

# Exposure Draft: Master Builders Australia Remarks on proposed First Home Loan Deposit Scheme (FHLDS)

4<sup>th</sup> November 2019

1. Master Builders Australia welcomes the opportunity to comment on the design of the proposed First Home Loan Deposit Scheme.
2. **The Scheme's proposed price caps look to be too low in several markets** (see [Table 1 below](#))
  - a. In Sydney, Hobart and Canberra the median dwelling price is at least 10% higher than the proposed price cap for the corresponding markets.
  - b. In the markets where price caps appear too low, the effect may be to excessively restrict the market choices of those participating in the FHLDS and limit the potentially stimulatory effects.
3. **The proposed price caps may limit the Scheme's benefits for new home building**
  - a. Lending data suggests that new homes are typically more expensive (+6.4%) than for established dwellings (see [Table 2 below](#))
  - b. New home builders are concerned that the choice of price caps may place them at a disadvantage in some markets given that new homes are generally more expensive than existing dwellings
  - c. This means that the benefits of the Scheme in terms of stimulating new home building activity may be limited

## DATA TABLES

<b>Table 1: Comparison of Proposed FHLDS Price Caps and Median Dwelling Prices</b>			
	<b>Proposed FHLDS Dwelling Price Cap</b>	<b>Median Dwelling Price - October 2019 (CoreLogic data)</b>	<b>Median Dwelling Price as % of FHLDS Cap</b>
Australian Capital Territory	\$500,000	\$601,487	120.3%
New South Wales—capital city and regional centre	\$700,000	\$817,886	116.8%
New South Wales—other (including Jervis Bay and Norfolk Island)	\$450,000	\$448,624	99.7%
Victoria—capital city and regional centre	\$600,000	\$650,197	108.4%
Victoria—other	\$375,000	\$362,268	96.6%
Queensland—capital city and regional centre	\$475,000	\$493,426	103.9%
Queensland—other	\$400,000	\$369,469	92.4%
Northern Territory	\$375,000	\$394,132	105.1%
South Australia—capital city	\$400,000	\$433,140	108.3%
South Australia—other	\$250,000	\$236,183	94.5%
Western Australia—capital city	\$400,000	\$435,119	108.8%
Western Australia—other (including Christmas Island and Cocos (Keeling) Islands)	\$300,000	\$298,506	99.5%
Tasmania—capital city	\$400,000	\$460,033	115.0%
Tasmania—other	\$300,000	\$302,121	100.7%

**Source: Master Builders Analysis of CoreLogic data**

<b>Table 2: Comparison of Average Loans for New and Established Dwellings, August 2019</b>			
	<b>New Home Purchase Loans - Average Size (Aug 2019)</b>	<b>Established Home Loan - Average Size (Aug 2019)</b>	<b>New as % of Established</b>
<b>New South Wales</b>	\$506,850	\$502,223	100.9%
<b>Victoria</b>	\$458,574	\$448,442	102.3%
<b>Queensland</b>	\$390,712	\$364,958	107.1%
<b>South Australia</b>	\$339,455	\$322,062	105.4%
<b>Western Australia</b>	\$388,650	\$362,305	107.3%
<b>Tasmania</b>	\$319,424	\$284,502	112.3%
<b>Northern Territory</b>	na	\$317,260	na
<b>ACT</b>	na	\$428,799	na
<b>Australia - Total</b>	\$452,444	\$425,045	106.4%

**Source: Master Builders Analysis of ABS Lending to Households and Businesses Data (5601.0)**