

21 May 2024

Help to Buy Unit
Treasury
Langton Cres
Parkes ACT 2600
Via: [Online submission](#)

REIA Submission: Help to Buy

The Real Estate Institute of Australia (REIA) is the national body and voice for the real estate profession in Australia. REIA's primary function since 1924 has been advocacy for policies that support a successful real estate industry. We are committed to working with the Australian Government to advance Australia's prosperity.

REIA's members are the State and Territory Real Estate Institutes (REIs) through which around 85% of Australian real estate agencies are collectively represented across 46,793 businesses.

We are submitting this response on behalf of our network to the Treasury in response to the request for submissions on the Help to Buy program directions.

Overview

Housing and rental affordability are at a steady rate of decline, as vacancy rates remain below the healthy benchmark of 3%. While much of the current crisis focuses on renters, home loan affordability is now at its worst level in 20 years, surpassing the conditions facing mortgage holders during the Global Financial Crisis of 2008.

First-time home buyers are facing significant challenges in saving for a deposit, as the time required to save for a 20 percent deposit has [increased to over 10 years as of December 2023](#). The Help to Buy program could potentially play a crucial role in supporting first-time buyers get into the property market.

REIA supports, in principle, with the Help to Buy program directions and provides further comments on the eligibility criteria of the scheme.

REIA Recommendation 1: Increase the minimum single and joint income thresholds

It is important to note that first-home buyers face a different set of housing decisions compared to the average households as they are younger and have lesser income.

The income thresholds of \$90,000 for individuals and \$120,000 for couples does not accurately represent current wage levels in the market.

- According to an [analysis by the Grattan Institute](#) based on ABS data, approximately 75 percent of working-age singles earn less than \$90,000 and 39 per cent of couples earn less than \$120,000.
- [AIHW analysis](#) further shows that the downward trend in home ownership rates is most apparent for households aged between 25–29 years and 30–34 years.

Increasing the proposed income threshold requirements for eligibility would offer a significant advantage to individuals who are looking to purchase their first home. This revision would ease the financial burden for aspiring homeowners and make the goal of homeownership more attainable for a larger number of young adults.

Consideration should be given to 'pegging' Help to Buy eligibility to trends in median income for certain market segments.

REIA Recommendation 2: Increasing the property price cap

The price caps that are proposed within the scheme do not reflect the realities of housing markets in high-demand areas such as capital cities. Whilst first home-buyers are more active and making up [over 29% of the value of owner-occupied lending](#), the national median house price has increased by 5.3% in the year leading up to December 2023.

According to REIA's Real Estate Market Facts, the median price for houses in Sydney and Melbourne alone constitutes almost \$50,000 to \$100,000 over the price cap proposed for those areas. A revision in the property price will better reflect current market conditions, particularly in areas of high need.

Consideration should be given to 'pegging' Help to Buy eligibility to median house prices.

REIA Recommendation 3: Program as a proportion of housing supply

REIA notes that whilst the program directions are widely beneficial to Australian homeowners who are currently facing the tight grips of the economy on their pockets, it is unlikely that this will shift the dial on bringing more homes into the market quickly as a demand side incentive.

The [State of the Housing System report for 2024](#) projects a significant shortfall of around 37,000 new dwellings in the current financial year. This gap is expected to widen to 39,000 dwellings over the next six years.

It's pertinent to start addressing the current imbalance between demand and supply in a constructive manner with a concerted effort from all tiers of government, as inadequate housing stock is further exacerbating the cost of living. The Help to Buy program should grow commensurately with housing supply.

CONCLUSION

REIA supports in principle all the draft legislation suggested, with the addition of revisions to the minimum income threshold and property price caps to better reflect current market conditions and ensure targeted policy support.

Should you require further information, I can be contacted on 0448 692 245 or anna.neelagama@reia.com.au.

Yours sincerely,

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