was not aware that the Centre for Equitable Housing was funded partially by the ETU. I declare that I am a member of the ETU. That is the first I have heard about that so thanks for that, Emma.

HILLS, Mr Jackson, Manager, Policy and Strategic Engagement, Q Shelter

CHAIR: I welcome Jackson Hills from Q Shelter. It is good to see you again, Jackson. I invite you to make an opening statement and after that we shall have some questions for you.

Mr Hills: Good morning, Chair and committee. I just want to apologise that we were not able to get a full submission into the committee on time. As I know you will all appreciate, it has been a dynamic policy and investment environment in the housing space through the Queensland parliament the last few weeks, but I would like to be able to table my statement today for the record.

Q Shelter is Queensland's peak organisation with a vision that every Queenslander has a home, leading on solutions to unmet housing need and homelessness. Q Shelter works to strengthen system capacity and influence policy and investment to support effective solutions. Home ownership has been the central element of Australia's social welfare policy since the 1950s. Supported by high wages and lower taxation through the postwar period, securing home ownership has long been a necessary feature of the retirement system.

Australia's overall home ownership rate has been falling since its peak of 72 per cent in 1966. At the 2021 census it was 66 per cent for Australia and only 63 per cent for Queensland. The rate has fallen significantly for younger buyers. For people aged 30 to 35, rates have fallen from a high of 65 per cent for those born in the 1950s to around 45 per cent for those born in the 1980s such as myself. From a policy perspective, a systemic fail in home ownership in the longer term is likely to place increasing financial pressure on governments and intensify existing economic inequalities as individuals age.

We know that there are unintended consequences of some of the existing policies around home ownership, particularly first home buyer grants. Most economists have concluded that they inflate house prices and have a perverse effect on housing affordability. Essentially, they are popular but they are not effective. Q Shelter supports alternative measures to increase the rate of home ownership that have less of an inflationary impact, including mortgage guarantees and targeted shared equity arrangements, replacing stamp duty with universal land tax and/or increasing the stamp duty threshold, and land lease arrangements that may deliver an alternative form of secure tenure. Other supply measures such as increasing the supply of social and affordable housing are also critical in this equation. Without adequate supply in the market, demand-side policy can cause inflation.

I will now just give some observations on the bill before I conclude. Whilst our preference for this scheme would be to ideally target new homes and new supply, we support the overall approach. We understand that other peak and industry bodies have already made representations in the federal parliament identifying opportunities for the bill to consider reserving places for disadvantaged groups and more bespoke income testing for thresholds of single parent households. Aside from those recommendations, we note the bill has a statutory review period every three years and ideally this would occur on an annual basis as part of Housing Australia's reporting framework.

I also note that increasing home ownership rates is a policy objective of the Queensland government's recently released Homes for Queenslanders plan and also its First Nations housing road map, Our Place. We are pleased to see that if this bill is successful in the federal parliament Queensland has been targeted as the first state to participate in the scheme. This is essential given rates of home ownership have been declining for the past three decades in our state. In closing, Q Shelter supports the bill and welcomes the introduction of help to buy as a feature of a wider suite of home ownership policy to address the decade-long decline in home ownership rates. I am happy to take questions.

CHAIR: Thank you very much, Jackson. I think one of the points that you made about the first home ownership cohort is one of the most important targets of this scheme. Clearly first home owners are absolutely crucial for this. We are looking at a scheme here where you have a two per cent deposit and no mortgage insurance needed and where, obviously with that injection of equity, a lesser quantum of repayments is needed. All in all, this scheme would probably be a boon or something that is very much welcome for those people who are looking to buy their first home.

Mr Hills: What we know is that there is a whole portion of income groups that cannot participate in the purchasing market at the moment and that dream is getting further and further beyond them. As I said in my opening remarks, we do support targeted shared equity programs, and this is one of those that goes to target income groups that might not otherwise be able to get into the market with necessary safeguards in place. You mentioned the deposit of two per cent. You also mentioned that the measure is targeted. This is something that already exists in some other jurisdictions around Australia but also overseas and we see it as a necessary mix to get more people on that pathway—

if they choose that, I should add, because we see this as housing choice. Not everyone who exists in the housing system wants to purchase a home, but many more would like to if they had some more support from government.

CHAIR: I think you made a good point as well about an annual mechanism of review through Housing Australia's annual report. Even though there might be a need to review this in three years, it is very important to see on an annual basis how this is performing, so that needs to be a very important part of what Housing Australia does.

Mr Hills: Yes. I would encourage the committee to consider that in its final report. I know our national peak bodies are making the same representations to the federal parliament. We also know that this is a new scheme, so it absolutely requires good evaluation in the first year to assess its impact.

Mr McDONALD: Thank you, Jackson; I appreciate the input. A couple of the other submitters talked about 2,000 being the number to be able to participate in this. Obviously it is a first in, best dressed basis. Do you have any thoughts or concerns around that?

Mr Hills: Yes, we do. I again allude to the comments I made earlier. Our national body National Shelter and also Community Housing Industry Association have made representations in the federal parliament on that exact point. We do think there needs to be some safeguards in that baseline number to protect certain income groups, and in particular some single income households, so we have aggressively supported that provision and I do think that the final bill needs further work in that regard. I think the 2,000 you refer to is in the first year of a 10,000 total nationally of a scheme that would operate over three years, but yes.

Mr McDONALD: I was under the impression that 2,000 was for Queensland?

Mr Hills: My understanding is in the first 10,000 that operate—so that is not the full extent of the scheme but in the first 10,000—there are 2,000 roughly, more or less, that might be equivalent to Queensland's share of that overall scheme, yes.

Mr McDONALD: Have you turned your mind to thoughts around the values of $600,000-odd and $500,000 for regional areas? Do you think that is appropriate or too high or too limited?

Mr Hills: Again, the final bill does require a little bit more detail on certain income types and also some of the geographical considerations that are different and disparate in some of our regional communities. I have seen some other submissions that have talked to that issue in regions, and we would support that, and I hope there is a chance to finesse the final bill that goes to the federal parliament in that regard.

Mr McDONALD: Thank you, Jackson.

Mr BROWN: Obviously we have had a range of views supplied to us today and in the submissions as well. Can you explain to me why Q Shelter is supportive of this policy in a suite of policies that are needed in housing and not taking a purist approach of being dismissive of it for the greater policy that you are seeking?

Mr Hills: Absolutely. We believe in a healthy housing system and at the moment you would not describe our housing system as that. At something that I spoke at last week I called it a system that is on life support that really needs some help. Obviously the state government has released a package that looks at a whole range of aspects to that system and the federal government is seeking to do the same thing. Home ownership is a really important part of a housing continuum. Not everyone seeks or aspires to own a home, but we know that many more income groups would like to if they had a little bit more support from the government. In that context, we are supportive of home ownership policy that is targeted in its approach and that does not have an unnecessary inflationary impact on housing affordability more generally, and I mentioned in my opening remarks that some policies do. The first home buyer grants do—that has, I think, been proven by many economists—but our sector does support these more targeted measures that do help some income groups that are very close but just outside of the ability to purchase in their own right.

CHAIR: Member for Burleigh, do you have a question?

Mr HART: No, nothing thanks, Chair.

Mr SMITH: You may or may not have the answer on this. We have talked about social housing today and then the component of affordable housing. I imagine that those within the affordable housing market at the moment are the ones who would be looking to get into this Help to Buy scheme. Does Q Shelter have any data on the number of Queenslanders who transition from affordable housing—so subsidised rent—into their own purchased property each year or over the last five years? Is there data out about that?

Mr Hills: I will probably have to take it on notice. I think there might be and am happy to seek in the committee's timeline to provide something of substance. I cannot speak to those numbers today, but I definitely know your line of questioning and would be happy to take it on notice to see if we could supply something.

CHAIR: We can do that.

Mr SMITH: Wonderful; thank you. I think that could potentially help with the scope of why we are putting that number at 2,000 as well, so I appreciate that. Thank you.

Mr KATTER: Often a lot of these discussions are made not necessarily keeping in mind the different dynamics you have in the western areas and more remote areas like those which I represent. Would you like to provide a comment on that? Probably one example I would give as a prompt would be that the lending criteria is significantly more adverse in remote areas where banks are very reluctant to give out loans in those areas, so I would argue that private ownership has different types of hurdles. Affordability is the problem in Brisbane whereas accessibility to finance is the problem out here.

Mr Hills: Having travelled to a number of regions and remote areas around Queensland, I have certainly heard that from some of your community as well. It is something that we are sensitive to and I know that in working with the First Nations housing peak this is something that they are grappling with too. As I said, I would like to see that this bill captures some of that and is a little bit more targeted both on income group types but also regions and some of the nuances in the regions. One of the ways that they might seek to do that in the final bill is to have some carve outs that are protected for people living in those locations. The other thing I would say to the lending bit that you speak to is that obviously a government backed loan is a bit of security, so we would hope that these types of measures for eligible households would help them get above that hurdle if they qualify for the program to have a loan that is backed by the government that they can pay down over time. It is a great point and there probably, to be fair, is a little bit more work to be done on making sure that this program is accessible in the regions.

CHAIR: Thank you once again, Jackson, for that. We do have a copy of your submission that was read out, but we will table that at the next meeting so that everyone has a chance to look at it before we accept that. Thank you very much for getting that in.

Mr Hills: Thank you.

CHAIR: We did have a question on notice from the member for Bundaberg regarding any information or statistics on how many people go on to buy. Member for Bundaberg, could you just go over that again?

Mr SMITH: Yes, so how many engaged in affordable housing—that is, subsidised rent—go on to purchase their own property? That data number could be over the last five years.

Mr Hills: Yes, okay.

CHAIR: We will email that question specifically to you. If we could have the answer by the close of business on Thursday, 30 May, that would be great.

Mr Hills: Thank you.

CHAIR: That concludes this hearing. Thank you to everyone who has participated today. Thank you to our Hansard reporters and thank you to our secretariat. A transcript of these proceedings will be available on the committee's webpage in due course and questions on notice are required by Thursday, 30 May. I declare this public hearing closed.

The committee adjourned at 10.58 am.