

# Media Release

14 October 2008



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## Doubling of First Home Owners Grant.

The Urban Development Institute of Australia (UDIA NSW) welcomed today's announcement by the Prime Minister to double the first home owners grant (FHOG) from \$7,000 to \$14,000. UDIA NSW also applauded the government's decision to assign a further \$7,000 if the house is newly constructed.

"This type of initiative is sorely needed in NSW to stimulate residential construction activity. First homebuyers typically have a greater multiplier effect on the economy as they purchase furniture and whitegoods. This will give first homebuyers a chimney to hang their stocking on this Christmas", said UDIA NSW Chief Executive Officer Mr Scott Woodcock.

Mr Woodcock qualified his comments saying that, "this initiative needs to be supported by an investment in infrastructure to link people to employment. Many new properties remain beyond the reach of most first homebuyers because of a disproportionate reliance by government on homebuyers to fund roads, rail and community facilities."

"Levies are not user pays. State and local development charges in Sydney already contribute 27% to the cost of new land on the fringe compared to 20% and 15% in Brisbane and Melbourne respectively. Levies require first homebuyers to pay the full cost of the asset over the full life of the asset up front. It's like asking the first 1,000 people through the cross city tunnel to pay up front for the full cost of the motorway. The increased FHOG of \$21,000 is less than a third of the difference between the taxes and charges of new housing in Sydney and Melbourne."

UDIA NSW President Ms Judy McKittrick said that, "ultimately the first home owners grant is a subsidy. Subsidies are inefficient. What is needed is more equitable financing of economic and community infrastructure. UDIA NSW seeks the assistance of the Commonwealth Government in expediting Infrastructure Australia's work to provide effective relief to new homebuyers."

Mr Woodcock added that, "considerable effort has been made in recent days by the government in instilling confidence in the stockmarket. What we need is intervention by all levels of government to inject investment confidence into the property market. Too much uncertainty remains in NSW associated with the status of planning reform, levies and infrastructure. Developers and buyers require certainty that planning reform will be fully delivered, levies will be adjusted to reflect market conditions and infrastructure such as the north west and south west rail will be delivered on time as promised."

Ms McKittrick said that "the Commonwealth's commitment of \$1.5 billion toward the housing market over 2008/09 and 2009/10 through this initiative is encouraging. Yet without infrastructure such as new rail services many new homebuyers will remain physically isolated and marginalised."

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