



# 2008/09 State Budgets – Summary for Housing

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## Key Points:

- In a climate of record low housing affordability, state governments have a key role to play in boosting the supply of affordable housing.
- This note outlines housing policies included in 2008/09 State Budgets.

With Australia in the grip of the worst housing affordability crisis in a generation there was much anticipation in the building industry that this year's round of state budgets would provide a much needed boost to the industry.

The acute shortage of new housing in Australia is an important contributor to Australia's housing affordability crisis. The shortage of new housing is driven by structural impediments such as high infrastructure costs, high transaction costs, planning regulations and delays, and red tape.

The lack of housing supply comes at a time when demand has never been stronger, driven by very fast population growth and other demographic factors such as shrinking household sizes and Australia's ageing population.

Australia-wide, HIA estimates we are building 40,000 too few new homes each year. The States have an important role to play in reversing this situation as state governments play a key role in determining housing supply, planning laws, and the rate of property taxation.

This note acts as a report card to outline how each state has performed in their 2008/08 Budgets in rising to the housing affordability challenge.

- **New South Wales:**

The New South Wales budget provided no new housing affordability measures to combat New South Wales' acute housing affordability crisis. Housing construction has been at recessionary levels for several years and there is little in the budget that will reverse this situation over the 2008/09 financial year.

New South Wales expects to invest \$201 million to acquire 1,300 new dwellings for the purpose of public housing, community housing, and crisis accommodation.

- **Victoria:**

Victoria offers the most generous first home buyer scheme in Australia and the 2008/09 budget further increased this advantage by boosting the bonus for regional new homes by \$3,000. First home buyer grants for new homes remain at \$12,000 in Melbourne and have been boosted to \$15,000 in regional Victoria.

Stamp duty was also lowered across the board for owner-occupier households. This change means that Victorian home purchasers will save \$2,460 on a median-priced house.

There was \$86.2 million in 2008-09 State Budget initiatives designed to free up land and to improve access to public housing for people on low-incomes.

- **Queensland:**

The Queensland budget rightly focused on the first home buyer. First home buyers face an increasingly tough market as housing has become very expensive in both the home purchase and the rental markets.

The Queensland budget increases the first home buyer exemption from \$320,000 to \$350,000 from 1 July 2008 and, from 1 September 2008, to \$500,000. These changes will provide savings of up to \$9,500 to home buyers purchasing their first home valued up to \$500,000. Stamp duty for all first homes under \$500,000 will be nil from 1 September 2008.

Other initiatives include across the board reductions in stamp duty rates and increased thresholds, plus mortgage duty has been abolished as of 1 July 2008. The reductions in stamp duty for non-first home buyers are very marginal and do not come close to making up for bracket creep associated with strong house price growth over the 2007/08 financial year.

- **South Australia:**

The current stamp duty concession scheme will be replaced with a \$4,000 first home bonus grant for first home purchases valued up to \$400,000. The grant will be phased out for first home purchases valued between \$400,000 and \$450,000. With a median house price in Adelaide of \$360,000, the threshold is a relatively generous 10 per cent above this level.

- **Western Australia:**

Western Australia continues to push New South Wales and Queensland for the title of the most expensive housing market in the country. The Western Australian government's budget has gone some way towards alleviating this situation with stamp duty rate reductions and threshold increases saving households \$457M over four years and nearly \$3,000 on a median house price, or a 15% stamp duty reduction.

Concessional Stamp Duty will apply to all residential transfers – including rental investment properties as of July 1 2008. The Western Australian budget also makes reductions in land tax and Metropolitan Regional Improvement Tax (MRIT). These measures are expected to save taxpayers \$558M over four years – through reductions in rates and increased thresholds.

Mortgage Duty will be abolished (as announced in the previous budget) on 1st July 2008, saving \$300 on the average Western Australian home loan.

- **Tasmania:**

The Tasmanian budget focused on addressing public housing issues. The only new policy development is a shared equity scheme to be rolled out in 2008/09 providing up to 150 families a share in a house over the next 18 months. The Tasmanian Government will share up to 25 per cent or \$50,000 of the cost of a new house.

- **Northern Territory:**

The Northern Territory government has focused its attention on reducing stamp duty. The Northern Territory's very strong population growth rate is driving the need for new housing. The Northern Territory is building too few homes to keep up with this population growth. Stamp duty reductions will go some way to improving this situation.

The minimum stamp duty tax rate will be 1.5 per cent, down from 2.1 per cent and the maximum rate will reduce to 4.95 per cent from 5.4 per cent. The top rate will apply to properties valued at \$525,000 or more, up from \$500,000. The first home buyer tax free threshold increases from \$350,000 to \$385,000.

The Northern Territory's HomeNorth shared equity scheme has been adjusted for bracket creep with the maximum government equity increasing from \$70 000 to \$75 000; income thresholds increased by \$5,000, with further increases for dependants; and price caps have been increased by region (average around 10%) in line with market changes.

- **ACT:**

The ACT continues to face affordability issues with median house prices and rents the equal of most capital cities in Australia. To help overcome the affordability hurdle the ACT government introduced a land rent scheme, where households pay rent on the land, and build their own house on that land, making entry into the housing market easier for first-home buyers.

The home buyer concession scheme for stamp duty income thresholds has been increased to \$120,000.