



Off-the-plan to fill government's vacant plot



PROPERTY WATCH
TIM LAWLESS

IS THE state government finally getting the property market back on track? The NSW government is relying on a sustained housing-led recovery to keep the budget in surplus. To see its plan come to fruition, the government realises that it needs to remove the barriers to housing development and improve the level of affordability in key areas of the residential market.

The centrepiece of the NSW budget was a series of initiatives designed to improve the affordability of the nation's most expensive housing market and improve the level of certainty about the costs associated with developing housing.

Arguably, the most significant announcement came in the form of stamp-duty exemptions for off-the-plan housing valued at up to \$600,000. That means to be eligible for the exemption buyers will need to buy the home before construction is completed and it will need to have a purchase price lower than \$600,000. This relates to any property with a price under \$600,000 and will be primarily concentrated on off-the-plan unit sales and off-the-plan house-and-land packages.

The exemption provides what is probably the most strategic home buyers' incentive yet delivered and the benefit is two-fold; buyers receive a great leg-up into the market, with the potential to save \$22,490 in stamp duty. More importantly, the incentive is focused on stimulating housing development.

It's important to point out housing construction provides a large multiplier effect on the economy: every dollar spent on new housing creates more jobs in a wide range of industries. The obvious ones are construction and manufacturing.

Additionally, new housing stimulates other industries as diverse as insurance, finance, valuations, removals, white goods, automobiles and furnishings. The flow-on from construction also creates demand for additional products and services such as mining products, machinery and equipment, fabrication... the list goes on.

At a time when NSW has been declared by the National Housing Supply Council as the state with the worst housing under-supply (estimated at 57,600 dwellings too few), the initiatives from the state government will be viewed by some as too little too late. That may be the case – but we need to start somewhere.

With the housing market now showing the first evidence of

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slowing (capital gains virtually stalled in April, according to the RP Data-Rismark Home Value Index), the government is going to have to provide all the encouragement it can to keep buyers active in the market.

The stimulus is likely to be viewed as a welcome one, particularly by first home buyers whose presence in the market has diminished to just 17.5 per cent of all owner-occupier purchases. An exemption on stamp duty on top of the first home owners' grant will provide a substantial reduction in the amount of borrowings required to own a home.

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