

Inquiry Revenue Legislation Amendment Bill 2024

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7 January 2025

Attention: Chair, Mr Jim McDonald MP
State Development, Infrastructure and Works Committee
Parliament House
George Street
BRISBANE QLD 4000

By Email: sdiwc@parliament.qld.gov.au

Dear Chair,

RE: REVENUE LEGISLATION AMENDMENT BILL 2024

The Real Estate Institute of Queensland (the **REIQ**) welcomes the opportunity to provide a written submission in relation to the *Revenue Legislation Amendment Bill 2024* (the **Bill**) introduced into Parliament by the Treasurer, Minister for Energy and Minister for Home Ownership on 12 December 2024.

Subject to our comments in this submission, the REIQ supports the changes to the *Duties Act 2001* (Qld) (**Duties Act**) proposed under the Bill, including:

- introducing new first home concessions which will provide full relief of stamp duty for first-home buyers purchasing a new home or vacant land to build a new home; and
- changing eligibility requirements to allow homeowners and first homeowners to rent out empty rooms within the first 12 months of purchase.

About the REIQ

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.

Housing Supply & Homeownership Rates in Queensland

Queensland continues to face significant challenges in relation to housing affordability and accessibility across the State.

Concerningly, Queensland has the lowest rate of homeownership of all States in Australia. Our homeownership rate currently sits at 64%, representing a significant decline since 1971 when the homeownership rate was 70%¹.

Over a number of years, the REIQ has called for urgent policy interventions aimed at restoring the level of homeownership to healthy rates across Queensland. There are many well documented benefits of owning a home, both for individuals and community, such as housing security and long-term social and economic benefits². International analysis has also found a link between parents' ownership of property and their adult children's homeownership outcomes³.

Unfortunately, homeownership rates among younger age groups in Queensland has seen the greatest decline.

The homeownership rate for people aged 25-29 years decreased by almost 18% from 1971 to 2021. Similar declines are observed in the 30-34 years and 35-39 years age groups, with drops of 14% and 11% respectively over the same period.

An observation of the last 12 months reveals that Queensland has the lowest proportion of first home buyers of any mainland State, both for all purchasers and owner occupiers⁴. Queensland also has more persons renting in the 25–39 year age bracket (236,210) than in homeownership (227,572)⁵.

A primary cause of the decline in homeownership in Queensland is housing affordability. House prices and deposit requirements have increased significantly over these decades. Brisbane's median house price has increased from 4.3 times the average annual earnings in 1994, to 8.2 times the average annual earnings in late 2022⁶.

The Brisbane local government area (LGA) now has the second highest median house price in Australia, being \$1,180,000 in the September quarter of 2024. The annual median sale price of a unit was \$623,000⁷.

Over the past 10 years, stamp duty revenue on property transfers in Queensland has grown 178%⁸. However, there has been no commensurate investment in the provision of infrastructure for new housing or social housing.

The many barriers to homeownership such as housing accessibility, affordability and upfront costs, has led to more people renting, for longer periods of time. The average tenure in Queensland increased from 14 months in 2014 to 20.8 months in 2024⁹.

As a result, we are seeing greater pressure placed on the rental housing market in Queensland. The rental vacancy rate has continued to hold tightly at 1% since December 2023¹⁰.

¹ Australian Bureau of Statistics (2021) *Census*

² Australian Institute of Health and Welfare (2023) *Homeownership and Housing Tenure*

³ Statistics Canada (2024) *Parents and children in the Canadian housing market: Does parental property ownership increase the likelihood of homeownership for their adult children?*

⁴ Australian Bureau of Statistics (2024) *Lending Indicators*

⁵ Australian Bureau of Statistics (2021) *Census*

⁶ Australian Institute of Progress (2023)

⁷ REIQ (2024) *Residential Sales Report* (based on data from Corelogic)

⁸ Australian Bureau of Statistics (2023) *Taxation Revenue*

⁹ Residential Tenancies Authority (2024) *Annual Report 2023-24*

¹⁰ REIQ (2023) *Residential Vacancy Rate Report December 2023*

Due to the increased demand, Queensland's weekly median rents have also continued to rise substantially over this period impacting housing affordability¹¹. The annual median rent for a 3-bedroom house in Brisbane LGA was \$650 in the September quarter of 2024, increasing from \$590 since June 2024. The annual median rent for a 2-bedroom unit in Brisbane LGA was \$630, increasing from \$600 since June 2024¹².

As more individuals are priced out of the rental market and face housing insecurity, the social housing waitlist data shows that the waitlist has increased by more than an astonishing 11% in the past year, with over 1,800 Queenslanders added to the waitlist during the September quarter¹³.

Conditions for the most vulnerable in our community may not be expected to ease any time soon. The 12-month social housing dwelling completions to the latest quarter were around 600 dwellings¹⁴. This figure falls significantly below targets set by the previous Queensland government (roughly 2,500 social dwellings per annum).

In view of the above, any initiatives that help first home buyers move into homeownership will directly benefit that group. Reducing demand for rental housing also directly benefits renters (particularly those in low- to middle- income groups).

The housing crisis may also be further exacerbated by the projected decline in household sizes. The Reserve Bank of Australia has reported a historical decline in average household size from around 2.9 in the early 1980s to around 2.5 today. This trend is projected to continue, with the Queensland Government Statistician's Office estimating a further decline from 2.43 persons per dwelling in 2021 to 2.37 by 2046. As the household size declines, and our population increases, immense strain is placed on the housing sector and new supply is needed to ensure housing is accessible.

Relief for First Home Buyers Purchasing a New Home or Vacant Land

The REIQ supports the proposed changes to the home concessions under Part 9 of Chapter 2 of the Duties Act.

Stamp duty, the costly tax that applies to property purchases, presents a considerable financial barrier to those wanting to buy their first home, and to retirees seeking to downsize their family home and buy a smaller home – stifling housing mobility. The Henry Tax Review in 2011 noted that affordability conditions would be improved through the abolition of stamp duty and modification of other tax arrangements.

Stamp duty also hinders job mobility which affects the productivity of the entire economy, as well as impacting significant life decisions such as starting a family and moving homes.

The introduction of the new concessions, the concession for *first home and new home* under section 92A and concession for *first home that is vacant land* under section 92B (as well as the new mixed claim concessions under sections 93A and 93B), are a welcome change that we expect will positively encourage homeownership by removing part of the upfront financial barrier to purchasing a new home or building a new home for first home buyers.

¹¹ Residential Tenancies Authority (2024) *Annual Report 2023-24*

¹² Residential Tenancies Authority (2024) *Annual Report 2023-24*

¹³ Queensland Social Housing Register (2024)

¹⁴ Australian Bureau of Statistics (2024) *Building Activity, Australia*

There is, however, a lack of data available on first home buyer's purchases of new properties or vacant land in Queensland.

The REIQ would be interested to understand if the Government has modelling in relation to the expected take up of the new concessions and anticipated increase in the rate of homeownership in Queensland.

In our view, the use of the new concessions may be limited to an extent. The completion rates of new homes and rates of building approvals in Queensland are presently below the historical average¹⁵, particularly in regional Queensland.

Only 32,500 private dwellings were completed in the year to June 2024. The total dwelling completions reached around 33,100, being well below the national housing target of 48,000 dwellings to be completed per annum.

In the year to October 2024, building approvals were around 38,600 dwellings (3,200 per month) which is significantly below the volume needed (4,000 per month) to meet current targets under the National Housing Accord.

There is also a growing concern over the availability of construction workers in regional areas in Queensland. In the Government's Infrastructure Productivity and Workforce Roadmap released in July 2024, it is noted that labour supply is concentrated in cities, with 78% of construction workers and tradespeople disproportionately living in cities.

Building approvals are also disproportionately higher in Southeast Queensland. In the 2024-25 financial year to date (including July to October), ABS figures on building approvals show 81.9% in Southeast Queensland, compared with a population share of 73.6%. This suggests that regional Queensland may suffer from a lack of new dwellings to purchase relative to Southeast Queensland.

We acknowledge the Queensland Government has recently introduced legislation, which was supported by the REIQ, to establish an independent Productivity Commission in Queensland with the first primary task to be an inquiry into the construction sector. The REIQ supports this initiative for the purpose of identifying solutions that can appropriately increase the rate at which housing is built in Queensland.

The REIQ suggests that additional measures should be considered by the Government to further increase levels of homeownership in Queensland.

For example, we suggest expanding the first homeowner grant to first home buyers purchasing established housing in regional areas of Queensland. To mitigate the economic impacts of delivering such relief, the Government may:

- offer the relief for a specified period of time, for example, two-three years;
- cap the number of grants available each year; and
- conduct annual reviews.

¹⁵ Australian Bureau of Statistics (2024) *Building Activity, Australia*

Eligibility Requirements to Allow Homeowners to Rent Out Empty Rooms

The REIQ supports the proposed easing of eligibility requirements for home concessions under section 153 of the Duties Act, which will allow homeowners and first homeowners to rent out part of their property without losing the benefit of the relevant concession (provided they maintain the dwelling as a primary place of residence). We note this proposal is a long-held position of the REIQ and was reiterated as an Election Policy recommendation by the REIQ in early 2024. We are pleased to see this policy being adopted by the Government.

On average, 21,000 first-home buyers every year had previously been prohibited from leasing out part of their property, within the first year of ownership. The number of additional rooms the changes will bring to the rental housing market may be difficult to estimate depending on the number of available rooms in those properties purchased and the homeowner's lifestyle or willingness to share their home. Even a modest percentage of 3-5% per annum will help with supply challenges.

This measure encourages homeownership as well as addressing the need for rental supply, reducing strain on the rental market.

Once these changes come into effect, it may be beneficial for the Government to take steps to promote the concessions and encourage new homeowners to rent out a room in their homes.

Education is key to helping Queenslanders understand the potential, tax ramifications, charges, and insurance risks associated with the initiative. With some more clarity and guidance, renting out a room is more likely to be embraced by the community.

The benefits for homeowners should also be strongly promoted. As well as introducing more supply into the market, homeowners will financially benefit from renting out spare rooms in their home. For example, rent payments can help offset mortgage repayments or other costs incurred by homeowners, which will greatly assist first home buyers.

While the REIQ acknowledges that no single measure can solve the housing crisis, this is one lever that may increase levels of supply in some areas, within a short period of time.

Incentives to Encourage Downsizing

The REIQ recommends, as a further step, the Government could offer stamp duty exemptions for Queenslanders aged 55 years or over who choose to move from a larger home, to one with fewer bedrooms.

In Queensland, there are about 2 million spare bedrooms among all homeowners, with around 36% of these belonging to individuals aged 65 and older. In all age groups over 65, most homes have two or more spare bedrooms¹⁶.

Offering a stamp duty exemption will remove the financial barrier for those older Australians who are minded to downsize, leading to a greater supply of larger homes within the housing market and generational changes for houses and neighbourhoods.

¹⁶ Australian Bureau of Statistics (2021) *Census*

This change would have the potential to drive 'rightsizing' to appropriately sized and located homes, potentially increasing the supply of housing into the market. Such an exemption should only be available for those without the means to downsize, who may face a financial barrier to taking that step.

We would suggest eligibility requirements including:

- a means test, for example, such an exemption may be limited to those eligible for the aged pension; and
- a requirement for the exemption to be used within a suitable time period.

We note the Liberal National Party in Western Australia have recently announced that should they win the 2025 state election, they would introduce a rebate to encourage older homeowners to downsize in order to free up homes for younger generations. This rebate would include a \$20,000 one off payment to people aged 60 or over who sell their homes and purchase a smaller home within a year. The REIQ would support a similar measure for Queensland in order to boost the availability of housing through downsizing.

We would also be pleased to discuss any of the matters raised further and invite you to contact Katrina Beavon at [REDACTED]

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

Yours Sincerely



Antonia Mercorella
Chief Executive Officer