

Housing concessions could backfire, pushing up prices

- The Australian
- 12:00AM June 12, 2017

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Measures aimed at improving housing affordability for first-home buyers could backfire in NSW and Victoria as prices threaten to rise by the amount of stamp duty savings introduced next month, analysts and buyer's agents said.

Some buyers have already started to pull out of agreements to wait for the concessions, hopeful of pocketing thousands of dollars of stamp duty savings. They run the risk prices will jump, as happened last time key grants were introduced, although a cooling market could keep a lid on increases.

From July 1, stamp duty will be abolished for first-home buyers for properties worth up to \$600,000 in Victoria and \$650,000 in NSW, with stamp duty discounts for properties worth up to \$150,000 above these levels in each state.

BIS Oxford Economics managing director Robert Mellor said first-home buyers had been pushed further out of the market as prices soared in the southern capitals.

The national number of first-home buyer loans dropped 26 per cent over the five years to 2016, compared with the previous five years, according to figures from BIS and the ABS.

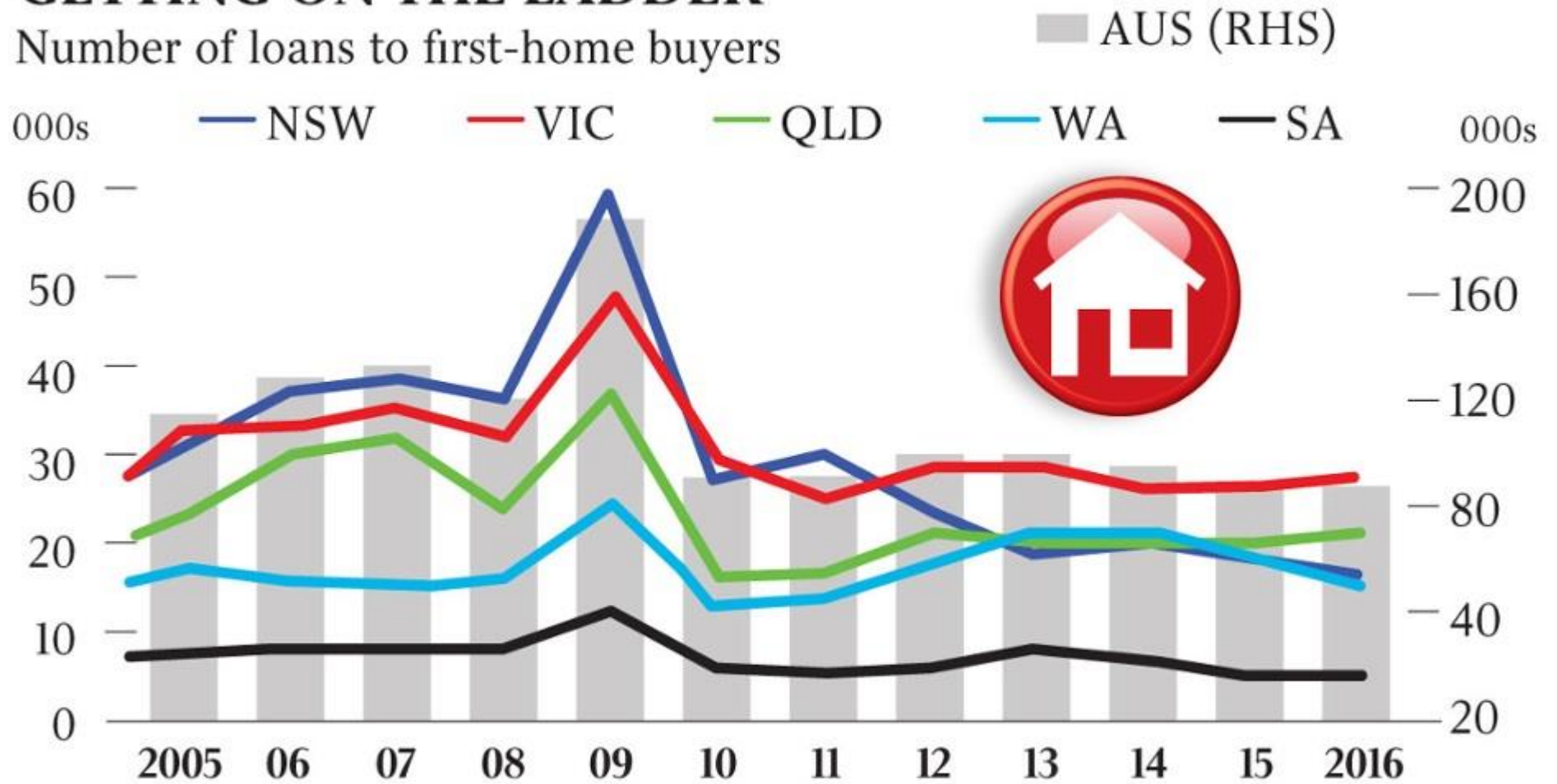
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The federal government doubled the first-home owners grant in 2009 to \$14,000 for existing homes and tripled it to \$21,000 for new properties, while stamp duty concessions were also in place.

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Number of loans to first-home buyers



Source: ABS, BIS Oxford Economics

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Housing prices in 2009-10 rose 14 per cent in Sydney, 25 per cent in Melbourne, 9 per cent in Brisbane, 9 per cent in Perth and 11 per cent in Adelaide.

Long-time agent John McGrath said the first-home buyer concessions would have only a marginal effect on demand and prices.

“Some will wait but others are ready to go and desperate to get a home,” Mr McGrath said.

However, the NSW stamp duty break could result in price rises at the lower end of the market. “I hope it helps people get into the market as opposed to pushing prices up,” he said.

WBP Property Group executive chairman Greville Pabst tipped prices for more affordable homes to rise about 2 to 3 per cent, the value of the stamp duty discount.

Starr Partners chief executive Douglas Driscoll noticed some buyers walking away from agreements shortly after the grants were announced.

“If you are a first-home buyer, you are struggling to make ends meet, it makes sense,” he said.

Real Estate Buyers Agent Association president Rich Harvey said any subsidies impacted demand and not supply.