

# REAL ESTATE INSTITUTE OF AUSTRALIA

PRIORITIES FOR THE 2021 - 2022 FEDERAL BUDGET



# REIA

REAL ESTATE INSTITUTE OF AUSTRALIA

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ABOUT THE REAL ESTATE INSTITUTE OF AUSTRALIA



## Overview

The Real Estate Institute of Australia (REIA) welcomes the opportunity to contribute to [Budget 2021-2022](#).

The COVID-19 pandemic prompted an unprecedented response from all of Australia's governments and the rewards of this strong management were outlined in the Mid-Year Economic and Fiscal Update (MYEFO) and by the successful suppression of [COVID-19 case numbers](#).

MYEFO reported a [\\$16 billion-dollar improvement](#) in the forecast deficit; with GDP growth forecast to grow at 0.75 per cent, revised from an initial forecasted decline of 1.5 per cent.

Despite this the road to economic recovery will be long – with MYEFO estimates placing Australia's national coffers with a [\\$45.7 billion deficit](#) by 2030-31.

The Government has committed to no budget repair measures until unemployment drops below [6%](#).

The welcome news from the ABS that [unemployment sits at 6.6%](#) (January 2021) and Australia set to adapt to a new normal with the roll out of COVID-19 vaccination, it is expected that budget repair measures will become – once more – front-of-mind for decision makers.

As small businesses, and essential brokers of home sales and purchases, Australia's real estate agents have a unique perspective – both pre-and-post COVID-19 – on what policies and investments will drive growth in the property sector and serve [small and medium sized enterprises](#) beyond 2021.

It is in this context REIA commends our [Budget Priorities 2021-2022](#) to Treasury.

# About the Australian Real Estate Industry

Property has strong economic credentials with the real estate agency sector representing:

**133,360**

AUSTRALIAN DIRECT JOBS

**46,793**

AUSTRALIAN BUSINESSES

**99%**

OF AGENCIES ARE SMALL BUSINESSES

**1 in 4**

AUSTRALIAN JOBS INDIRECTLY

**\$ 182 Billion**

GDP CONTRIBUTION

**\$360 Billion**

IN HOUSE SALES BASED ON THE MEDIAN PRICE IN JUNE 2020

Property is a part of our social and cultural fabric with 75% of Australians considering home ownership to be part of the 'Australian way of life.'



# Impacts of COVID-19

The property sector was put to the test since the initial national 'lockdown' in Australia in late March 2020. Whilst REIA anticipates in 2021 a positive outlook driven primarily by strong demand and limited supply, COVID-19 health and economic policy measures have led to some critical ongoing impacts on real estate businesses and markets relevant to Budget 2021.



## RENTAL EVICTION MORATORIUMS

The percentage of impacted tenants is now reported anecdotally by agents on the ground to be less than 5% in major cities and less than 1% in regional parts of the country (as of January 2021).



## FIRST HOME BUYERS, OWNERS, INVESTORS

The ABS November 2020 Lending to Households and Business show that across the property spectrum players remain active in the market. Investors reported a 6% increase on the previous month, first home buyers the highest lending activity since 2009 and owner occupiers rising 23.7% over the past year.



## LOCKDOWNS

Snap and longer-term lockdowns prolong listings cycles and have prevent Australians from securing housing solutions in the pandemic. Victoria's Stage 4 lockdown had an estimated initial impact of \$2 billion to the property market.



## HOUSING AFFORDABILITY

Housing affordability for the June 2020 quarter was the renters was the best it has been since 2007. By December 2020, first home buyers represented 40% of the market with housing affordability improving for both renters and home owners



## HIGH PANDEMIC PROPERTY PRICES

Have caught the eye of central banks, with New Zealand's Reserve Bank exploring putting in place loan-to-value lending criteria. The Reserve Bank of Australia are expected to consider actively their own monetary response in 2021.



## HOUSE PRICES & VACANCY RATES

Over the 12 months to the September quarter, the weighted average capital city median house price increased by 3.6%. Vacancy rates for rentals increased substantially over the past year in both Sydney and Melbourne. The inner areas of these capital cities have been impacted the hardest with vacancy rate in Inner Sydney reaching 5.5% and Inner Melbourne reaching 5.3%.



## HOME LOAN DEFERRALS

The ABS November 2020 Lending to Households and Business show that across the property spectrum players remain active in the market. Investors reported a 6% increase on the previous month, first home buyers the highest lending activity since 2009 and owner occupiers rising 23.7% over the past year.



## POLICY REVIEWS & REFORM

COVID-19 has led to a broad suite of intended reforms for State and Federal Governments. There are a range of intersecting reviews and consultations that may impact outlooks for agencies + property across jurisdictions including but not limited to: stamp duty, responsible lending obligations, occupational mobility and digital economy.

# Budget Priorities 2021 - 2022

REIA acknowledges the work of the Federal Government and National Cabinet on protecting Australia from COVID-19 and the prompt economic and health measures that were put in place. REIA have identified 12 Priorities to assist Australia's property customers (tenants, first home buyers, owner occupiers and investors) and agencies succeed in a Covid Normal Australia.

## FOR PROPERTY CUSTOMERS

### Priority

Targeted solutions are provided to those who are working in sectors taking longer to recover beyond JobKeeper finishing in March 2021.

National leadership to be taken through an independent review of all property taxation through the Council of Federal Financial Relations.

National Cabinet to revisit the blanket rental eviction moratorium to align with the end of residential mortgage deferrals.

### Basis

Over 80% of agents surveyed in 2020 believed that ongoing solutions would be needed such as JobKeeper and rental support for Australians impacted by sectors unable to recover including tourism and international education.

Taxpayers are now paying on average 4% of the value of their property on stamp tax. With proposed reforms to stamp duty in both New South Wales and Victoria could increase property sales from 5% up to 40% in both residential and commercial properties as well as secure more reliable revenue for State Governments.

The percentage of impacted tenants is less than 5% in major cities and less than 1% in the regions with automatic mortgage deferral programs reported to be ending. This would increase confidence for 'mum-and-dad' investors in particular.

### Lead

Treasurer  
Treasury

Treasurer  
Council of Federal  
Financial Relations

National Cabinet  
Prime Minister &  
Cabinet

## FOR FIRST HOME BUYERS

### Priority

Interest rates for first home buyers to be tax deductible.

Any voluntary super contributions and earnings should be able to be used and accessed for all first home buyers.

Expand the First Home Loan Deposit Scheme (FHLDS) to be a long term program in the forward estimates.

### Basis

REIA estimates this would provide a benefit of around \$4000 per annum to Australia's first home buyers (which NHFIC places at around 15% of the housing spectrum). At least 6 other OECD nations have a similar incentive; and this would also mean that market entrants not be considered to be at a disadvantage to investors. This could have an appropriate cap or be time limited.

The lifelong benefits of home ownership are well documented – the 2020 Retirement Income Review identified that owning your own home is the most critical plank of retirement security. Canada, the Netherlands and New Zealand all have programs that allowing the use of retirement savings to purchase a home. There is potential for the First Home Super Saver Scheme to be expanded significantly.

The FHLDS has been a very successful program supporting new entrants to the housing market. REIA strongly believes that:

- Additional places could be created for FHLDS on a long term basis as the 10,000 per annum releases is an arbitrary number.
- Additional places should be for established residences as this only 10% of first home buyers choose new dwellings. This is reflected in NHFIC's own data for the initial 10,000 places where only 10% chose new dwellings.
- Government to provide an evidenced based business case and cost benefit analysis on the benefits of expanding FHLDS places and versus supporting lenders mortgage insurance (LMI) products.

### Lead

Treasurer  
Minister for Housing  
Treasury  
Australian Taxation Office

Minister for Housing  
Australian Taxation Office

Minister for Housing  
National Housing Finance  
Investment Corporation  
(NHFIC)

## Priority

NHFIC develop a feasibility study to include transitional lending as part of its mandate.

## Basis

In the NHFIC scheduled legislative review, Government should consider whether the scope of NHFIC should include transitional lending to further address first home buyers deposit gaps as has been successful with the Keystart model.

## Lead

Minister for Housing  
National Housing Finance  
Investment Corporation  
(NHFIC)

## FOR INVESTORS

Negative gearing (and capital gains tax) on property investments are retained in its current form.

Until a coordinated and holistic review has objectively addressed all property taxes, negative gearing should remain as a legitimate deduction of expenses.

Treasurer  
Australian Taxation  
Officer

## FOR AGENCIES

### *Occupation Mobility*

An unintended consequence of well-intended post COVID-19 deregulation initiative flagged in the October 2020 'Mini-Budget': The Occupational Mobility Project should exclude real estate occupations from the proposed new Automatic Mutual Recognition (AMR) framework in the absence of a single set of licensing and practicing requirements.

Real estate agents should be excluded from the proposed AMR reforms. Automatic deemed recognition should honour national training reforms that require a Diploma of Property Services for a business owner and a full Certificate IV for associates or equivalents.

Treasurer  
Prime Minister & Cabinet  
Council of Federal Financial  
Relations



## Business Continuity

National Cabinet forms a long-term policy allowing agency businesses to undertake 'bare minimum' activities to service customers with household solutions in advance lockdown situations. This includes marketing and photo shoots, 1:1 inspection, virtual inspections, settlement, removals and 'moving in' activities.

REIA recognises that COVID-19 lockdowns may continue to occur and sees this as a critical step to ensure continuity of housing solutions to Australians.

Prime Minister  
National Cabinet  
Prime Minister & Cabinet

## Financial Advisory

With input from REIA, ATO is modifying its generic Cash Flow Coaching Kit (the Kit) as a resource to help real estate agents manage their cash flow in response to the disruptions from COVID-19. The Kit is a predictive tool to assess a business's viability and whilst the kit can be used at any stage of the business lifecycle it is particularly useful to prevent financial stress. It is intended that the Kit be used by an individual's accountant/financial adviser.

Assistance of \$2000 per agency will allow for the individual advice from a trusted adviser to improve financial viability and productivity which will assist in the Government achieving a higher economic growth rate than would otherwise be the case. Cash flow problems continue to be a major issue for small businesses with 90% of small business failures due to poor cash flow management. The disruptions to normal business during the COVID impacted 2020 make it even more important to address cash flow. Support in achieving these outcomes will be provided through REIA's State & Territory Real Estate Institutes.

Minister for Employment, Skills,  
Small and Family Business  
Australian Taxation Office  
Australian Small Business &  
Family Enterprise Ombudsman

The Australian Small Business & Family Enterprise Ombudsman have proposed a Fit for Business service for small businesses, delivered through their registered professional advisers, via a one-off grant of \$5000 for business advice in 2020 – 2021 and 2021 – 2022.

REIA recommends that real estate agencies would in the first instance use the ATO developed Cash Flow Coaching Kit to determine their financial position and, if on the advice of their accountant/financial adviser, further professional advice was required could utilise up to a further \$3000 in seeking additional professional input.

## *Training Incentives*

That specific training packages be developed for the Australia property industry to support additional qualifications for both new entrants to the industry and existing employees.

Providing assistance to real estate businesses to offset the cost of allowing upgrades to licensing would significantly increase standards to consumers in Australia as well as grow the real estate work force. In small to middle sized agencies this could allow up to 50 per cent of the workforce to reskill.

Minister for Employment,  
Skills, Small and  
Family Business  
Department of Education,  
Skills and Employment

# About the Real Estate Institute of Australia

Established in 1924, REIA is a federated body of State & Territory Real Estate Institutes representing 85% of Australian real estate agencies.

We are a national advocate for the Australian real estate industry – agents and agencies – made up of 46,793 Australian businesses employing 133,360 Australians including owners, principles and employees.

REIA releases two authoritative quarterly practitioner-led reports – REIA's Housing Affordability Report and REIA's Real Estate Market Facts.

REIA acknowledges the ongoing support of our State & Territory Real Estate Institutes in developing the 2021-2022 Budget Priorities and their member agencies in supporting REIA and their implementation of COVID-19 public health guidelines across Australia.

- Real Estate Institute of the Australian Capital Territory
- Real Estate Institute of New South Wales
- Real Estate Institute of the Northern Territory
- Real Estate Institute of South Australia
- Real Estate Institute of Tasmania
- Real Estate Institute of Victoria
- Real Estate Institute of Western Australia


The Australian real estate industry is proud of its track record in delivering social distancing guidelines and providing housing solutions for Australians throughout the COVID-19 pandemic.

## CONTACT

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