

FEDERAL BUDGET WILL HELP AFFORDABILITY

Each year the federal treasurer announces the government's financial plans over the next 12 months or so in the form of a federal budget. Master Builders director Michaels McLean reports on how this year's federal budget might affect the building industry and prospective homebuyers.

THERE is always a lot of hype and crystal ball gazing surrounding the federal budget. Staggered media leaks tend to stimulate our curiosity to crescendo point on budget night – which is usually the second Tuesday in May each year.

From a housing affordability perspective, here are some of the key elements.

Housing affordability is a centrepiece of this year's budget, with a focus on reducing living costs through the delivery of more affordable housing. First homebuyers, low income renters and builders are all big winners from the government's housing affordability package.

Recognising that the key to easing housing affordability now and into the future is building more homes, the federal government will boost the supply of housing by:

- Working with our state government to set housing supply targets and facilitate planning and zoning reform which should speed up development applications and allow for increased density under the new National Housing and Homelessness Agreement;
- Establishing a \$1 billion National Housing Infrastructure Facility to address infrastructure choke points that are impeding housing development in critical areas of under supply;
- Establishing an open data Commonwealth land registry that will provide more detailed information about Commonwealth land to external parties, allowing and encouraging proposals for higher-value land use, including housing development proposals;
- Under the City Deals program, the government will offer incentive payments to state and local governments to support planning and zoning reform, accelerate housing supply and deliver affordable housing outcomes in a number of locations across Australia.

Other measures to address issues around affordable housing and first homebuyers include;

- First homebuyers will be eligible to build a housing deposit inside superannuation. Voluntary contributions of up to \$15,000 per year and \$30,000 in total will attract concessional tax treatment under the scheme. The scheme commences on July 1 2017. Contributions and deemed earnings, net of tax, can be withdrawn from July 1 2018.
- Older Australians will be able to contribute downsizing proceeds into superannuation. From July 1 2018, individuals aged 65 and older will

be able to make a non-concessional contribution of up to \$300,000 using proceeds from the sale of a principal residence held for at least 10 years into their superannuation. These downsizing contributions will not be subject to the existing contribution caps.

- Establishing the National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator to provide cheaper and longer-term finance for the community housing sector.
- Provide \$375 million to give funding certainty to providers of homelessness services.
- Private investors will be able to qualify for a 60 per cent capital gains tax discount by investing in affordable housing. To do so, private investors must hold the property for three years, be available for tenants on low to moderate incomes and be managed by a community housing provider.
- From July 1 2017, managed investment trusts will be able to be set up to acquire, construct or redevelop affordable housing.
- An annual charge to foreign owners who leave their properties unoccupied or not available for rent for six months or more each year.
- A standard long-term lease agreement with our state government will promote rent-to-buy shared equity schemes. The government will also use low interest rates to borrow for investment into infrastructure. The aim is to lift productivity and connectivity of our cities and regions and to unlock new land for residential development.

The government is establishing an Infrastructure and Project Financing Agency on July 1 2017 to assist in the identification, development and assessment of equity and debt financing options for investment in major infrastructure projects.

Of \$1.6 billion allocated for new infrastructure projects in WA, Metronet has been allocated \$792m, subject to a business case being approved by Infrastructure Australia.

Master Builders is encouraged by many of these initiatives which will help to stimulate much needed activity in our industry. Above all, we need a clear vision and plan from all our governments to grow our economy and inspire confidence from the business community and public generally.

Having the courage to make some tough decisions to get our economy moving again would be a good start.