REINSW RESPONDS TO NSW BUDGET

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The NSW Budget was handed down yesterday and housing affordability was a key focus, with stamp duty reform and the shared equity scheme trial taking centre-stage. The Real Estate Institute of NSW (REINSW) has provided its response to the measures.

The REINSW welcomes the NSW Government's focus on affordability but says the budget misses several opportunities, including addressing the supply shortage and stamp duty bracket creep.

REINSW CEO Tim McKibbin also notes the reforms only benefit first home buyers among domestic purchasers, making them narrow in scope.

"The measures announced in the budget apply only to first home buyers and in the case of the shared equity reform, only to those in select occupations," Mr McKibbin says.

"Limiting the shared equity scheme to a specific group of people seems unjust and there might be some market distortion, and the sub $1.5 million segment of the market may come under additional pressure, assuming the reforms result in an increase in first home buyer demand.

"Of course, the market's inability to meet already strong demand with sufficient supply is the crux of the affordability problem. There is nothing in these proposed reforms which address the critical shortage of supply.

"The REINSW renews its call for Government to focus on the supply side as this has the greatest potential to contribute to an improvement in affordability," Mr McKibbin says.

In relation to the proposal to offer first home buyers a choice between paying stamp duty up front or an ongoing property tax, Mr McKibbin says:

"For a first home buyer looking for an entry-level property, there's an opportunity to buy a home without paying the stamp duty. At face value, this is positive news, as it means they'll have more money to spend on the property itself, making them more market competitive. However, if the first home buyer is buying their 'forever home', then this option becomes less attractive," Mr McKibbin says.

"First home buyers should also keep in mind that no stamp duty is payable for a property costing less than $650,000, and reduced stamp duty is payable between $650,000 and $800,000.

"For first home buyers in the market now, the question is 'should I wait for the reforms to kick in?" They may be eligible for a stamp duty refund but would still need to fund the stamp duty at the point of purchase. In the immediate term, it may create some hesitation," he says.

In relation to the proposal to trial a shared equity scheme for first home buyers in specific occupations, Mr McKibbin says:

"We see this as more of a political move than an affordability solution. Its potential impacts as an affordability reform are questionable as its scope is clearly limited, in relation to the occupations it applies to, who must also be first home buyers," Mr McKibbin says.

"Nevertheless, the shared equity scheme represents a means whereby some first home buyers will be able to enter the market when they otherwise wouldn't have been able to.

"But some practical questions arise. For instance, could a person be eligible for both the shared equity scheme and the stamp duty exemption? Does a person who acquired a property utilising the shared equity scheme have to pay all the outgoings? Will that person have to pay all of the stamp duty or property tax under the scheme?

"Consider a first home buyer who purchases a new property for $1.083 million under the shared equity scheme. Given they will have only a 60% interest in that property, valued at $650,000, do they pay no stamp duty?

"Another pertinent question to a shared equity scheme relates to improvements made to the home. If the occupier makes improvements and maintains the property, is that contribution calculated in the division of the sale price when it comes time to reimburse Government's stake?

"As the drafting of the legislation begins, there will likely be other questions to arise, so it will be critical for Government to consult with industry and stakeholders in developing these policies."

In relation to the lost opportunity to address stamp duty brackets, Mr McKibbin says:

"The budget misses an opportunity to bring stamp duty brackets up to date for all purchasers. Over the past 20 years, Sydney's median house price has increased 280% from approximately $418,000 to $1.59 million," he says.

"Over the same period, the stamp duty payable for a median-priced house in Sydney has increased 406%, from $14,300 to $72,400.

"For the overwhelming number of property consumers, nothing changes. This reform is certainly not the generational change it was touted to be."

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About REINSW

The Real Estate Institute of New South Wales (REINSW) is the peak industry body for real estate agents and property professionals in NSW. It represents more than 2000 agencies across residential sales, property management, commercial, strata management, buyers' agency, agency services and auctioneering. Established in 1910, REINSW works to improve the standards, professionalism and expertise of its members to continually evolve and innovate the industry. It lobbies the government and industry on behalf of members, develops new products and services to benefit agencies and professionals, and offers training and ongoing professional development. For more information, visit reinsw.com.au.