

FIRST HOMEBUYERS IN NEED OF A BOOST

It's tough but not impossible for some first homebuyers to enter the housing market. Master Builders director Michael McLean explains how the McGowan government can help.

FOR a few years now the State Government has paid first homebuyers a grant of \$10,000 if they were building a new home. This financial assistance has been very helpful to first homebuyers in paying their deposit or some of the costs associated with buying their new dream home.

With the downturn in WA's economy and housing industry, Master Builders persuaded the Barnett government to provide a \$5000 boost to the First Home Owner Grant (FHOG) for a 12-month period from January this year. This boost took the FHOG to \$15,000 for those wishing to build their first home valued up to \$750,000 in the metropolitan area and \$1 million in areas north of the 26th parallel.

The rationale here was to stimulate more construction activity and hence boost the number of jobs in the housing industry. The Labor Party, which was highlighting its own jobs policy at the time, supported the \$5000 FHOG boost.

Builders started developing their marketing campaigns from January 2017 to take advantage of this 12-month window of opportunity. Prospective homebuyers were given time to save for their deposits, choose their land and decide upon their preferred builder.

Out of the blue on May 17, the treasurer Ben Wyatt announced the \$5000 FHOG boost was going to end on June 30 – only six weeks later! The reason given was to reduce expenditure and allocate the funds to other priorities. This short lead time will make it extremely difficult for most prospective first homebuyers to now take advantage of this additional FHOG payment. The reason for this is because of the lead time needed to survey land to properly assess and cost what may be required prior to building.

Those prospective homebuyers who were delaying their decision to enter the housing market until later in the year, for whatever reason, are now likely to miss out on the \$5000 FHOG boost payment. I believe this is very unfair.

It is a well-known fact that the housing industry in WA is building at levels lower than its 10-year average and is forecast to commence about 19,000 dwelling units in 2017/18, compared to over 31,000 three years ago. The treasurer's decision to cut the \$5000 FHOG boost will therefore have an adverse impact on builders, subcontractors, suppliers and prospective homebuyers.

Master Builders has asked the treasurer to consider the proposition of allowing first homebuyers to be eligible to receive the \$5000 FHOG boost payment if they sign a commitment and pay a deposit to build their new home with a builder by June 30 2017 and sign a contract to build the home by September 30 2017.

This proposal would give first homebuyers more time to come to terms with the government's decision to reduce the \$5000 FHOG boost and more time to finalise details such as land surveys, engineer reports, bushfire rating and finance pertaining to their house and land purchase.

It would also avoid a potentially chaotic situation over the next six weeks where builders and prospective first homebuyers are scrambling to do a deal without proper due diligence, which is a recipe for disputation and negative publicity for the housing industry which can ill afford such a setback. It would also avoid the potential for variations which are costly to homebuyers.

Our suggestion will clearly enable more new homes to be built, which will create more jobs for the myriad of people engaged in the housing industry; from the sales consultants, estimators/schedulers, earthworks plant operators, concreters, bricklayers, carpenters, plasterers, tilers, painters, glaziers, electrical contractors, plumbers and support staff.

If 100 new homes were to be built as a result of this initiative, it would cost the McGowan government \$500,000. If we assume the average cost of these new homes is \$220,000 and land costs average \$230,000 it would generate \$45 million to the industry and economy, not to mention the multiplier effects on employment. As at least 30 per cent of house and land costs equate to taxes and statutory charges, this equates to about \$13.5 million being directed back to the state government and its various statutory agencies.

Master Builders has put this proposal forward as a constructive and proactive suggestion to enable the treasurer's decision to be implemented in a sensible and fair manner. We hope we will receive the treasurer's support, which will help both the housing industry and prospective first homebuyers alike.

