

17 JANUARY 2013

REIT MEDIA RELEASE

STATE GOVERNMENT MISSES THE MARK WITH FIRST HOME BUYERS/BUILDERS GRANT

Late 2012 the State Government announced its intention to provide a boost to First Home Builders. The Real Estate Institute of Tasmania is of a strong opinion that this incentive targets the wrong sector of the local real estate market.

Recent media commentary that the FHO Grant applications were down by 27% come as no surprise to the REIT.

High levels of unemployment, job insecurity, lack of consumer confidence, government budgetary constraints, and near negative population growth has seen real estate transactions at their lowest level in 20 years.

In an attempt to reignite the real estate market the state government has commenced the first home builders grant of \$8,000.00 for first homebuyers who build or purchase a newly built home. Our research indicates that the course taken by the government is clearly targeting the wrong sector of the market.

REIT statistics show that between 6 and 8 percent of land sales recorded by real estate agents in Tasmania are made by first home buyers; the remaining 92-94% is acquired by developers, second, third and fourth home buyers, spec builders, and investors.

The housing market in Tasmania needs first home buyers purchasing at the beginning of the buyer chain to create multiple sales further up the ladder.

With existing property sales at some of the lowest levels recorded in the past 20 years the State Government's attempt to kick start the housing market is doomed to fail. We estimate that in excess of 80% of new homes constructed in today's market are built and purchased by **non**-first homebuyers.

Many sellers of existing homes are trapped. For example, what happens to Betty Smith, an elderly lady on her own, who is selling her ex housing commission home because it is too big and has too much ongoing maintenance? She wants to move into a unit but cannot because of a lack of first home buyers. Or David Brown who needs to upgrade to a larger home? Same problem. In today's market with a lack of first home buyers nothing happens. It's a simple case of sit, hope, wait and pray.

Last year the State government ceased its stamp duty subsidy to first homebuyers who now have to find another \$3000 - \$5000 to buy their first home. This action alone would account for a significant proportion of the decrease in first homebuyer grants.

The recent ANZ Property Industry Confidence Survey noted that for the second quarter end on end that Tasmania recorded the largest fall in (negative) consumer confidence of all Australian states. Something needs to be done.

REIT representatives met with the State Government on several occasions late last year and provided meaningful suggestions to kick start the Tasmanian housing market. To date these suggestions and opportunities have fallen on deaf ears.

To remove itself from its current slump, the Tasmanian housing market needs stimulus across all sectors. The building industry needs a more effective and streamlined planning approvals process, a job creating and up skilling environment with government support to get projects underway (not caught up in red tape).

We need a real estate market that encourages first home buyers to kick-start the chain of sales, which ultimately will lead to more sales but just as importantly more new homes being built.

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For further comment please contact;

Adrian Kelly 0407444679
REIT President

Tony Collidge 0409726680
REIT Board Member

Mark Berry 0418103641
REIT CEO