**REIA PRE BUDGET SUBMISSION 2017-2018**

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REIA

**REIA PRESENTS THE GOVERNMENT WITH PROPOSALS FOR THE 2017/18 FEDERAL BUDGET**

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

REIA's members are the State and Territory Real Estate Institutes, through which around 75% of real estate agencies are collectively represented. The 2011 Census records the Rental, Hiring and Real Estate Services Industry employment as sitting at a total of 117,880. Key data recorded by the Australian Bureau of Statistics (ABS) Census identified, by occupation, 64,699 business brokers, property managers, principals, real estate agents and representatives.

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% of real estate agencies are small businesses and 11% of all small businesses in Australia are involved in real estate. Only 0.6% of businesses employ 50 or more persons.

REIA is committed to providing and assisting with 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.

## Introduction

The Real Estate Institute of Australia (REIA) welcomes the opportunity to present the Government with proposals for the 2017/18 Federal Budget and in the context of its preparation, seeks Government consideration of seven specific matters.

The two primary focuses of REIA's proposals are firstly taxation as it relates to property and the need for a holistic approach and secondly housing affordability – which includes the rapid decline in the number of first home buyers.

The need for Government to recognise the importance of the property sector as a driver of economic growth by appointing a Minister of Property Services and to ensure the availability of reliable data to formulate policy is also addressed.

By addressing these key areas REIA's proposals are aimed at contributing to Australia's continuing economic development and productivity.

## Economic Background

The economic circumstances some twelve months later are not greatly different to what they were when the 2016-17 Budget was delivered: growth is still below trend; unemployment threatens to increase; and business and consumer confidence are still low despite three years of record low interest rates.

In 2016, the recovery of the global economy continued, albeit at a slower-than-expected rate with growth in the economies of Australia's major trading partners being below their historical average.

Annual growth in Australia slumped to 1.8 per cent in the September quarter of last year from 3.1 per cent in the June quarter, according to the Australian Bureau of Statistics. Gross domestic product shrunk 0.5 per in the September quarter, only the fourth such contraction since the last recession in 1991. Falling home construction was a major contributor to the outcome.

The RBA Board at its December 2016 meeting noted that "growth in GDP of Australia's major trading partners had picked up a bit over recent months, although growth remained a little below average. Members noted that there had been a general improvement in survey measures of global business conditions. They also noted that the downside risks to global inflation appeared to have diminished somewhat, in part because commodity prices had increased significantly over 2016 to date. Prospects for fiscal expansion in some countries had also contributed to expectations that inflation would increase. However, inflation had remained below most central banks' targets and monetary policies had continued to be accommodative".

According to the World Economic Outlook presented by the International Monetary Fund (IMF) in October last year, "Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017. The forecast, revised down by 0.1 percentage point for 2016 and 2017 relative to April, reflects a more subdued outlook for advanced economies following the June U.K. vote in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer. Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union are uncertain".

In the Mid-Year Economic and Fiscal Outlook released by Treasury in late 2016, real GDP is forecast to grow by 2 per cent in 2016/17, partly reflecting the decline in GDP in the September quarter 2016. Economic growth is expected to pick up to 2.75 per cent in 2017/18 as the detraction from mining investment eases. Treasury states that the outlook for nominal GDP growth is being affected by inflation and wages growth which are expected to be slower than initially forecast in the Pre Election Economic and Fiscal Forecast.

For a number of years now, as Australia's economy transitions from resource investment to other drivers of growth and economic activity, significant differences in economic performance across industries and regions have been a distinctive feature of the economy. Whilst it is expected that the weakening Australian dollar will provide a much needed stimulus to a number of sectors the impact of this is still some time away.

Importantly, dwelling investment supported by historically low interest rates has been a significant contributor to growth in the Australian economy since 2013/14. Australia's property industry has been a main driver of economic growth and increased employment in the transition away from a decade-long reliance on mining.

Providing a stimulus to economic activity outside the mining sector, including the housing and building sectors, was amongst the main reasons for the RBA to keep the official cash rate at record low levels since August 2013.

ABS figures show that in 2015 new home building approvals recorded their strongest ever year with a 13.7 per cent increase in construction approvals for the year. With the lag from approvals to commencements, dwelling commencements in 2016 reached almost 230,000 - surpassing the record set in the previous year. The peak in residential building activity was reached in 2015/16. According to the Australian Industry Group/Housing Industry Association Australian Performance of Construction Index the national construction industry declined for a third consecutive month in December. BIS Shrapnel are forecasting a decline of 7.3% in construction activity in 2016/17.

New home building has been a crucial support to economic growth over the past two years. The challenge during 2017/18 will be to manage the transition to lower volumes of new home building.

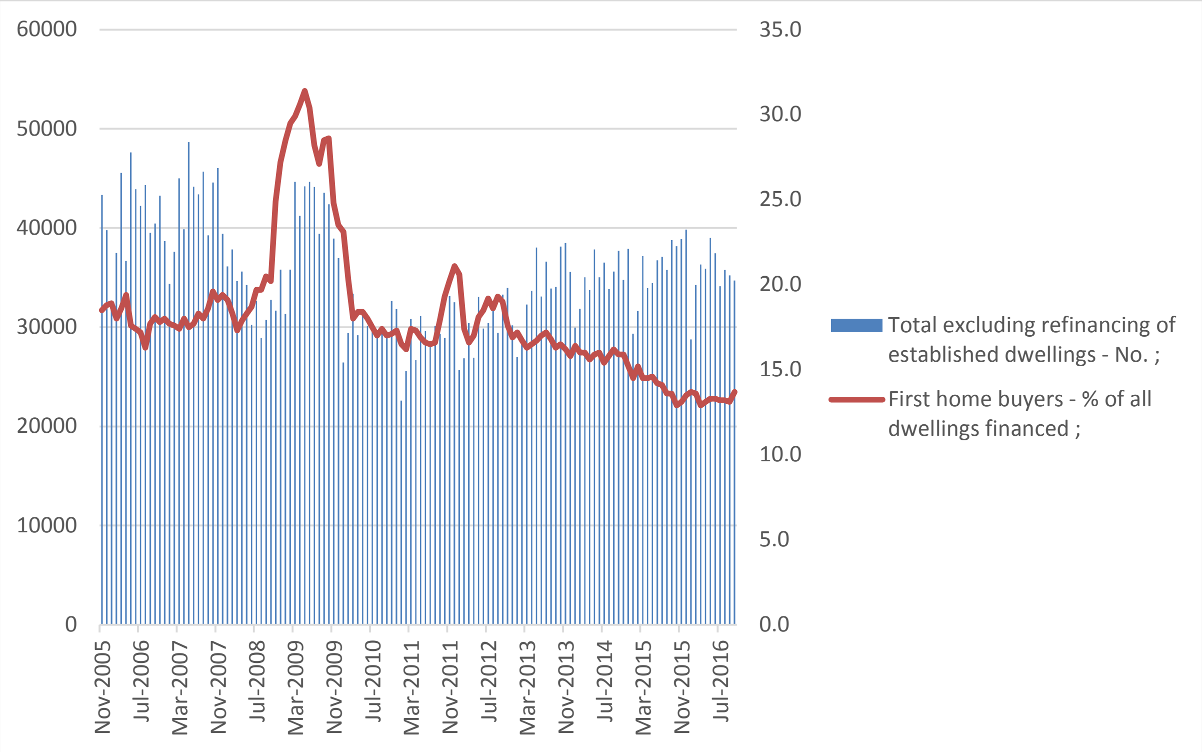
It is against this background that REIA's Pre Budget Submission for 2017/18 is framed and seeks Government action to facilitate further sustained growth in the property sector which is critical to the Australian economy.

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

The number of first home buyer commitments as a proportion of total owner-occupied housing finance commitments in November 2016 was 13.8 per cent and compares to long run average of 18.5 per cent.

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 2005. We can see that since April 2012, when official interest rates were 4.25 per cent compared to the current 1.5 per cent, the number of home loans issued to home buyers increased by 25 per cent while the participation of first home buyers declined by 17 percent. This decline is despite ten cuts in the official interest rate over that period.

**FINANCE APPROVALS AND THE PROPORTION OF FIRST HOME BUYERS**




*Source: ABS*

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

With first home buyers finding it increasingly difficult to enter the housing market, home ownership in Australia is declining after four decades of stable levels.

Over the five years to 2011, home ownership declined by 1.1 percentage points to 67.0% of occupied private dwellings. The drop was evidenced across all states and territories and was most pronounced in the 35 to 44 age group. In the decade to 2011, home ownership dropped by 4.5 percentage points for the 35 to 44 age group and by 5.5 percentage points for the 45 to 54 age group. The National Housing Supply Council, in its 2012-13 report, showed that it seemed certain that the rate of home ownership would drop further.

Strong population growth in Australia as well as changes in the demographic composition necessitates that the supply of affordable housing is addressed as a priority policy issue. ABS population projections show net overseas migration is expected to make a stronger contribution to population growth in future years than it has in the past.

At a roundtable discussion on housing affordability convened by the REIA in 2014 with participation by Government, including the then Minister for Social Services, the Hon Kevin Andrews, and industry leaders from real estate, construction, finance and community sectors, it was agreed that the availability of affordable housing is a goal that is shared by governments and all sectors of the community. It impacts on the functioning of the economy as well as the wellbeing of individuals and the cohesiveness of communities and society. The roundtable participants all agreed that a priority policy issue is to address the undersupply of housing.

The REIA thus welcomed the January 2016 announcement of the Government's initiative to establish a Working Group to investigate innovative ways to improve the availability of affordable housing. The REIA is pleased that that the Government has taken a leadership role in developing a coordinated and strategic approach with all levels of government to the provision of housing.

According to the third National Housing Supply Council State of Supply report, the gap between the supply and demand for housing will increase in the future, putting further pressure on housing prices.

**PROJECTED GAP BETWEEN HOUSING DEMAND AND SUPPLY**

| Year ended 30 June | Cumulative Demand-Supply Gap |
|---|---|
| 2013 | 272,800 |
| 2014 | 301,100 |
| 2015 | 328,800 |
| 2025 | 556,900 |
| 2030 | 640,200 |

*Source: National Housing Supply Council, 3rd State of Supply report.*

Affordable housing is a complex issue, with a number of economic, social and infrastructure factors influencing it. These include: the deposit gap for first home buyers; demographic change; the effect of stamp duties and taxes; development application processes; skills shortages, and; lack of urban infrastructure.

The property sector needs to be a crucial and integral element of the 2017/2018 Budget and housing affordability and the taxation of housing need to be addressed in a holistic manner rather than the often simplistic debate about negative gearing as if it's abolition is the panacea for all things.

**Taxation and Housing Supply**

Taxes are one of the factors determining investment in housing and thus housing supply and influencing housing affordability.

With increasing house prices in Australia's two largest capital cities over the past two years, there have been many claims that the current tax treatment of negative gearing and capital gains of residential property is exacerbating housing affordability issues. This is simply not the case. Indeed the public interest is being served and advanced through negative gearing and the treatment of CGT.

The current taxation arrangements provide many Australians with the opportunity to invest in property and augment their savings in particular their retirement savings and at the same time improve rental affordability through an increased supply of rental housing.

Independent research commissioned by the REIA shows that:

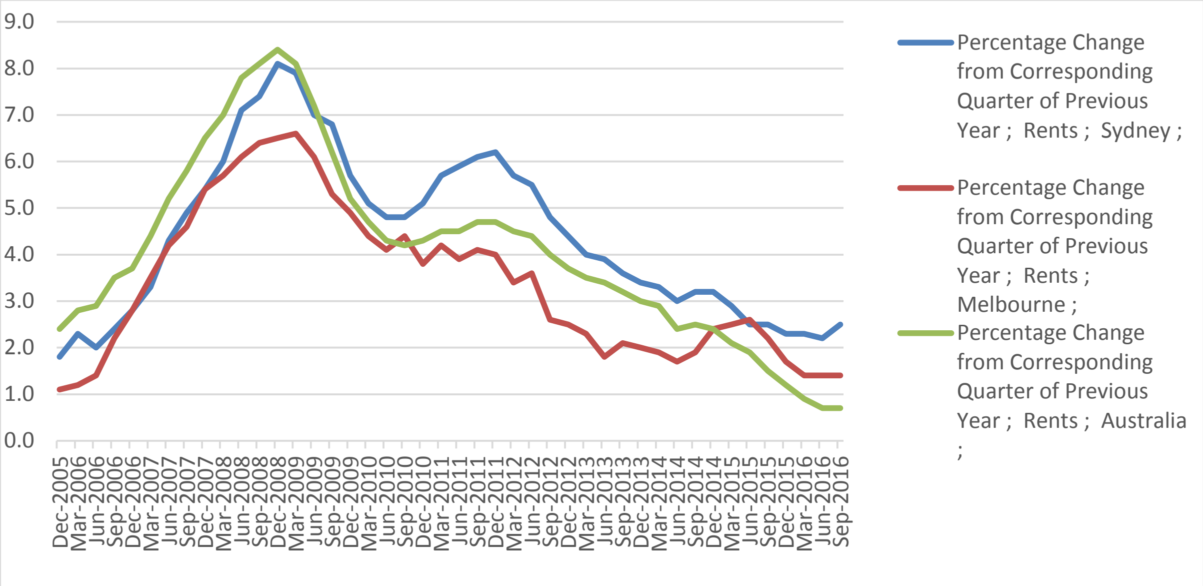
- Negative gearing is a tax deduction for investments in a variety of assets, including property investments, share investments and business ventures
- The ability of investors to gear and use debt is a crucial part of investing and fostering economic growth. It is a fundamental principle that taxpayers should be able to deduct the associated costs incurred in earning income from investments, including the cost of borrowing. The ability to deduct the cost of debt and losses against income is necessary to ensure that investments are not taxed punitively
- The rationale for the 50 per cent discount on capital gains is to ensure that only real capital gains are taxed (not nominal capital gains). This approach replaced the previous indexation of capital gains in 1999
- If nominal capital gains are taxed without discount then investors will be taxed on a gain they have not made
- Negative gearing is not a special concession for property — it is a legitimate deduction of expenses in the course of earning income from investments in all asset classes until the investment generates a positive income stream in the future
- Property is not the investment class that benefits the most from the CGT discount. The majority (around 60 per cent) of the capital gains are sourced from shares, while capital gains from real estate investments (which include residential and other types of property) represent approximately 26 per cent of the total capital gains of taxable individuals. Individuals across all income ranges benefit from the CGT discount. However, the highest proportion of taxable net capital gains income tends to be received by individuals at the higher end of the income distribution and hence these individuals receive a larger share of the benefits from the CGT discount
- Negative gearing benefits a range of Australian households by providing all individuals with an opportunity to invest in property, not just those in higher income brackets. Seven out of ten property investors who benefit from negative gearing earn a taxable income of less than $80,001 a year. Furthermore, while individuals with incomes higher than $80,001 claim around 40 per cent of losses on investment property, those earning less than $80,001 a year claim the majority of rental losses (above 60 per cent of all losses).The data also shows that the majority of investors own only one property and this has not significantly changed over time
- Negative gearing contributes to the provision of new housing — total dwelling commencements have been on a growth trend since the 1950s. A significant proportion of these new dwellings have been financed by investors. Around a third of all new dwellings construction is financed by investors every year and the absolute amount of investor loans committed to new housing has increased by more than seven-fold since 1986
- An increase in rental supply means higher rental vacancies and lower rents than would otherwise be the case. The benefit to renters from improved rental affordability was directly recognised by the Henry Tax Review (2010) which noted that ‘the current tax advantages available to highly geared investment can operate as a subsidy to renters by placing downward pressure on rents
- Quarantining of expense deductions against corresponding income would primarily only affect the timing of tax payments, so would not result in large tax collection increase for the Government

- Limiting negative gearing to a maximum number of properties per taxpayer – as has been suggested by many commentators - would be highly distortionary, notwithstanding the practicality of determining an acceptable upper limit.

The repeal of the current arrangements would shrink savings and investment and see increases in rents and the need for greater government investment in social housing.

The graph below shows the impact of the increase in investment properties in Australia and in Sydney and Melbourne, where the greatest investment activity has occurred. From the end of 2011, when investment in housing started to pick up, the rate of increase in rents has plummeted. For Australia, rents increased by 0.7% for the year ending September 2016 which is the lowest annual increase since March 1995. In Sydney the increase was 2.5 per cent and in Melbourne 1.4 per cent. At the same time there has been a steady increase in population in both cities.

**ANNUAL CHANGE IN RENTS: AUSTRALIA, SYDNEY AND MELBOURNE**




*Source: ABS,*

Both Re-think and the Henry Review, note that stamp duties are some of the most inefficient taxes levied in Australia. Re-think goes on to say whilst stamp duties on the transfer of property are the second-largest source of state tax revenue (generating 24 per cent of state tax revenue) they are a highly volatile tax, with revenue fluctuating by over 50 per cent in previous years. Stamp duties also impact on consumers by increasing the cost of buying and selling houses. As house prices increase over time, unadjusted progressive tax rates also increase the tax burden associated with stamp duty. This adds to transaction costs and contributes to the high costs of moving which discourage mobility, impedes economic growth and leads to an underutilisation of the housing stock as older residents are reluctant to downsize.

Stamp duty is also inequitable for those who move more frequently, for work related reasons for example, than those that do not as they face higher costs even if their circumstances are otherwise similar. Choices between renting and buying and between moving house and renovating are also distorted by stamp duties.

According to the Henry Review "stamp duties on conveyances are inconsistent with the needs of a modern tax system …..and should be replaced with a more efficient means of raising revenue".

State governments cannot eliminate inefficient taxes without going into deficit or having to reduce expenditure substantially. Hence cooperation between the Australian Government and the States is needed to undertake reform of inefficient state taxes.

Economic analysis shows that economic activity in Australia can be lifted by just shifting the composition of taxes from high economic cost State taxes to lower cost Australia-wide taxes, without changing the overall level of tax revenues. The Centre of International Economics in its report, State Business Tax Reform in 2009 showed that the abolition of stamp duties on residential and non-residential property, removal of insurance duties and reform of land taxes and payroll taxes is projected to increase long run GDP by 1.7 per cent per year and investment by 4.4 per cent per year.

Stamp duties are also a major hurdle for first home buyers and older home owners. For first home buyers stamp duty often makes the difference between the ability to buy and not to. For older home owners considering down sizing to accommodation more suited to their needs in retirement stamp duty is frequently given as the reason preventing such a move. Stamp duties are thus preventing a more efficient use of the housing stock and could be exacerbating the supply problem.

The Federal Government needs to show leadership in addressing housing affordability by taking a co-ordinated and holistic approach of all levels of government in objectively addressing all property taxes.

**REIA recommends that the Australian Government take a leadership role in taking a co-ordinated and holistic approach of all levels of government in objectively addressing all property taxes.**

**REIA recommends that until a co-ordinated and holistic approach in objectively addressing all property taxes is undertaken that negative gearing and capital gains tax on property investments are retained in its current form.**

**First Home Buyers**

Housing affordability is an acute issue for first home buyers. The easing in monetary policy commenced in November 2011 has since seen a 300 basis points reduction in the official interest rate which has, albeit with a longer lag than expected, resulted in an increase in housing finance approvals. This improvement however has been due to a return of investors to the market and of changeover buyers. Based on ABS data for November 2016 the proportion of first home buyers, as part of the total owner-occupied housing finance commitments, was 13.8 per cent and compares to the long run average of 18.5 per cent. The current rate is slightly higher than the historically low point of 12.9 per cent in March 2016 and is in contrast to the high of 31.4 per cent in May 2009 when the Government increased the First Home Owner Grant (FHOG) as part of its GFC measures, indicating the urgent need to address the issue.

Various surveys are showing that not only are aspiring home buyers saving for longer but are also using debt to meet their deposit requirement. This debt covers personal loans credit cards as well as family assistance.

With three quarters of Australian first home buyers having less than a 20% deposit and thus incurring mortgage insurance, it is critical that first home buyers have an additional way of supplementing their deposit savings.

REIA believes in the benefits of continuing the high ownership level in Australia, particularly as the population ages, and strongly encourages the Commonwealth Government to help implement solutions that will assist aspiring first home buyers. Such assistance should be uniform and should not discriminate between buyers of new or established housing.

One of the most important housing policy instruments in assisting first home buyers has been the FHOG which was introduced in July 2000. As part of the Intergovernmental Agreement (IGA) on the Reform of Commonwealth-States Financial Relations signed in June 1999, the states and territories agreed to provide financial assistance to Australians who are buying their first home through the establishment of the FHOG. The IGA stated that assistance to first home buyers would be "uniform" and that "an eligible home would be new or established". All states and territories in signing off on the IGA had the clear intention of providing assistance to all first home buyers.

Despite this provision, the First Home Owner Grant is currently restricted to the purchase of new dwellings. Further, availability of stamp duty concessions for first home buyers is not uniform across the states

The ABS, in its Housing Occupancy and Costs publication, reports that in 2011-12, only 18.6% of Australian first home buyers with a mortgage were buying new homes with 81.4% purchasing established dwellings. As shown in the table below, first home buyers in New South Wales, Queensland, South Australia, Tasmania, the Northern Territory and the Australian Capital Territory were above the national average in their preference for established homes. The grant is thus being limited to less than one in five first home buyers.

**First Home Buyers with a Mortgage, by Dwellings Type by State and Territory (%), 2009-10**

| Dwellings Type | NSW | Vic | Qld | SA | WA | Tas | ACT and NT | Australia |
|---|---|---|---|---|---|---|---|---|
| New | 12.5% | 25.9% | 16.5% | 9.3% | 29.2% | 5.3% | 8.7% | 18.0% |
| Established | 87.5% | 74.1% | 83.5% | 90.7% | 70.8% | 94.7% | 91.3% | 82.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

*Source: ABS, REIA special data request.*

Another dynamic of the housing market is that sales of established homes to first home buyers in many cases lead to purchases of new housing by the sellers. In these examples, the multiplier and employment affects are probably greater than when a first home buyer purchases a new house as the size and cost of construction of dwellings purchased by upgraders is generally more than that of first home buyers. Furthermore, first home buyers of lower valued established homes usually embark on a program of home improvement and renovation providing a stimulus to the building sector.

**The REIA proposes that the Federal Government takes a leadership role in urging all states and territories to take the same approach to the provision of assistance to first home buyers regardless of whether the dwelling is new or established.**

Superannuation is an important financial asset of Australian households. Aside from home ownership it is the second most important financial asset with 82.1% of all Australian households holding at least some savings in their superannuation account and the average value across all households at $142,429 (HILDA Survey).

Allowing access to a proportion of superannuation funds would help prospective buyers to save for a deposit faster. That proportion could be either a fixed percentage or the total of their voluntary payments over and above the super guarantee contribution.

Superannuation and home ownership are both components of a retiree's "nest egg" and not competing products. By buying earlier in life retirees have every prospect of having a higher equity on retirement and a larger "nest egg" on downsizing. Too much attention has been focused on the accumulation of a nest egg through superannuation at the expense of other more practical considerations which not only improve the quality of life at an earlier age but result in a greater retirement "nest egg".

Furthermore, access to superannuation for the purchase of a first home could help reverse the trend of falling home ownership and address the looming significant policy problem of a large numbers of long-term renters aged 45 years and over remaining in the rental sector and possibly requiring rental support in later years.

The use of retirement savings for a first home purchase has already proven to be successful in Canada, New Zealand and Singapore.

In Canada, the Government has established the Canadian Home Buyer's Plan, which allows Canadian first home buyers to withdraw up to $25,000 from their retirement savings plan, to purchase or build a home. Funds withdrawn from the retirement savings plan need to be repaid over a 15 year period so that withdrawing the funds will not have a major impact on the ability to secure a comfortable retirement. The scheme has been operating since 1992 with around one-eighth of first home buyers aged 25 to 44 participating.

In Singapore, the Central Provident Fund (CPF) – a social security fund where a portion of an employee's salary is set aside for retirement, healthcare and housing – is integrated with home ownership through CPF housing schemes. A Housing Development Board (HDB) flat may be bought under the Public Housing Scheme for occupation, or a private property may be purchased under the Residential Properties Scheme for occupation or rental.

Monthly contributions to CPF go into three accounts: ordinary, special and Medisave accounts. CPF ordinary account savings up to the valuation limit can be used for full or partial payment of the property, as well as to service the monthly housing payments. Ordinary account savings are available only after at least 5% of the purchase price has been paid in cash. Stamp duty, legal fees and other costs related to the purchase or mortgage may also be paid using savings in the ordinary accounts. Since its introduction in the 1960s, housing schemes have been successfully assisting Singaporeans to purchase their home. In 2013, the home ownership rate in Singapore was 90.5% with over 70% of home owners servicing their housing loans solely with CPF savings. Whilst there are elements of the Singapore scheme that would not be applicable in Australia, there are important core elements that could be adopted here.

In New Zealand, KiwiSaver is a voluntary, work-based saving initiative to help New Zealanders with their long-term saving for retirement. KiwiSaver members choose to contribute 3%, 4% or 8% of their before-tax pay and the employer is required to pay 3%. The initiative has two features to help many

New Zealanders to get their foot in the property market: the KiwiSaver home purchase withdrawal scheme and the KiwiSaver home deposit subsidy scheme. Both of these features of KiwiSaver can also be used to help with the overall deposit when buying land to build a first home on. Furthermore, if a person has previously owned a home but is currently in a similar financial position to a first home buyer, they still may be eligible for both features.

Below are outlines of the two schemes.

| First Home Withdrawal | First Home Subsidy |
|---|---|
| • If you have been a member of KiwiSaver for at least three years (regardless of whether or not you have been contributing), you may be able to withdraw all, or part of your savings to put towards buying your first home.<br>• Your individual contributions, your employer contributions and any investment returns make up the amount you are entitled to withdraw.<br>• Government contributions are not paid out in the first home withdrawal.<br>• Home will be your primary residence. Withdrawal cannot be used to buy an investment property.<br>• Additional requirements for those who have previously owned home. | • After three years of contributing to KiwiSaver you may be entitled to the deposit subsidy. You have to contribute at least the minimum percentage of your income, currently 3%.<br>• The subsidy is $1,000 for each year of contribution to the scheme ($3,000 for 3 years of contributing, $4,000 for 4 years of contributing and $5,000 for five years of contributing).<br>• The minimum you can get is $3,000; the maximum you can get is $5,000.<br>• You can use the deposit subsidy if you are buying a house, or land on which to build your first home. House price caps apply.<br>• The subsidy will be paid to your solicitor on settlement day.<br>• Home will be your primary residence. If you move out before 6 months, you will be required to pay the subsidy back.<br>• You can only receive the subsidy once.<br>• Additional requirements for those who have previously owned home. |

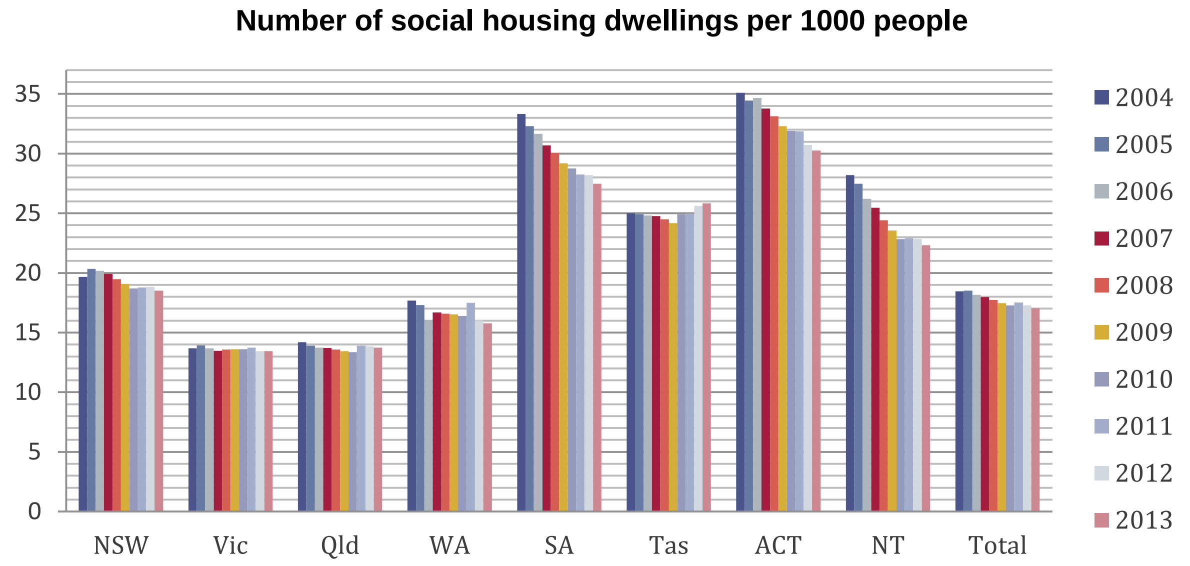
**The REIA proposes that the Commonwealth Government establish a scheme to encourage young Australians to have access to their superannuation for the purpose of raising a deposit for a first home.**

**Improving the Supply of Housing for Social Housing Tenants Transitioning to Private Rental**

The provision of social housing is currently financially unsustainable and is characterised by:

- demand exceeding supply;
- a large proportion of stock is in disrepair yet on valuable land;
- the system not matching the type of housing with many tenants’ needs;
- the public sector is generally less efficient in managing rental property than the private sector;
- With the exception of Western Australia, there is no assistance to social housing tenants with a good tenancy record and stable incomes to make the transition to the private rental market;
- whilst not always the case, social housing is in larger developments and does not achieve a broad mix of households.

The Reform of the Federation White Paper on Housing and Homelessness issued late 2014 points out that "since 2004, the number of social housing dwellings per capita has declined in all States and Territories except Tasmania, although South Australia and the Australian Capital Territory continue to have the highest number of dwellings relative to their population. The decline in social housing is particularly significant in the public housing sector, where the number of dwellings per capita has decreased in all jurisdictions. While there has been a significant increase in the number of community housing dwellings per capita in all jurisdictions since 2004, this has not completely offset the effect of the reduction in public housing on the overall social housing stock". The graph below illustrates this point.




Source: Reform of the Federation White Paper on Housing and Homelessness, 2014

The aim of REIA's proposal is to increase the supply of social housing for those tenants transitioning to the private rental market utilising a currently untapped resource of individual private investors. The scheme recognises that social housing is not meeting demand and is unsustainable without a change in approach. The scheme also addresses the identified shortcomings of current arrangements. The proposal builds on the Western Australian Rental Pathways Scheme.

REIA proposes the utilisation of untapped small investor resources as follows:

- Investors buy a new or existing property for rental purposes. This would be subject to broad guidelines provided by state government agency regarding location, size, number of bedrooms etc and an upper value
- Agent provides a market value for rental purpose. Rental would be subject to annual reviews
- Owner approaches government agency with details of property and market valuation of rental value for endorsement for transitional housing. A process for approval prior to sale completion may be needed to safeguard and encourage the investor
- Tenant selected from a Government list of eligible candidates
- Agent manages the property
- Rental would:
    - Need to be subsidized with current social housing schemes such as NRAS suggesting that a subsidy rate in the order of 20%

    - Governments would need to guarantee the rental payment for the term of the arrangement
- Depending on the extent of the rental subsidy, consideration may need to be given to other assistance to the owner to achieve the equivalent net yield if the property was rented in the private market. This could be through a stamp duty concession and land tax concessions at state level and income taxation provisions at Federal level. This is no different in approach to the current arrangements for Community Housing Providers which receive taxation exemptions
- Maintenance of the property:
    - The managing agent and owner will attend to routine maintenance matters as currently occurs in the private rental market alleviating the need for government involvement
    - Tenants would be required to meet responsibilities of caring for the property and leaving it in good condition at the end of a tenancy
    - Private tenants have a bond, which at the end of a tenancy is returned provided the property is left in good condition. Bonds are not, however, generally a part of the social housing system. One way of addressing this would be through a bond collection scheme collected as a part of rental payments until an agreed level of bond is reached. The bond would then be returned to public housing tenants if their property is kept in good condition at the end of their tenancy. The returned bond could then be used by tenants to get into the private rental market
    - In the event that the bond is insufficient to bring the property back to the condition expected after normal wear and tear is taken into consideration, the Government agency would be responsible for funding the required repairs. In WA, the State Government will fund any property damage up to $5,000 in excess of the bond. The repairs would be organised through the managing agent eliminating the need for public sector resources.

As well as increasing the supply of social housing, additional benefits of the proposal include: greater operational efficiencies through private sector responsibility for operations and maintenance; utilisation of private sector finance and a corresponding reduction in capital requirement by governments; risk in land value transferred to private sector.

**The REIA proposes improving the supply of housing for social housing tenants transitioning to private rental by utilising private investment.**

**Appointment of Minister of Property Services**

The property sector is one of the largest sectors in the Australian economy in terms of employment, GDP and investment. It has been the driver of economic growth since the decline in investment in the mining sector commenced. No matter what changes occur in the composition of sources of growth, property will continue to be a major source of employment and investment for decades to come as well as the major asset class for the majority of Australians.

Despite this, at both a state and federal level there is no single entity and/or elected official responsible for all aspects of property.

Recognising the importance that the property sector plays in the economy as well as in policy with taxation of property and housing affordability being at the forefront of public policy debate REIA advocates the appointment of a Minister for Property Services.

**The REIA proposes the appointment of a Minister for Property Services.**

**The Availability of Reliable Data on Housing**

The National Housing Supply Council – that was established in 2008 to monitor housing demand, supply and affordability in Australia and to identify gaps between housing supply and demand - was abolished at the end of 2013.

With housing affordability recognised as a policy priority, it is imperative that the information contained in the Council's State of Supply Report continues to be available. The document provided valuable information, not only to Government policy makers but also to industry.

The availability of reliable data, including first home buyers, to formulate appropriate policies and then to monitor their effectiveness is crucial to this and the REIA would like to contribute to the dialogue and offer assistance to such a forum.

**The REIA proposes that the Government establishes a mechanism to ensure the availability of reliable data on housing demand and supply in order to formulate appropriate policies and to monitor their effectiveness.**

**REIA Recommendations**

In summary, REIA asks the Commonwealth Government to consider the following:

- **Take a leadership role in taking a co-ordinated and holistic approach of all levels of government in objectively addressing all property taxes**
- **Until a co-ordinated and holistic approach in objectively addressing all property taxes is undertaken that negative gearing and capital gains tax on property investments are retained in its current form.**
- **Take a leadership role in urging all states and territories to take the same approach to the provision of assistance to first home buyers regardless of whether the dwelling is new or established.**
- **Establish a scheme to encourage young Australians to have access to their superannuation for the purpose of raising a deposit for a first home.**
- **An improvement in the supply of housing for social housing tenants transitioning to private rental by utilising private investment.**
- **The appointment of a Minister for Property Services.**
- **Establish a mechanism to ensure the availability of reliable data on housing demand and supply in order to formulate appropriate policies and to monitor their effectiveness.**