



REIA

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REIA SUBMISSION TO THE TREASURY'S CONSULTATION ON THE NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION INVESTMENT MANDATE (FIRST HOME LOAN DEPOSIT SCHEME) DIRECTION 2019

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PREPARED BY

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The Real Estate Institute of Australia (REIA) is the peak national association for the real estate profession in Australia.

The REIA's members are the State and Territory Real Estate Institutes, through which around 75 per cent of real estate agencies are collectively represented. The 2011 Census records the Rental, Hiring and Real Estate Services Industry employment sitting at a total of 117,880. By occupation the key data recorded by ABS Census were 64,699 business brokers, property managers, principals, real estate agents and representatives.

The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes \$300 billion annually in economic activity.

Importantly, REIA represents an integral element of the small business sector. Some 99 per cent of real estate agencies are small businesses and 11 per cent of all small businesses in Australia are involved in real estate.

REIA is committed to providing and assisting research and well-informed advice to the Federal Government, Opposition, professional members of the real estate sector, media and the public on a range of issues affecting the property market.

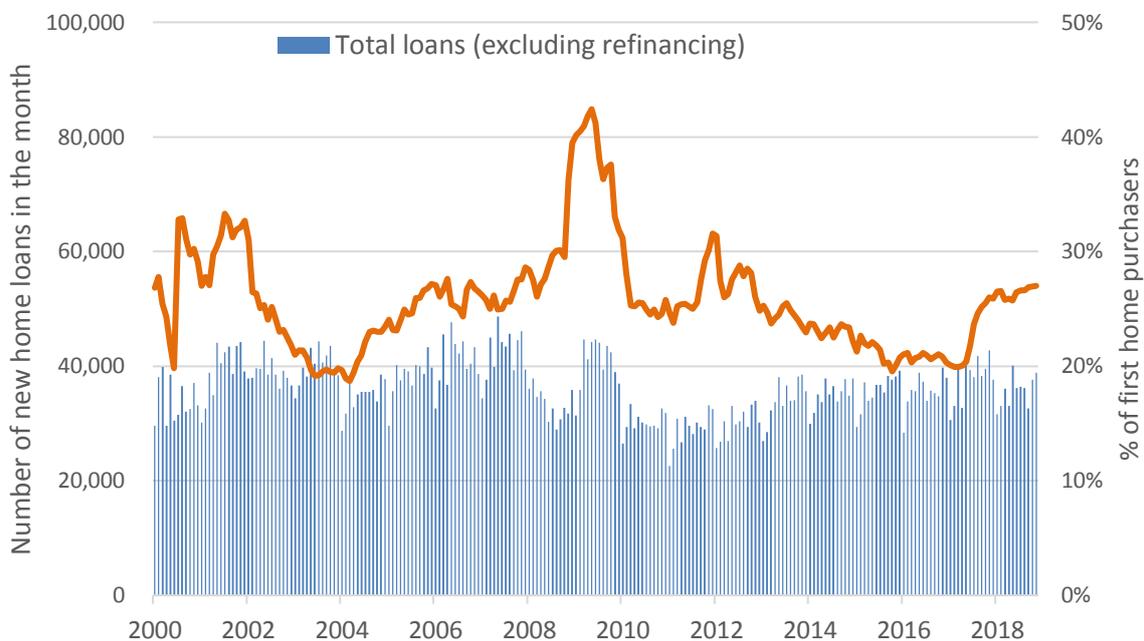
The REIA welcomes the opportunity to provide a submission to the Treasury's Consultation on the National Housing Finance and Investment Corporation Investment Mandate (First Home Loan Deposit Scheme) Direction 2019.

Introduction

Whilst investor activity in housing has in large part been responsible for the supply response from the building sector contributing to economic growth, this, up until recently, had been at the cost of first home buyers and their ability to enter the housing market.

The graph below shows the number of loans to home buyers (excluding refinancing) and the proportion of first home buyers in the housing finance commitments from November 2000. We can see that since April 2012, when official interest rates were 4.25 per cent compared to the current 0.75 per cent, the participation of first home buyers declined by 17 percent until a pick up over 2018. This decline was despite ten cuts in the official interest rate over that period. Since then we have seen further modest increases in first home buyers.

Finance Approvals and the Proportion of First Home Buyers (excluding refinancing)



Source: 5609 Housing Finance Australia 2000 – 2018 (ABS)

Whilst historically low interest rates may make mortgage payments achievable for first home buyers it is the deposit gap together with mortgage insurance and stamp duties that are the insurmountable hurdles.

With first home buyers finding it difficult to enter the housing market, home ownership in Australia is declining after four decades of stable levels. This drop is being evidenced across all states and territories and is most pronounced in the 35 to 44 age group. Research shows that it seems certain that the rate of home ownership will drop further. The National Housing Supply Council, in its 2012-13 report, pointed to this and more recently AHURI also identifies this.

It is against this background that the REIA welcomes the Federal Government's plan to help first home buyers through its loan deposit scheme in helping more Australians into property ownership. The scheme is targeted to helping first home buyers bridge the deposit gap, even with the recent softening in house prices.

REIA also welcomes the Government recognising the variations in markets around the country, and between metropolitan and regional areas through the setting of price caps for eligible property purchases.

REIA Response to the Investment Mandate

Whilst regional variations have been recognised, REIA is of the view that there is insufficient direction given in the Investment Mandate and the Request for Proposal for the Establishment of a Panel of Lenders issued by the National Housing Finance and Investment Corporation (NHFIC) to ensure an equitable distribution between states and metropolitan/non metropolitan recipients.

In this regard, REIA notes that NHFIC's press release of 28 October indicating it was commencing the procurement process for the panel of lenders stated that one of the evaluation criteria is to be regional reach. Disappointingly, however, the Evaluation Criteria do not make any mention of how equitable access would be delivered on a state by state basis. Indeed, the only concern appears to be about the ability of the panel to undertake credit activities across Australia. Whilst it is acknowledged that this is a necessary prerequisite it is not sufficient to deliver geographical equity.

Accordingly REIA strongly recommends that prospective panel lenders be asked to address geographic distribution in their submissions and that this is added to NHFIC's evaluation criteria of submissions.

REIA recommends that the Government

- ***Require financial institutions making submissions to be on the panel of lenders to address how they will ensure equitable access to the First Home Loan Deposit Scheme across states and non metropolitan areas***
- ***Require the National Housing Finance and Investment Corporation in evaluating submissions to consider how prospective lenders will achieve equitable access to the First Home Loan Deposit Scheme across states and non metropolitan area***
- ***Require the National Housing Finance and Investment Corporation to monitor the distribution of recipients.***