

The right priorities for New South Wales

**“Housing &
home buyer
rescue package”**



THE NATIONALS

NSW LIBERAL NATIONALS COALITION HOUSING AND HOMEBUYER RESCUE PACKAGE

In government, the Liberal Nationals Coalition will introduce a three part Housing and Homebuyers Package to rescue the NSW housing sector, assist young homebuyers and offer choice and affordability for homebuyers and rental tenants.

This \$154 million housing rescue package will generate demand for an additional 2800 homes, generating up to 3000 extra direct job opportunities in the housing and construction sector.

What New South Wales Deserves

There are few things in life more important than our homes. Where we live, how we live affects us all. It impacts upon our relationships, our family life, work life, and the part we play in our local communities.

We deserve choice. Whether we want to buy or rent, we deserve choice in where we live and how we live. And the planning processes, economic policies and incentives of any good government should help give people those choices.

Sadly, this is not the case. New South Wales, once Australia's power-house, should be the envy of every other state – with affordable and convenient housing available wherever people chose to build their own and their family's lives.

Instead, we face a shortfall in the construction of new homes created by ten years of neglect – testament to Labor's failed philosophy that '*Sydney is full*'.

Housing approvals and commencements in NSW are at their lowest levels for more than 30 years and the sector is in crisis as investment and jobs flee to other states.

Renters are facing higher rents and limited choices. Homebuyers, caught in the rental price spiral, are finding it harder to save for a deposit.

New South Wales deserves better. It deserves a vibrant and healthy housing sector offering both homebuyers and tenants choice, diversity and affordable housing.

The Liberal Nationals Housing and Homebuyers Rescue Package - Affordability, Confidence, Choice.

The Coalition Housing and Homebuyers Rescue Package includes three parts designed to help first-time buyers enter the market, encourage greater availability of new rental properties and support the next generation of skilled workers for the state.

1. Topping up the First Home Owners Grant by \$3000

This will increase the grant from the current \$7,000 to \$10,000, providing a much needed boost to young people seeking to purchase a new home of up to \$500,000. Importantly, this measure will support people struggling to bridge the deposit gap. This extension to the First Home Owners Grant (FHOG)¹ will apply for two years commencing in the 2007-08 Budget.

Topping up the FHOG by \$3,000, bringing the total grant to \$10,000, would nominally cost the NSW Government around \$90 million over 2 years of the stimulus package, and generate demand for an additional 2000 new homes. This would generate the equivalent of 2800 job opportunities.

Some of the homebuyers who take advantage of the State top-up will also be eligible for the State First Home Plus concession and may increase demand on this concession.

However, the increase in demand for new housing generated from this measure will also increase GST revenue and state revenues (through payroll tax and other flow-ons from increased economic activity) of up to \$106 million over the period. As a result, the revenue impact will be offset.²

2. Establish a stamp duty concession of \$4,000 to investors providing rental accommodation

This measure will apply to investors buying new homes where the purpose of the property is to provide lower cost rental accommodation. The concession will apply for two years commencing in the 2007-08 Budget.

The investor concession will apply to new properties of a value up to \$500,000³, a measure aimed at boosting investment in rental accommodation stock at the more affordable end of the range. The full concession would only be available if the property was retained for lower cost rental for more than 5 years. Where the property is disposed of within the 5 year period, pro-rata rates would apply, with investors facing a cost of 80% of the stamp duty bill if the property is sold at the end of year 1, 60% year 2, etc.

This concession is estimated to cost \$64 million over the two year period.

The increase in demand for new housing generated from this investment measure will also generate additional state revenues through increased economic activity and employment. Accordingly, the overall cost of this measure will be offset.⁴

¹ FHOG is a Commonwealth scheme managed by the NSW Government. However the proposed extension of \$3,000 will be funded by the State.

² HIA estimate

³ This is slightly less than the mean Sydney home price

⁴ HIA estimate

3. Exempt employers from paying the cost of Workcover premiums for apprentices, over a four year period

This measure will apply to all apprentices, including those in the housing and construction sector. It will be phased in commencing in the 2008-09 Budget year. In the first two years (2008-09 and 2009-10) premiums will be halved, with the full exemption being delivered by 2010-11 Budget.

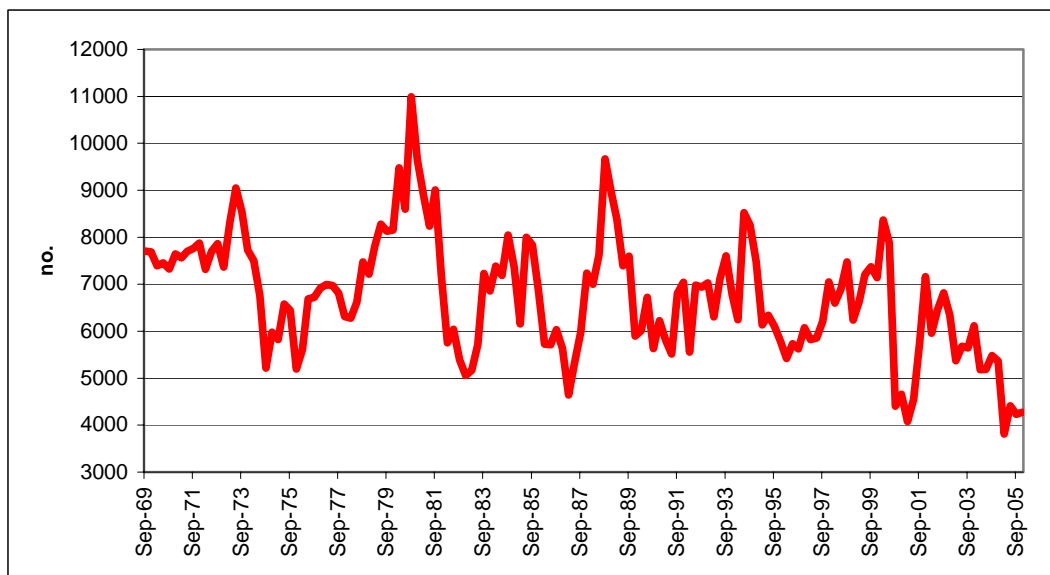
Removing this cost would boost youth employment and ease the long-term skills shortages affecting a range of sectors including building and construction industry.

Apprentices will remain covered by Workcover, as they are now, but the exemption will bring NSW in line with Victoria where employers do not pay these premiums for apprentices.

Labor's Failure

- The housing sector is in crisis with approvals and commencements in NSW at their lowest levels for more than 30 years

New House Commencements September Qtr 1969 – December Qtr 2005



Source: ABS 8752.0

- Years of poor decision making by the Labor Government including the disastrous vendor duty, have only served to erode consumer and investor confidence, driving people to purchase new homes outside NSW.
- Last year 25,000 people left NSW for another state – in search of jobs, affordable housing and a better life. Many skilled tradesmen followed suit in search of work and new opportunities. Official figures tell the real story with over 12,000 full time construction jobs lost in NSW in the last 6 months.

- Sydney has the dubious honour of being one of the least affordable cities in the world - Sydneysiders are now spending more than 37% of their income on housing.
- High fees, taxes and charges present a major and increasingly insurmountable hurdle for first home buyers.
- Ten years ago residential construction in Sydney accounted for 70 per cent of state's construction activity. Now the proportion is only 53 per cent.
- In 2005 the NSW economy grew at less than half the rate of that of Victoria and more than 3 times slower than Tasmania and the Northern Territory. NSW now leads the mainland states in unemployment.

Costings

Top Up to First Home Owners Grant

Based on estimates provided by the HIA, and other Budget data, a top-up grant of \$3,000 per eligible first home buyer will generate around 2000 additional new homes, in the 2 years of the stimulus package. This will also create the equivalent of approximately 2800 jobs in the housing and construction sector.

However, the increase in demand for new housing generated from this measure will also increase GST revenue and state revenues (through payroll tax and other flows from increased economic activity), of up to \$106 million over the period. As a result, the revenue impact will be offset.⁵

Some of the homebuyers who take advantage of the State top-up will also be eligible for the State First Home Plus concession and may increase demand on this concession, estimated at around \$20 million over two years.

	<u>2007-08 \$m</u>	<u>2008-09 \$ m</u>	<u>2009-10\$ m</u>	<u>2010-11\$ m</u>
Cost of \$3000 top-up grant	35	35	-	-
Allowance for cost of potential additional demand on First Home Plus Scheme	10	10	-	-
Value of benefit to State (GST and payroll tax)	53	53	-	-
Gross cost to govt	45	45		

The gross cost to government will be \$90 million over the two year period, but it is likely to be fully offset by other revenue growth as a result of increased economic and construction activity.

⁵ HIA estimate

Investor concession

The costing of the \$4,000 investor concession is expected to be cost \$32 million a year for 2 years, totalling \$64 million for the period⁶. Demand for up to 800 additional new homes is expected to be generated by this concession. This costing is based on HIA estimates provided to the Opposition, and other Budget data.

The increase in demand for new housing generated from this investment measure will also generate additional state revenues through increased economic activity and employment. Accordingly, the overall cost of this measure will be offset.

Costing				
	2007-08 \$ million	2008-09 \$ million	2009-10 \$ million	2010-11 \$ million
Recurrent	32	32	-	-
Capital	-	-	-	-

Apprentices

The cost of Workcover premiums paid by employers for apprentices is up to \$30 million per year. Expenditure will be allocated as follows:

Costing				
	2007-08 \$ million	2008-09 \$ million	2009-10 \$ million	2010-11 \$ million
Recurrent	-	15	15	30
Capital	-	-	-	-

⁶ HIA estimate