



First Home Buyers Australia

2016 National First Home Buyer Report

Part 1

enquiries@fhba.com.au

Release: JUNE 2016

NOTE FROM THE DIRECTOR'S



We are pleased to present the FHBA First Home Buyer Report 2016 (Part 1).

We (FHBA) commissioned the report because we believe that first home buyer issues are deteriorating. We believe that more and more first home buyers are being priced out of the market. And, we believe that current first home buyer assistance doesn't solve the problems first home buyers have. Our fears are proving to be correct. Every month when the Australian Bureau of Statistics releases the latest housing finance data, we see first home buyer numbers are falling.

Did you know that many first home buyers who have actually successfully entered the property market in 2015 didn't receive a First Home Owners Grant or assistance from their parents? These are the successful first home buyers. So imagine all the aspiring first home buyers who can't even put a deposit together (though dream they could).

Did you know that in recent times some of our capital cities have seen property price growth that is higher than GDP growth; inflation growth; wage growth and interest returns on savings accounts? Perhaps you did. But, did you know that some of our capital cities have experienced property price growth that is more than all four of these factors combined?

This report contains survey responses by aspiring first home buyers as well as a proposal to bring back equality to a market skewed in favour of investors. We welcome any feedback so we can improve our future research work.

Yours Sincerely,

Daniel Cohen & Taj Singh
The FHBA Co-founders.

TABLE OF CONTENTS

4. IMPORTANT INFORMATION

5. WHAT IS THE BIGGEST PROBLEM FACING FIRST HOME BUYERS?

7. WHICH SERVICE PROVIDER DO FIRST HOME BUYERS FIND MOST USEFUL?

9. HOW MANY FIRST HOME BUYERS WILL RECEIVE PARENTAL ASSISTANCE?

12. DO FIRST HOME BUYERS LIKE THE IDEA OF ACCESSING SUPER?

14. FHBA PROPOSAL: OVERVIEW

15. FHBA PROPOSAL 1: First Home Savers Account

16. FHBA PROPOSAL 2: Negative Gearing Reductions

17. FHBA PROPOSAL 3: CGT Discount Amendments

18. FHBA PROPOSAL 4: Land Tax Reform

19. FHBA PROPOSAL 5: Stamp Duty Reform

20. MEDIA ENQUIRIES

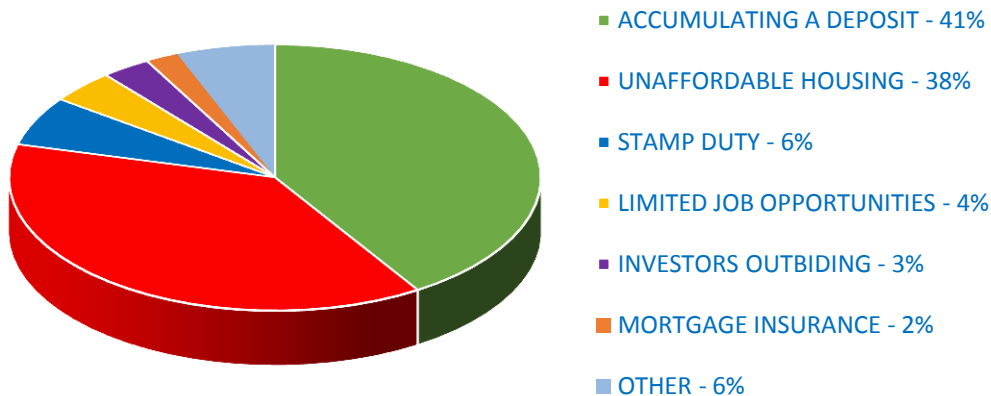
Who is First Home Buyers Australia (FHBA)?

- FHBA is the leading organisation for first home buyers in Australia
- FHBA fights for first home buyer rights, including greater first home buyer assistance
- FHBA runs a website dedicated to providing guidance for first home buyers through the entire property journey, from saving for a deposit, through to searching settling & moving: www.fhba.com.au

About this report

- The survey was commissioned by FHBA in September 2015.
- The survey was conducted between September 2015 and June 2016. The survey was completed by 500 aspiring first home buyers across Australia. The survey was held through leading online software company Survey Monkey.
- You may quote the commentary of this report as "FHBA First Home Buyers Report 2016" the first time and then however you wish after that, such as "The Report".
- You may copy any graph you find in the report. Please retain the source of the report when copying any graph or table.
- At least one reference should be made as to where the full report can be found and read by the public in full: www.fhba.com.au/nationalreports
- If you have any questions about the report please email enquiries@fhba.com.au and we will attempt to respond within 2 hours.

WHAT IS THE BIGGEST PROBLEM YOU FACE IN OBTAINING YOUR FIRST LOAN?



Source: First Home Buyers Australia (www.fhba.com.au)

- In recent times some capital cities have seen house prices grow more than: GDP growth; wage growth; inflation; interest on savings accounts; and all these factors combined in some cases.
- Australians are also clearly frustrated by unaffordable housing as well.
- 85% of survey respondents said that the biggest problem they faced in obtaining their first home was related to the deposit, the highest transaction cost component (stamp duty) and the cost of housing itself.

“The hardest part about entering the property market for the first time is the difficulty for a person to put together a deposit”

- Unsurprisingly, respondents in ACT (60%), NSW (51%) & VIC (41%) found unaffordable housing as their biggest barrier to entry relative to the national average. This is in direct correlation with the higher median prices in these areas.
- Somewhat surprisingly, respondents in NT (100%), SA (69%), TAS (67%), QLD (61%) & WA (56%) found accumulating a deposit as their biggest hurdle, which suggests aspiring first home buyers in these areas face difficulties such as lower disposable incomes and reduced employment opportunities.

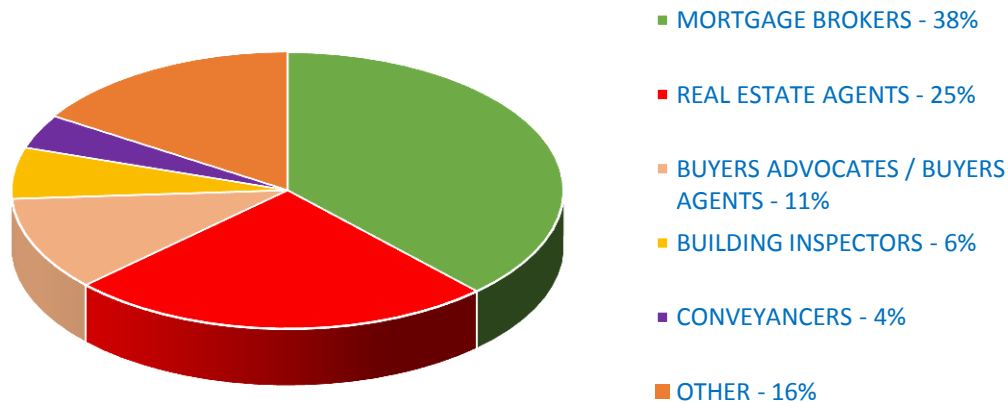
STATE BY STATE: BIGGEST PROBLEMS FACED BY ASPIRING FIRST HOME BUYERS



Source: First Home Buyers Australia (www.fhba.com.au)

“Aspiring first home buyers are finding unaffordable housing & accumulating a deposit as their biggest challenges across the country”

WHICH OF THE FOLLOWING SERVICE PROVIDERS DO YOU FIND THE MOST USEFUL?



Source: First Home Buyers Australia (www.fhba.com.au)

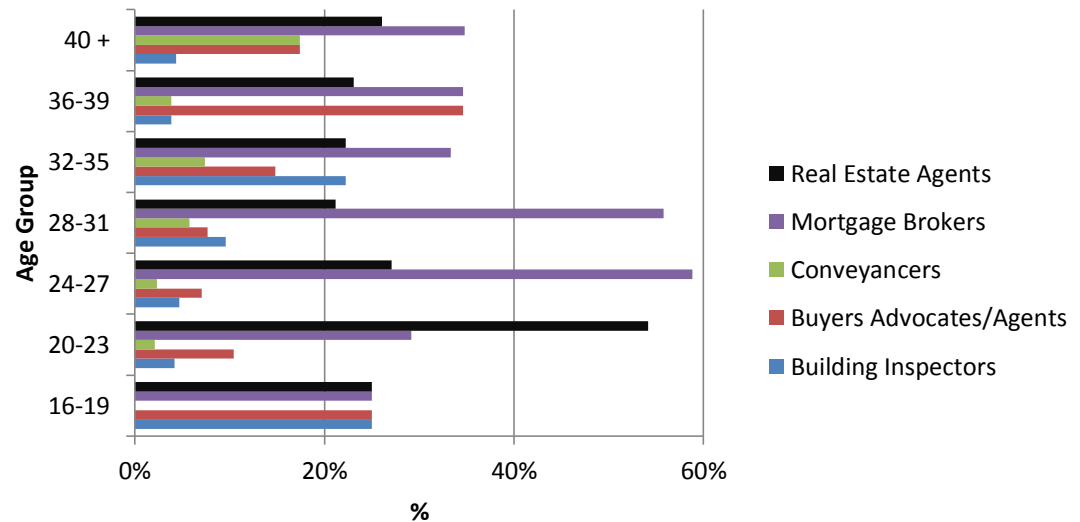
- Concerningly Real Estate Agents scored higher than Buyers Advocates. Real Estate Agents work for the vendor while Buyers Advocates/Agents work for the buyer. Clearly young Australians need more education on the benefits of engaging a Buyers Advocate to help them achieve their Great Australian Dream
- Conveyancers ranked lowly among survey respondents. Perhaps first home buyers don't believe they need conveyancing services in relation to purchasing their first home?

“Mortgage Brokers are considered to be the most useful professionals for help amongst first home buyers”

FIRST HOME BUYER PROBLEMS

- Whilst Buyers Advocates offer a fee-for-service model, our analysis showed only 9% of aspiring first home buyers under 35 years of age found they are the most useful profession, as opposed to real estate agents being favoured by 31% of those under 35.
- This shows a lack of education on the benefits of a buyers agent for first home buyers, as they not only assist with negotiation but providing strategy services for first home buyers.

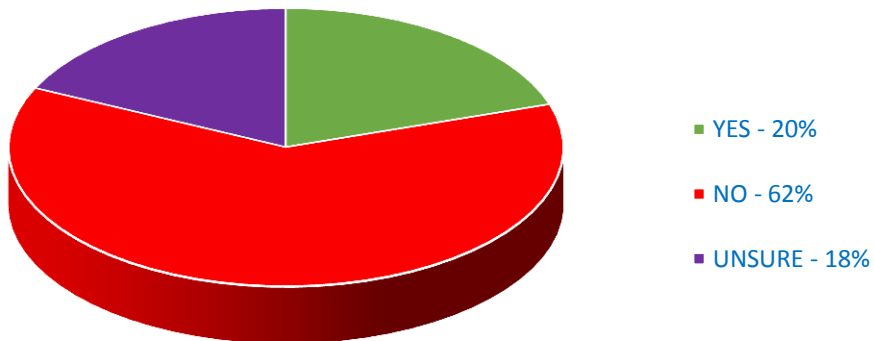
MOST USEFUL PROFESSION BY AGE GROUP



Source: First Home Buyers Australia (www.fhba.com.au)

“To help first home buyer compete on a level playing field, they need more education on who a real estate agent represents as opposed to a buyers advocate”

DO YOU THINK YOUR PARENTS WILL HELP OUT AS GUARANTOR'S WITH YOUR FIRST LOAN?



Source: First Home Buyers Australia (www.fhba.com.au)

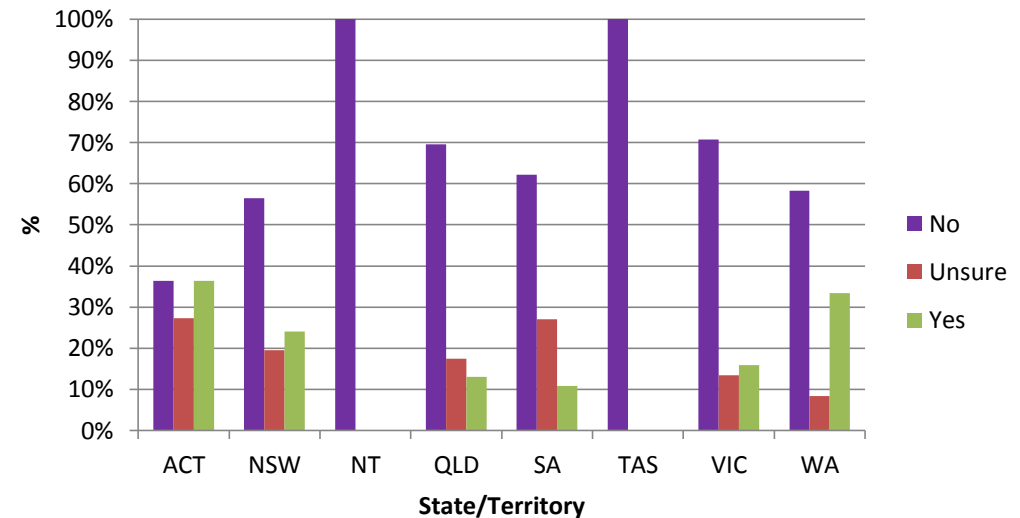
- Earlier this election campaign Prime Minister Malcolm Turnbull suggested that young Australians should seek monetary help from their parents to help afford their first home. The only problem is that most young Australian's don't think they will get parents help at all.
- Government statistics show that the majority of the 100,000 first home buyers in 2015 didn't receive a First Home Owners Grant. Combined with most aspiring first home buyers not expecting to receive any parent assistance show's that in most cases first home buyers are having to do it on their own in a market driven by a record number of investors receiving strong tax incentives.
- More than 60% of young Australians don't believe their parents will help them out as guarantors for their first home

“Only 20% of aspiring first home buyers expect to receive loan/financial assistance from their parents”

FIRST HOME BUYER PROBLEMS

- Our analysis showed aspiring first home buyers in ACT & WA were more likely to receive parental assistance when purchasing their first home. 36% of respondents in ACT confirmed they would receive assistance from their parents whilst 27% were unsure. 33% of respondents in WA confirmed they would receive assistance whilst 8% were unsure.
- Interestingly, despite the high median dwelling prices in NSW & VIC, only 1 in 5 confirmed they would get monetary parental assistance. This could be attributed to their parents being unable to assist due to the high cost of living and their own debt situation in these states.

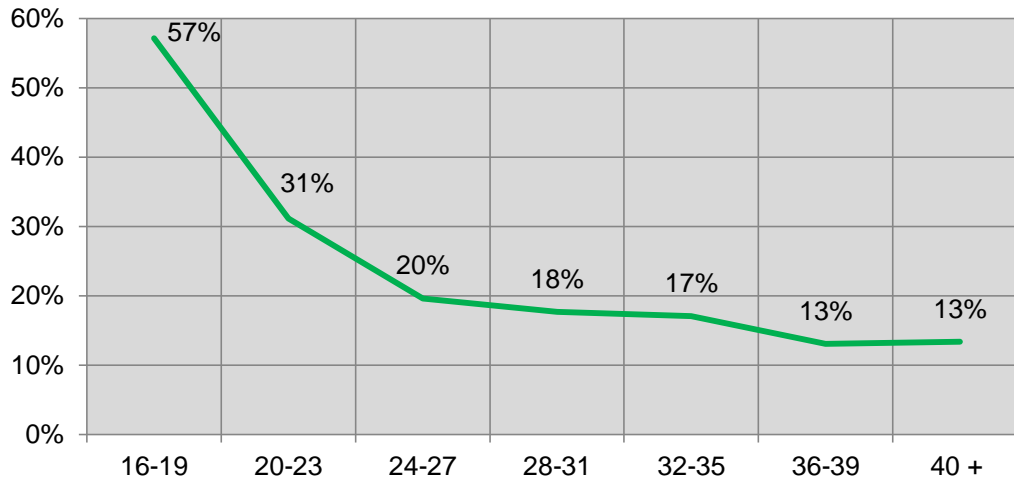
GUARANTOR ASSISTANCE BY STATE



Source: First Home Buyers Australia (www.fhba.com.au)

“A greater proportion of ACT & WA aspiring first home buyers are more likely to receive parental assistance”

PARENTAL ASSISTANCE BY AGE GROUP



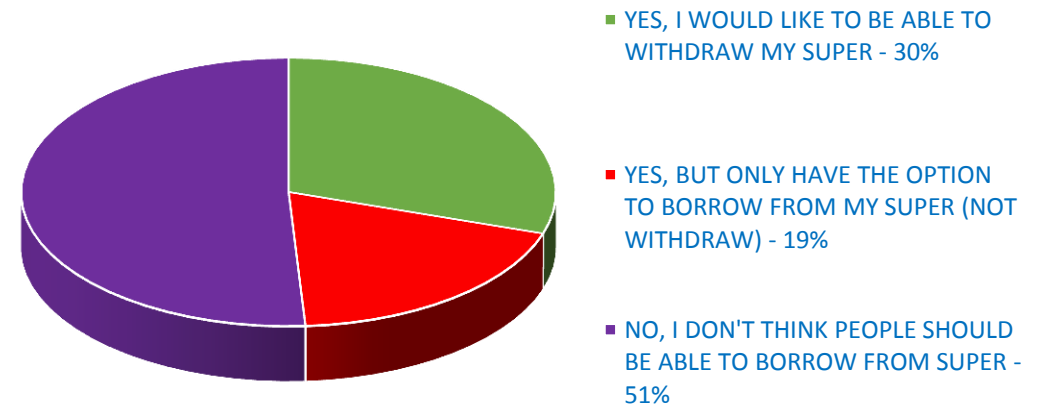
Source: First Home Buyers Australia (www.fhba.com.au)

- Our analysis understandably shows younger first home buyers are more likely to receive financial/loan assistance from their parents.
- As aspiring first home buyers get older, they are less likely to receive financial assistance from their parents, as they start to consider their own retirement plans.
- Of greater concern is that 1 in 8 Australian's over the age of 35 still expect to receive assistance from their parents, which emphasises the magnitude of the housing affordability crisis facing older aspiring first home buyers.

“A younger first home buyer is more likely to receive parental assistance as they back their child’s ambition to own their first home”

- 51% of survey respondents think people should NOT be able to access super for the purpose of buying their first home
- For those who do think super should be accessible for first home buyers, the majority would prefer a withdrawal system compared with the alternative option of being able to borrow a proportion of savings from super (e.g. a HECS style system, but from your super instead of the government).
- While the super debate for the purpose of your first home was hotly debated 6 months ago both major political parties have since decided this isn't the right way to address housing affordability and struggling first home buyers.

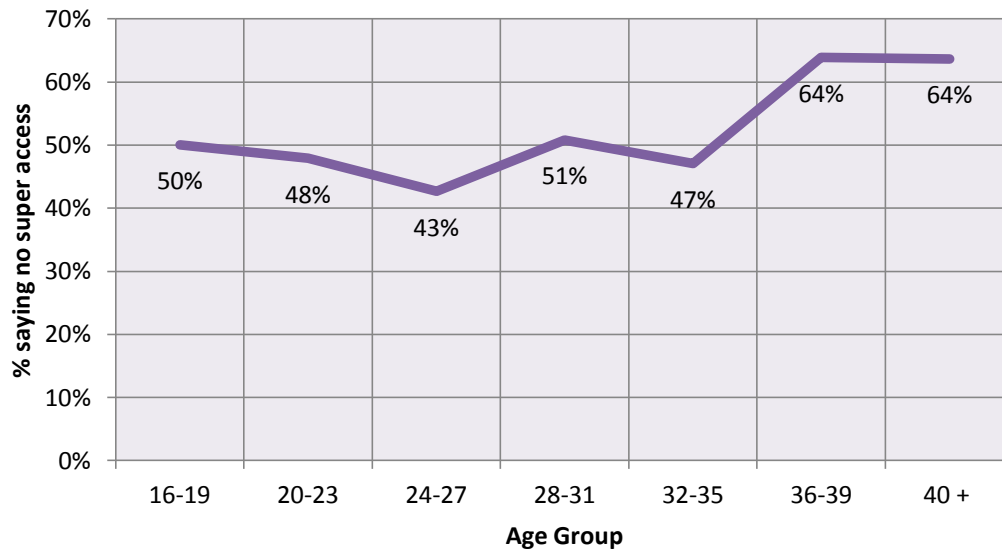
DO YOU LIKE THE IDEA OF BEING ABLE TO ACCESS YOUR SUPER TO HELP AFFORD YOUR FIRST HOME?



Source: First Home Buyers Australia (www.fhba.com.au)

“Young Australians are split on the topic of accessing super for the purpose of their first home”

WHICH FIRST HOME BUYERS ARE AGAINST THE IDEA OF ACCESSING SUPER



Source: First Home Buyers Australia (www.fhba.com.au)

- Over 50% of respondents under the age of 35 believed they should be able to access their super in some form to fund their first home deposit. This highlights the difficulties younger first home buyers face when saving a deposit, as the majority believe access to super will help them achieve their goal of home ownership
- 64% of aspiring first home buyers over the age of 35 believe Superannuation should NOT be accessible in any form.
- The more concerning fact is that approximately 1 in 3 of these buyers believe super should be accessible which shows the affordability crisis is hitting the older aspiring first home buyers too.

“The fact that over 50% of younger aspiring first home buyers are open to the idea of using their retirement funds to achieve their Great Australian Dream, highlights the extent of the housing affordability crisis”

FHBA have officially created a 5 point plan to address housing affordability and help struggling first home buyers.

For the federal Government, FHBA recommends:

- 1. First Home Savers Account:** Reintroduce the First Home Savers Account (FHSA) with enhanced features, including the ability for eligible account holders to salary sacrifice pre-tax wages, concessional tax treatment on investment earnings and Government co-contributions.
- 2. Negative Gearing Reductions:** Reduce 'interest costs' deductibility on existing dwelling purchases from 100% deductible to 50% deductible.
- 3. CGT Discount Amendments:** Introduce a tier scaled CGT (Capital Gains Tax) discount system so investors don't receive a full 50% discount until after the investment asset is held for more 36 months.

FHBA recommends that all State governments consider the following proposals:

- 4. Land Tax Reform:** Change land tax from value based to number of properties based. Land tax to apply from property number 3, except for foreign buyers it would apply from property number 1. Thresholds to apply.
- 5. Stamp Duty Reform:** Ensure nationally that there is no Stamp Duty for any first home buyers buying brand new properties and a 50% discount on Stamp Duty where the first home buyer chooses to buy an established property. Thresholds to apply.

FHBA recommends the return of the First Home Savers Account (FHSA) with enhanced features. A FHSA should be a special, concessional taxed vehicle for the sole purpose of saving for your first home deposit (just like super is a special concessional taxed vehicle for the sole purpose of saving for retirement).

Saving a deposit is the hard hurdle for a first home buyer. Our FHSA proposal directly addresses this issue by encouraging aspiring first home buyers to save as well as boost returns as a reward for effort.



Core features of the FHSA under FHBA's recommendation include:

- Account must be held for a minimum 3 years (previously 4)
- Ability for eligible account holders to salary sacrifice pre-tax wages into the account (up to a limit, e.g. \$5,000 pa)
- Government co-contributions for after-tax contributions at the rate of \$0.50 in the \$1 up to a total co-contribution of \$500 pa.
- Ability for account holders to be able to invest savings in other asset classes, such as managed funds
- Investment returns taxed at the same concessional tax rate as super.
- Tax free investment earnings in the FHSA

FHBA recommends that the Federal Government makes some reforms to negative gearing to reduce the in-balance between investor tax assistance versus first home buyer tax assistance.

Currently the Federal Budget is in a deep deficit position. Australia also currently has high levels of household debt. We recommend that any negative gearing reforms also target these issues in addition to creating a more level playing field in the market.



FHBA officially recommends that interest costs (on a loan) as a tax deduction on investments be changed from being 100% tax deductible to 50% deductible on existing dwellings. Under this proposal:

- Negative gearing will still be possible, but positively geared investments will be encouraged
- Investors will be encouraged to not be over leveraged and pay down debt.
- The same rules will apply to everyone, regardless of being a new investor or existing investor.
- Supply will also increase as the encouragement of new property developments will exist under this proposal.

FHBA officially recommends that the Federal Government reform the Capital Gains Tax (CGT) Discount system so that the discount be applied as a tier scaled system based on the length the investment asset is owned:

- 0 - 12 months = No Discount
- 12 - 24 months = 25% Discount
- 24 - 36 months = 37.5% Discount
- 36 months + = 50% Discount



This reform will:

- Encourage longer term investing based on investment fundamentals, rather than short term speculative investing
- Improve the Federal Government budget position
- Reduce the gap between the amount of public assistance investors receive versus the amount of public assistance first home buyers receive

FHBA officially recommends each State Government to change the land tax system from value based, to property number based. The key features of our policy recommendation include:

- Land Tax to be applied at the State Government rates from Property No.3, allowing Australians to buy their owner occupied property and one other property with land tax exemption (irrespective of the land value)
- Foreign investors to pay Land Tax for any properties they purchase in Australia



This reform will have the following desired effects:

- For investors wanting to purchase multiple investment properties, they will be required to pay the ongoing Land tax, which helps first home buyers compete with investors on the more affordable properties
- Levelling the playing field for first home buyers as some foreign investors will likely reconsider their plans to invest in Australia due to the annual Land Tax
- It will still allow Australian's to purchase one additional property with Land Tax exemption, which will help ease rental pressures as investment properties will still be encouraged.

FHBA PROPOSAL 5 – Stamp Duty Reform

Currently first home buyer Duty concessions vary State by State. We recommend that the following proposal be implemented consistently across all State governments (though thresholds may vary State to State):

- Maintain no Duty for any first home buyers buying a brand new property
- 50% Duty discount for any first home buyers purchasing an established property



The hardest part about being a first home buyer is the ability to save enough funds to put a deposit on a property. By reducing the amount of Duty tax payable this will reduce how long first home buyers need to save for in order to put a deposit plus transaction costs together.

Most first home buyer assistance currently favours brand new property (in order to increase housing supply levels in Australia). While property development should be encouraged, in most markets, established properties are cheaper and therefore often provides a better entry level option. In addition, first home buyers need some assistance on established properties, so they can compete with investors who receive strong tax incentives from the Federal Government.

Together, the 5 point plan would create a fairer market and assist first home buyers achieve the Great Australian Dream.

MEDIA ENQUIRIES



Media Enquiries:

Daniel Cohen / Taj Singh

daniel@fhba.com.au / taj@fhba.com.au

0430 067 999 / 0431 134 972