<u>Comments to the Inquiry on First Home Ownership</u>

The recent period of significant home/house sustained price increases throughout Australia has been the result of a number of independent and interdependent situations occurring within the same relative timeframe. These are as follows: -

A long period of relative stable house prices (a plateau eg. 1982-1988 & 1990-1997) that then needed to rise to a new period of higher relative stable house prices (a new benchmark plateau). This historical pattern has been recently 'distorted' because of the pre/post affect of the GST and Government related GST policies.

The Federal Government's GST taxation policy & First Home Owners Scheme has recently driven housing demand and driven up housing costs somewhat as people seek to maximise their economic and personal 'selfish' advantage. People will always go for a 'freebie' while it lasts.

The GST pre/post demand has made good trade's people very much in demand. This has meant that for the past 3-4 years that tradespeople can and have substantively inflated their trade & labour charges.

State Governments have in recent years regulated tradespeople to ensure that they are competent – they are licensed in the trade skills that they possess. Thus there are fewer skill trade people available (plus fewer apprenticeships are being undertaken in the building trade).

Changes to the Federal/State Housing arrangements have meant that there is less money going into public housing physical building infrastructure. Lower income people who are on the margins will seek their home ownership dream thus driving up demand.

State Government recent practices on allowing public housing tenants to purchase the existing dwelling means there is less public housing stock to meet housing demand for the lower income person. Some people look at purchasing a house by whatever means.

Higher rental costs induce people on the margins to psychologically begin to think that they should move from the 'dead' rental market to the homeownership market thus driving up demand at the margins.

The person on lower income levels had begun to believe that they may have insufficient superannuation income in their later years and so have undertaken their own DIY super scheme and have begun to invest in owning a 2nd house.

The person on lower to middle income levels had been 'burnt' or become disillusioned with investing in the perceived higher 'risk' share market – they have begun to look at investments that they can more better control and thus have begun to invest in owning a 2nd house.

Growing relationship break-ups generally lead to both individuals being half as wealthy and nearer to the poverty benchmark. Thus more people are finding them at the margins as they begin to re-establish their identity and to rebuild a household and a home.

Casualisation of the workforce, more part-time work, more transient work means that the family unit is more fragmented and less wealthy to invest in homeownership at the lower end of the market.

Some individuals have built up a good cash/liquid asset reserve in recent years and are at the point of making a substantial investment in the housing market because it will be a good long term investment and because they can get appropriate tax offsets to lower the costs of such an investment.

Housing & investment interest rates have been low for a very long time and that brings a lot more owners/investors into the housing marketplace. Rates have been at 'low' for a longer time than initially assumed.

Increasing transnational migration, interstate capital city migration, intrastate (rural to regional/ rural to city) migration. The view that Australia is a safe socio-economic lucky country and the attractiveness of the 'city/urban lights' and educational/employment opportunities. The increasing belief that life battling nature in the rural inland is just too soul destroying.

People and Local Governments are resisting increasing necessary levels of higher density living within the inner urban environment. Urban areas are spreading wider and wider in radii from the village centre. Our best and fertile lands are growing houses and not food crops. We must learn to go 'up' and not 'out' and rating/planning/infrastructure/transport policies of Local Governments must change these current attitudinal behaviours. Demand for 'location/location/location' is growing rapidly.

Rego, running costs, rent, rates, and GST taxation on consumption using up more disposable incomes of lower income households – thus their ability to save is lowered.

Individuals on HECS debts have a lower ability to save thus their ability to save is lowered and their ability to afford to pay a home loan is lessened.

More people are living 'on their own' for longer periods of time – thus they want a place to live. This is driving up demand as demographics show fewer individuals are living within a dwelling.

Developers are selling bigger newer and more luxurious homes to smaller households – thus the cost of housing and internal fixtures, fitting, and layout is significantly more expensive to acquire.

For some individuals the house is becoming a fashion assessor – it must acquire their own unique personal identity (internally and externally) and they *seek to immediately acquire it new/renovate it to their benchmark to satisfy this need immediately.*

The best place to live and to enjoy a desirable lifestyle is to be close to the centre of the 'village' – live near the centre or very near a good major fast transport route that will get you to the centre is highly desired. If you have neither than live on a hill or near a geographic feature (eg. the river/coast). If this is not possible then driving becomes necessary and distance becomes a constant feature of life and travelling times & costs become very prohibitive in the longer term. Railway lines are the best and most efficient people movers. Housing affordability is impacted by transport ownership affordability

For some people there is an emerging psychological belief that they must acquire a house before it is too late and/or so that they can make a 'killing' on a 'guaranteed' investment.

Financial Institution have been 'too' good at marketing their products to the ever consuming consumer. They are flush with funds and are convincing more people to take out a loan.

The media frenzy in recent years of home shows, etc has pushed a false impression onto people to grab at the chance to buy, invest, or upgrade NOW!.

Housing demand has been artificially distorted and artificially pumped by a number of significant stakeholders (eg. Governments, developers, building industry, banks, media, etc) for such an extended period that it has turned into real demand that is unstoppable in the short term.

Let us all get back to a basic policy of Federal/State/Local Governments undertaking a number of dynamic Public/Private/Partnership programs with a large number of small & large investors (taxation induced initiatives) to jointly build and invest in a significant amount of lower income affordable housing stock in all urban areas of Australia.

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