

Stamp duty changes to hurt investors

Wednesday, 7 September 2011

By: Staff Reporter Smart PropertyInvestor

Aspiring first time buyers as well as investors have been dealt a blow following the NSW government's decision to remove stamp duty exemptions for first home buyers.

As of January 1, 2012, first home buyers in NSW will no longer be able to claim stamp duty exemptions on homes valued up to \$600,000. Instead, only first home buyers purchasing new homes will be eligible for the concession.

Angus Raine, CEO of Raine & Horne, slammed the decision.

"We already have a major shortage of rental properties in NSW and this is not going to help young people jump off the rental market treadmill and into their own homes," he said.

"I'd really urge the NSW government to reconsider this budget measure as it will mean first timers will need to find tens of thousands of additional dollars to buy into the housing dream.

"It will also price many first timers out of apartment markets closer to the city and will put even more pressure on overworked infrastructure in outer Sydney suburbs."

Laing+Simmons general manager Leanne Pilkington said the new policy would hurt first time buyers.

"While this may encourage some first home buyers waiting on the sidelines to enter the market this spring, this measure in reality presents another barrier to many first home buyers looking to get their foot in the door.

"It also represents an opportunity missed. The critical need to improve housing supply remains, particularly in Sydney, however this would better be achieved through a focus on removing the planning red tape and reducing the associated costs of development," she said.

While the changes are obviously bad news for aspiring buyers, they could also hurt investors, as first home buyers rush to beat the deadline and push up demand for property, competition, and ultimately, prices.

"It is inevitable that as first home buyers scramble to beat the 1 January deadline, we will see prices increase as demand exceeds supply," said Real Estate Institute of NSW president Wayne Stewart.

APM economist Andrew Wilson echoed similar concerns.

"We have this sort of sunset clause, that it's [stamp duty concessions] going to be taken away as of 1 January. This means we'll probably get a bringing forward of demand which just might cause some short term heat in the market place as first home buyers look to take advantage of the window of opportunity over the next 4 months."

“It’s possible we may see now see some house price movements in the Sydney market in the lead up to Christmas,” he told *Smart Property Investment*.

Meanwhile, Urban Taskforce chief executive Aaron Gadiel said the \$1 billion revenue measure was a sensible step that would help boost NSW’s supply of new housing.

“This reform will remove the current scheme’s inflationary impact on home prices, and will make more housing available to more people,” Mr Gadiel said.

Mr Gadiel said that existing first home buyers’ stamp duty concessions have been poorly targeted for too long.

“NSW’s housing supply has been heavily constrained by the planning system and high development levies,” he said.

“In our supply constrained home market, the existing first home buyer stamp duty concessions inflate home prices across the board.

“But this hasn’t addressed the high cost of supplying newly built homes to the market.

“By tying stamp duty concessions exclusively to new housing, the inflationary impact on existing housing will be removed, and brand new homes will be more attractive to home buyers.”