

Help to Buy (Commonwealth Powers) Bill 2024

Submission No: 4

Submitted by: Real Estate Institute of Queensland (REIQ)

Publication:

Attachments:

Submitter Comments:



20 May 2024

Housing, Big Build and Manufacturing Committee
Parliament House
George Street
BRISBANE QLD 4000

Email: HBBMC@parliament.qld.gov.au

Dear Committee,

RE: HELP TO BUY (COMMONWEALTH POWERS) BILL 2024

The Real Estate Institute of Queensland (REIQ) welcomes the opportunity to provide our views on the *Help to Buy (Commonwealth Powers) Bill 2024* introduced by the Minister for Housing, Local Government and Planning and Minister for Public Works on 2 May 2024.

The REIQ is the peak industry body representing the real estate sector in Queensland. As the State's most trusted and influential advocate for real estate interests for more than 106 years, the REIQ's enduring purpose is to lead a sustainable industry which makes important contributions to government legislation and policy settings and advocates for balanced regulations for the benefit of all stakeholders in the housing sector.

The REIQ's vision statement, for the real estate profession, extends our support and expertise beyond our membership to the broader real estate profession and community. We believe everyone should be able to make educated, informed decisions about buying, selling or renting property and business in Queensland.

Queensland has the lowest levels of homeownership compared to all other States and Territories in Australia.

Recent data from the Australian Bureau of Statistics highlights concerning trends including that loans to first time owner occupiers have decreased by more than 9% between 2020 and March 2024. Currently, first home buyers looking to be owner occupiers represents less than one in every five loans in Queensland for purchase of a house or land.

The REIQ has long called for innovative policy from the Queensland Government to focus on improving levels of homeownership in Queensland. In our view, this can only be achieved by increasing the number of purchases by first home buyers and owner occupiers that are not first home buyers.

It is proposed that the 'Help to Buy' scheme will assist low- to middle-income earners in purchasing homes through a shared equity program.

Although the REIQ generally supports the policy objective of making home ownership more attainable for low- to middle- income earners, it is our view that the scheme will do little to meaningfully improve levels of homeownership in Queensland unless the parameters are conducive.

It is difficult to provide detailed feedback on the scheme as the Australian Government has released little detail of how the scheme will operate.

We make the following comments for the Committee's consideration.

1. Places offered

40,000 places are proposed to be offered under the scheme, being 10,000 places per year for 4 years. It is noted on the Department of Housing's website that Queensland will have approximately 2,000 of the 10,000 national places available each year for 4 years.

Recognising that the number of places must be carefully considered to ensure the market is not distorted and property prices are not consequently inflated, the REIQ would like to see modelling to determine if the places offered can be increased.

In our view, 2,000 places per year will not be sufficient to meaningfully increase the levels of homeownership in Queensland, particularly among the first home buyer cohort.

2. Eligibility Thresholds

We understand that the following eligibility criteria will apply.

The recipient must:

- be an Australian citizen of at least 18 years of age;
- earn \$90,000 or less per annum for individuals, or \$120,000 or less per annum for couples;
- live in the purchased home as their principal place of residence;
- not currently own any other land or property – either in Australia or overseas; and
- have saved the required minimum 2% deposit of the home price and qualify (and can finance) the remainder of the purchase through a standard home loan with a participating lender.

2.1 Income threshold

We consider the income threshold is too limited in the context of current property value to income ratios, which reduce housing affordability for cohorts that may otherwise be considered middle-income earners¹.

The REIQ recommends the maximum earnings threshold be increased to \$170,000 for individuals and \$250,000 for couples.

¹ Australian Housing and Urban Research Institute, Final Report No 404 Transitions into home ownership: a quantitative assessment (July 2023)

2.2 Equity Contribution

It is proposed that the Government would contribute up to a maximum of 40% of the purchase price of a new home and up to a maximum of 30% of the purchase price for an existing home.

Appreciating that the purpose of the shared-equity program is to focus relief for lower income individuals, in our view, the scheme should be structured with safeguards to mitigate the risk of default.

In our view, the Government should only have a maximum equity stake in the property of 30%. Reducing the Government's equity stake to 30% of the property price will ensure parties are still exempt from lender's mortgage insurance and receive the benefit of a reduced mortgage.

A 40% stake in the property may significantly diminish the individual's control of their asset and may impact future costs and capital gains.

It is not clear from the information provided how the Government will collect repayment. It may be the case that either the equity contribution is collected, or more likely, the Government will collect 40% of the value of the property when sold.

If the latter is proposed, then the recipient of the contribution may be required to forfeit significant capital growth, or if the sale proceeds are less than 40% of the property value, the recipient may be indebted to the Government.

We would also like to understand how the individual's use of the property may be restricted and whether the Government's consent is required to make decisions in relation to the property that may impact value and use.

It is also unknown how capital loss will be dealt with under the scheme. These are important considerations of which consumers should be advised.

3. Equity payout options

Under the scheme, the recipient can buy an additional stake in the home during the loan period. The minimum stake that a recipient could purchase at any one time is 5%.

In our view, the recipient should retain the right to buy out the Government in full at any time during the loan period.

The purpose of the scheme is to improve the levels of homeownership for low- to middle- income individuals. This is achieved by the equity contribution which enables the purchase of the property. We do not see the objective of requiring the recipient to continue to participate if their circumstances enable them to secure ownership of the full equity (and capital growth) in their property.

Additionally, if the recipient's income exceeds the annual income threshold for two consecutive years, they will be required to repay the Government's financial contribution in part or whole as their circumstances permit. We would consider this reasonable only if the maximum income thresholds are increased.

4. Deposit

The scheme requires a minimum 2% deposit of the home price to be provided by the recipient.

In our view, the scheme should include safeguards to ensure that recipients are likely to be able to service the loan without being placed into financial hardship. In addition to meeting income threshold requirements to qualify for finance, it is important that recipients can demonstrate an ability to save.

We consider a higher deposit of 10% should be saved by the recipient in order to be eligible for the scheme. In addition, the recipient should demonstrate the ability to save money over a 3-year period.

A higher deposit threshold will encourage a greater level of financial stability for recipients under the scheme.

5. Price Caps

The following price caps are proposed for Queensland:

- \$650,000 for Brisbane and regional centres; and
- \$500,000 for the rest of the State.

In our view, these caps are too low and do not reflect the median house prices. We appreciate the price caps will have a significant impact on the total funds allocated for the scheme. In our view, an increase in funding is warranted if it will expand the eligibility pool for disadvantaged recipients.

We consider the price cap should be increased to:

- \$800,000 for Brisbane and regional centres; and
- \$600,000 for the rest of the State.

Conclusion

As noted above, it is difficult to provide detailed feedback without an indication of the operational aspects of the scheme. In our view, further consideration should be given to the eligibility requirements to ensure the scheme will be successfully implemented.

It is also evident that the relevant Government department or agency that will be responsible to administer the scheme will need to retain a high level of internal expertise to effectively manage the scheme and financial regulatory frameworks under which the scheme will operate.

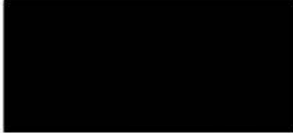
Additionally, the REIQ has long advocated for other policy changes to stimulate levels of homeownership in Queensland, including for the abolition of stamp duty and introduction of a broad-based land tax.



We would be pleased to discuss any of the matters raised further and invite you to contact Ms Katrina Beavon, General Counsel and Company Secretary of the REIQ at [REDACTED].

We confirm no aspect of this Submission is confidential and we consent to its publication.

Yours Sincerely



Antonia Mercorella
Chief Executive Officer