

First-time buyers struggle to keep up

Existing grants and bonuses are not enough to offset affordability issues, reports **Kate Robertson**.

REAL Estate Institute of Victoria's Robert Larocca is worried about first home buyers, with data showing their participation in the housing market has crashed over the past two years.

"In June of 2009, 4981 grants were given to first home buyers," Mr Larocca says. "In February this year, it's down to 2153, so the number of first home buyers out there has more than halved in ... just under two years."

While their absence has contributed to the flattening of the broader market, Mr Larocca's main concern is that potential first home buyers are being forced to continue to rent at a time when low vacancy rates are causing spiralling rental costs.

Mr Larocca says first home buyers are struggling to compete against investors and owners who have already built up equity and the existing grants and bonuses have failed to keep up with rising prices. First home buyers purchasing an established property worth less

than \$750,000 can receive a \$7000 grant. "That's at the same level that it was in 2000 when they introduced it," Mr Larocca says. "House prices have increased a little bit since then."

An additional first home buyer bonus of \$13,000 is available to those buying a newly constructed home in metropolitan Melbourne for less than \$600,000 and that can be topped up by another \$6500 if

"Demand is outstripping supply."

PETER ROGOZIK, buyer's advocate

that new home is outside metropolitan Melbourne, taking the total possible assistance to \$26,500.

The REIV's fears that the Baillieu government would axe the bonuses have not been realised, with the government instead committing to them and announcing a 50 per cent reduction in stamp duty for first home buyers, starting with a 20 per cent cut from July 1.

"If you are buying at \$600,000 it

will save you \$6200," Mr Larocca says. "If you are buying at \$400,000 it will save you \$3200, so it's a valuable bit of assistance."

"We argued strongly during the state election campaign for a substantial cut in stamp duty for first home buyers, so we're very pleased that's occurring. The fact that it's being introduced progressively is not a bad thing either, because it makes it less likely that people will put off their purchase."

Mr Larocca says, however, that the reduction does not go far

enough to tackle the core of the facing first home buyers. "To address the affordability increasing the number of houses that are available," he says, "Melbourne's housing needs have increasingly been met by increasing density in existing areas."

Buyer's advocate Peter Rogozik also believes that the real issue facing first home buyers is not the amount of stamp duty but the tinkering around the edges.

"Without a doubt, first

home buyers are struggling because of the affordability problem we're seeing," Mr Rogozik says. "The reason prices are so high is that demand is outstripping supply; it's a basic economic fundamental. These handouts aren't basically doing anything to solve that problem."

"All they're doing is adding to house prices because if you give all first home buyers an extra \$20,000, what's going to happen? House prices go up by the amount of the grant."

Mr Rogozik says more homes

need to be built in established areas, rather than simply continuing to add to the city fringes, which comes at a heavy cost to the environment and to taxpayers, who have to fund extra infrastructure.

"The obvious solution to this problem is infill development because obviously the infrastructure is there, it's not ruining our environment, but why have successive governments neglected it?" he says. "Because it's difficult."

You've got a lot of issues with it, the issues of overlooking, overdevelopment; you get greater resistance from residents. There might need to be some compulsory acquisitions made. If it's near a river, like the Yarra River or something, you've got to do research as far as flood levels are concerned."

Mr Rogozik says he has been heartened by the government's willingness to look at areas such as Fishermans Bend, E-Gate and Moonee Valley racecourse to create

Feet in the door, at last

KARAN Gupta and his wife Sharon are "very relieved" to finally own their own home. The couple settled on an apartment in Kew last year.

"I'm very relieved to not be renting any more," Mr Gupta says.

"At work, I have a few first home buyers who can't get into the market and right now, when I talk to them, they have given up. I think it is a lot easier for double-income people to get into the market rather than single income."

Mr Gupta says the \$7000 first home owner's grant was helpful.

Buying a new property in a regional area to access almost \$20,000 in first home owner bonuses wasn't a serious option for the couple, who work in the city centre, but they did consider buying a new property to get the \$13,500 bonus.

Mr Gupta says a reduction in stamp duty for first home buyers would be a big help as it is an upfront cost.



Sharon and Karan Gupta outside their apartment. PICTURE: LUIS ENRIQUE ASCUI

additional housing. "These are the sort of developments that need to go ahead to increase the supply of housing, which will make it more affordable for first home buyers and for everybody."

Allister Morrison from Ballarat Real Estate says the first home owner's grant and bonuses have had a dramatic impact on the regional hub, where new properties can be bought for between \$300,000 and \$500,000.

"If someone was building a new home in a regional setting like Ballarat ... they could get about \$26,500 [in bonuses]," he says. "For a lot of people, that's getting close to the full deposit or a fair slab off construction costs, or the initial outlay for the block."

Mr Morrison also supports moves to reduce stamp duty.

"It's quite a heavy tax and can be a major burden on people when they're looking to buy a property," he says.

"I think any reduction in those kind of taxes is certainly welcome. The stamp duty reductions might even up the playing field a little bit more with existing properties; perhaps when they're doing their calculations, first home buyers might look again at existing properties for locational benefit."

"But there will still be an incentive to build new homes if the grant and the bonus are going to remain."

First home buyer assistance

- \$7000 grant for property less than \$750,000
- \$13,000 bonus for new property less than \$600,000 (total \$20,000)
- \$6500 regional bonus for new property (total \$26,500)
- 20 per cent reduction in stamp duty from July 1, to reach 50 per cent by September 2014