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## UDIA weighs in on Victoria Government's housing affordability package

Yesterday, the State Government released Home for Victorians – the Government's long-awaited housing affordability package.

Commencing 1 July 2017, stamp duty will be abolished for first home buyers for purchases below \$600,000. Those buying a home valued between \$600,000 and \$750,000 will also be eligible for a concession, applied on a sliding scale. The exemption and concession for first home buyers will apply to both new and established homes under \$750,000. This is a permanent cap and the Victoria Government has no plans to increase the limit as residential property prices increase.

“We welcome State Government's efforts to preference home buyers, however we are concerned there may be a rapid increase in demand for established housing products at the lower end of the market, without enough being done to boost supply, which is the key to keeping house prices overall at a reasonable level in the medium to long-term,” said Danni Addison, Victorian CEO of the Urban Development Institute of Australia (UDIA).

Off-the-plan stamp duty concession will be removed for investors, and available solely for those who intend to live in the property or who are eligible for the first home buyer stamp duty concession. Under these new measures, local investors will pay 16 per cent in purchase taxes on the cost of an off-the-plan apartment. Overseas investors will pay 23 per cent in purchase taxes on the cost of an off-the-plan apartment.

“Through these taxation changes, the government has increased the cost of delivering property to the rental market, with investors having to pay a greater amount of stamp duty. We are genuinely concerned that the rental market will be impacted as these changes may prove to increase rental prices and serve as a further cost of living barrier to aspiring homeowners who are currently renters,” said Ms Addison.

“Removing stamp duty concessions for investors of new property may lead them to switch to investment products, rather than invest in property. If this happens, we will see reduced supply, which means upward pressure on home prices and a more expensive rental market.”

The first homeowners grant in regional areas of Victoria will be increased from \$10,000 to \$20,000. The increased grant will be available to first home buyers building new homes valued up to \$750,000. The grant will be applicable to contracts signed from 1 July 2017 to 30 June 2020, at which time, the Government will review the benefits for first home buyers and businesses in regional Victoria.

“We support State Government in encouraging growth within Victoria's regional areas. However, success of the first homeowners grant is dependent on a competitive market within a housing policy setting that reduces cost and risk to delivering new homes,” said Ms Addison.

Establishment of *HomesVic*, which will create opportunity for first home buyers to co-purchase their home with the Victorian Government. From 1 January 2018, first home buyers will be able to apply for *HomesVic* to take a share of their home purchase of up to 25 per cent to minimise deposit requirements and servicing of debt. This

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will be available to couples earning up to \$95,000 and singles earning up to \$75,000. When homes are sold, *HomesVic* will recover its share of the equity and reinvest. Buyers must have five per cent deposit.

“At a time when the pressure is on to deliver new housing stock, it makes more sense that this initiative is made exclusive to new housing, rather than for existing and new housing stock. We need measures that encourage supply – that’s what will help housing affordability beyond the short-term,” said Ms Addison.

“Overall, UDIA welcomes the Government’s housing affordability package. We don’t agree with everything though, and we are voicing some very legitimate concerns to ensure this package does not cause any unintended consequences that will hurt Victorians down the track.

“We look forward to collaborating with the Andrews Government to further assist current and future Victorians access housing across all life stages,” said Ms Addison.

-ENDS-

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## ABOUT

### Urban Development Institute of Australia (UDIA) – Victorian Division

The Urban Development Institute of Australia (UDIA) is a nationally recognised advocacy body that supports Australia’s urban development industry. The UDIA informs and engages government, key policy makers, and industry members, **enabling better policy and better business decisions.**

With a primary focus on the residential property sector, UDIA’s Victorian Division protects and promotes over 50,000 individuals from over 350 member companies across the state. UDIA members are property developers, consultants and a range of other professionals involved in producing, financing and marketing residential property.

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