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CAUTION FOR BUILDING STIMULUS PACKAGE

The Real Estate Institute of Australia expressed caution over the Prime Minister's announcement, the Treasurer and the Minister for Housing are working on a plan to support the residential building sector.

"New home building at record levels has been a crucial support to economic growth over the previous three years. It stands to reason that in these unprecedented times Government should consider a stimulus to dwelling construction boosting expected low levels of employment and address growth in the Australian economy", said REIA President Adrian Kelly.

"The REIA is concerned that measures which are directed at assisting the purchase of new dwellings in preference to existing dwellings could have a detrimental impact on buyer choice and market activity and thus lessen the economic impact".

"Less than 20% of Australian first home buyers prefer to buy new homes. These choices are made on affordability of older dwellings in locations that provide proximity to work, leisure activities and infrastructure including public transport".

"To limit any assistance to first home buyers to only new dwellings could lead to sub optimal outcomes in the utilisation of existing property and infrastructure."

"This would come at a time when the proportion of first home buyers is recovering from investor activity in the market. Since 2012 the participation of first home buyers declined until a pick up in 2017. Whilst the participation of first home buyers has improved over the last year the current level is well down on the levels twenty years ago. Subsidising the purchase of only new housing will limit this recovery."

"Sales of established homes to first home buyers in many cases lead to purchases of new housing by the sellers looking for larger properties that meet their current requirements. In these cases, the multiplier and employment effects are probably greater than when a first home buyer purchases a new house as the size and cost of construction of dwellings purchased by upgraders is generally more than that of first home buyers. Furthermore, first home buyers of lower valued established homes usually embark on a program of home improvement and renovation providing a stimulus to the building sector."

"A further detrimental impact of limiting assistance to only the purchase of new dwellings is the consequence it has on employment in the real estate sector. Many agents are already reporting a 50% reduction in listings and enquiry level from prospective sellers. The indications are that this is unlikely to change for quite some time yet and will result in reduced employment in the sector when JobKeeper

ceases. This would exacerbate the impact on agents who have been managing the fallout of tenants losing employment and negotiating outcomes that have kept families housed at the height of the pandemic.”

“REIA thus urges the Government to only implement measures assisting buyers that don’t discriminate between the purchase of new and established housing. To do otherwise will have a significant unintended adverse impact,” concluded Mr Kelly.