

Help to Buy (Commonwealth Powers) Bill 2024

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Committee Secretary
Housing, Big Build and Manufacturing Committee
Parliament House

BY POST/EMAIL - hbbmc@parliament.qld.gov.au

Dear Committee Secretary,

The Urban Development Institute Australia Queensland is the state's Queensland's leading body representing the property development industry throughout Queensland. Established almost 50 years ago, the Institute speaks with the voice of industry not just in the state's south east but also from 12 regional branches. This highly regionalised structure combined with the power of our Research Foundation, means the Institute is very well placed to offer expert advice and analysis on a wide range of industry matters include measures aimed at boosting private homeownership.

The Institute is pleased to be able to provide comment on the Help to Buy (Commonwealth Powers) Bill 2024, as per the comments below.

Introductory Remarks

The benefits to health and wellbeing arising from private home ownership have long been documented. Home ownership remains a goal for most Queenslanders and evokes strong emotions of safety, security, and a sense of belonging.

However, across Queensland home ownership rates continue to fall and the time it takes an average Queenslanders to save for a deposit continues to increase at an alarming rate. Barriers to entering the property market are no longer unique to first home buyers. Now more than ever, affordability is beyond the grasp of many segments of the Queensland community, particularly the young and the poor¹.

The Urban Development Institute Australia Queensland (the Institute) believes that an essential component in a comprehensive plan to address the current housing crisis is the establishment of a Shared Equity Scheme (a scheme) which aims to provide a pathway for low to moderate income earners, including key workers, who have been all but locked out of the current property market.

To achieve this difficult goal, the scheme needs to be carefully calibrated to respond effectively to current circumstances. However, it must also demonstrate sufficient flexibility to respond nimbly to rapidly changing fundamentals in the housing, finance, and construction industries. Finally, and critically, given the sheer scale of housing shortages in Queensland and across the country, the

¹ Grattan Institute

scheme must work directly to catalyse new housing supply rather than be satisfied to simply use up existing stock.

For these reasons, the Institute's analysis of the Queensland Government *Help to Buy (Commonwealth Powers) Bill 2024* has been based on the following three evaluation criteria:

1. Efficiency and Effectiveness
Does the Bill appear to establish an efficient and effective legislative framework to refer to the Commonwealth powers necessary for Queenslanders to access the Commonwealth's Help to Buy Program?
2. Boost to home ownership
Will the Help to Buy Program, for which powers are being transferred, boost home ownership, especially for those currently locked out of private home ownership, particularly being the young and the poor?
3. Boost to housing supply
Will the Help to Buy Program, for which powers are being transferred, support the delivery of desperately needed new housing stock in Queensland?

Using this evaluation framework, the Institute has identified several issues which should be considered before further progression of this Bill which are outlined below. However, it is very important to note that the Institute remains strongly supportive of a shared equity scheme for Queenslanders and supports both:

1. Facilitation of Queenslanders' access to the Commonwealth's Help to Buy scheme via this Bill, and
2. Creation Queensland's own state-based Shared Equity Scheme to ensure a larger number of Queenslanders are offered this unique opportunity to enter private home ownership and to do so in a manner which is more responsive to Queensland's unique housing and construction market, particularly in regional Queensland.

Evaluation Criteria #1: efficiency and effectiveness

Does the Bill appear to establish an efficient and effective legislative framework to refer to the Commonwealth powers necessary for Queenslanders to access the Commonwealth's Help to Buy Program?

The Bill appears to create an appropriate framework for referring matters relating to the Help to Buy scheme to the Parliament of the Commonwealth for the purpose of creating a pathway for Queenslanders to become applicants to the Commonwealth's shared equity scheme.

Evaluation Criteria #2: boost to home ownership

Will the Help to Buy Program, for which powers are being transferred, boost home ownership, especially among those currently locked out of private home ownership, particularly being the young and the poor?

- The Help to Buy scheme appears not to be restricted to only first home buyers. This is supported by the Institute as it will broaden eligibility for the scheme to other groups who are currently struggling to achieve private home ownership, such as divorcees who have

previously owned property but not yielded sufficient funds from a property settlement to buy into the market a second time.

- Overall, the Institute supports the concept of the indexing of income thresholds. However, exemptions are advised for some groups such as young workers who may reasonably expect their income levels to rise faster than inflation due to career progression. The scheme must not precipitously remove young workers from the scheme at a time in their lives often simultaneously characterised by the high costs and geographic restrictions of early family formation. If the income profile of a participant improves while in the program, a refinancing out of government equity should be considered so it can be reinvested in the program and allow others to take advantage.
- The intention of the scheme's property price caps is to support applicants to purchase modest homes and have been set with regard to the price of residential property in different markets. The Institute understands the Commonwealth also wants the caps to be easy to understand. The Commonwealth further points out that the caps are consistent with price caps set under other government housing assistance schemes. There are some problems with this approach including:
 - the residential property market is highly dynamic with recent years having delivered some of the fastest increases in property prices seen in many decades. As a result, property price caps laid out in other government housing schemes have quickly become out of step with market realities with the immediate knock-on effect of rendering the scheme useless to targeted participants such as first home buyers or those with constrained budgets. If caps are necessary, then they need to be accompanied by highly agile mechanisms to re-calibrate caps as property prices move
 - when used in other some large-scale government assistance schemes, property price caps have had the effect of lifting prices at the bottom of the market to match the cap. This disproportionately impacts those with smaller budgets who have the least ability to pay more. Alternative administrative arrangements should be considered to drive applicants toward a modest purchase, such as (the already included) income thresholds which when applied to banks' serviceability tests may well achieve the stated outcome on their own without the need to advertise a property price cap
- The proposed scheme does not allow applicants to conduct a business from the premise. However, consideration should be given to amending the proposal to account for the realities of modern living and explicitly allow for working from home, running a small home business and allow for excess bedrooms to be rented out to assist with servicing the mortgage.

Evaluation Criteria #3: boost to housing supply

Will the Help to Buy Program, for which powers are being transferred, support the delivery of desperately needed new housing stock in Queensland?

The Queensland Housing Crisis is severe and is currently forecast to worsen before it improves. This means the dire consequences already experienced by thousands of Queenslanders including

housing stress, insecure housing, and homelessness will spread to hundreds more by this time next year. For this reason, the Institute strongly advocates that no change to the housing system should be considered unless it will explicitly boost housing supply alongside its own stated objective. Put simply, the housing crisis means that unless every new measure by government does “double duty” and boosts housing supply, it represents a tragic missed opportunity.

The Commonwealth’s Help to Buy Bill risks missing this opportunity in two ways:

1. Prioritising the use of the scheme to new homes rather than existing houses would boost housing supply and assist with the delivery of a much-needed net expansion of the number of dwellings in Queensland. Additionally, as applicants move out of their rental property, it will become vacant for another tenant easing rental shortages
2. Should property price caps be set (or subsequently fall below) the median price of new homes the scheme would inadvertently drive applicants toward the purchase of existing houses over new homes and thus fail to provide any boost to new housing supply.

On a separate but related note, the Institute is satisfied that due to the small scale of the proposed Scheme it would not unintentionally distort housing demand.

Conclusion

In closing, the Institute is a very strong supporter of the shared equity approach. Whilst the Institute has raised a number of matters here which should be further considered in the refinement of the Commonwealth’s scheme, the Institute recommends the Committee supports this Bill on the basis that it creates an appropriate framework for referring particular matters relating to the Help to Buy scheme to the Parliament of the Commonwealth for the purpose of creating a pathway for Queenslanders to become applicants to the Commonwealth’s shared equity scheme.

Yours sincerely,

Urban Development Institute of Australia Queensland



Kirsty Chessher-Brown
Chief Executive Officer