

28 January 2022

The Hon. Michael Sukkar  
Assistant Treasurer  
Parliament House  
Canberra, ACT 2600

Dear Assistant Treasurer Sukkar

Thank you for the opportunity to present a pre-Budget submission for the 2021-22 Federal Budget. REA Group is aware of the critical part the Federal Budget plays in setting priorities and appreciates the engagement with industry on these key issues.

REA is fully aware of the impacts of the COVID 19 pandemic on the Federal Government's Budget position and in that light has looked at policy initiatives that enhance economic growth. There are significant reform opportunities that would help remove impediments to economic growth as well as representing good policy. It is in that vein that this pre-Budget submission is presented.

### **About REA Group**

REA Group is a digital media business with more than 2600 people working across three continents. Our goal is to change the way the world experiences property using new technology and our collective global knowledge.

REA provides our customers and consumers with the most up to date property news, renovation advice, lifestyle content and property value estimates. In Australia, our residential property platform, [realestate.com.au](https://www.realestate.com.au), is the country's leading place for property, news, and inspiration and [realcommercial.com.au](https://www.realcommercial.com.au) is Australia's leading commercial property site.

As well, REA operates Proptrack, a leading provider of property data services which delivers deeper insights on the Australian property market to consumer. The final part of our business is mortgage broking through both Smartline and Mortgage Choice mortgage brokers to help customers finance their property purchases.

Through our component businesses, REA has significant exposure to a number of facets of the Australian economy. As such, REA is uniquely positioned to discuss the economic impacts of a range of policies.

### **Key Issues**

There are a number of issues that the Federal Government should consider in the 2022/23 Federal Budget. Given the breadth of REA's business, these range from reforms to taxation frameworks to access to workforce that constrains the growth of the digital economy.

#### **Antiquated stamp duty tax reduces liquidity and supply**

REA has long held the view that stamp duty is an inefficient tax that acts to slow the property market. Stamp duty is levied on property transactions and as such acts as a disincentive to liquidity in the property market.

As stamp duty payable has increased over time, it has become an obstacle to households being able to move, as the added cost of stamp duty on a new purchase is a disincentive. This in turn discourages labour mobility which is a key driver of economic productivity

There are several arguments that states have become dependent on the revenue generated by stamp duty, fuelled by increases in property prices. While this is true to an extent, there is also evidence to suggest that over the medium-to-long term, the removal of stamp duty will increase market liquidity, causing a net gain to revenue.

New South Wales (NSW) has begun the process of acting on stamp duty reform by reviewing other options, with REA is a key participant in the discussions currently being held. Other jurisdictions have also recognised the need for change with the ACT is currently transitioning from stamp duty to a broad-based property tax, while Tasmania has recognised the negative effects of stamp duty by introducing concessions for first home buyers, as well as pensioners looking to downsize their properties.

REA's position is that stamp duty reform is urgently needed to allow the property market to function more efficiently. REA fully supports the NSW Government's reform process and urges other jurisdictions to look at following suit.

It would be sensible for the Federal Government to investigate how best it could support the States in this initiative and a Parliamentary Inquiry would be an appropriate first step.

### **Expand Government schemes to positively increase home ownership rates**

REA believes that the Government's First Home Loan Deposit Scheme should be expanded even further. This scheme allows first home buyers access to a home loan with as little as a 5% deposit and has been a significant factor in a boost in first home buyer activity over the last year. While the recently announced expansion of places from 10,000 to 30,000 is sensible, expanding the scheme to more first home buyers would have a significant impact on home ownership rates.

The increase in house prices has also led to deposit requirements becoming significantly more onerous for buyers. While some lenders are starting to be innovative in this space, with UBank now requiring a 15% deposit to avoid LMI (Lenders Mortgage Insurance), more lenders should be encouraged by the government to reduce these requirements for first home buyers.

Another option is to look at the capital treatment of loans by APRA (Australian Prudential Regulatory Authority), which is what makes high LVR (Loan to Value Ratio) loans more expensive and is a significant barrier to entry for first home buyers. If capital requirements were recalibrated based on borrower risk, it is unlikely that the 80% level that is currently held would continue.

These deposit requirements are also why REA supports the Family Home Guarantee as a sensible option to expand the number of participants in the housing market. This is an innovative policy that gives a pathway for people who may otherwise be unable to take part in the market and consideration should be given to its expansion.

### **Social housing and homelessness need to be addressed with urgency**

REA believes that shelter is a human right. Aligned with our purpose of changing the way the world experiences property, REA believes that everyone deserves to have a safe place to sleep every night. Long term trends in building approval data shows an ongoing decline in public sector dwelling construction. While there are some private sector providers, they are a small part of the market.

Social housing is something that governments at all levels should be creating policies on to address, including increased investment. In the current economic environment, with low interest rates, there is an opportunity for governments to invest heavily and change the lives of the most vulnerable members of our community. Not only are there significant social benefits, but there is a significant economic benefit to the Federal Government supporting the construction of more social housing

### **Digital economy workforce**

Covid 19 has cast sharp focus onto the issue of access to digital workforce. As the Federal Government is aware, the digital economy is heavily reliant on workers from international markets to continue to grow. Support for the development of local talent is something that REA recognises; however, the reality is that these pathways will take some years to bear fruit.

That is why it is critical that the Federal Government acts to restart the movement of skilled tech workers across international borders. For growth in the digital economy to continue, it is imperative that there is access to the workforce that will fuel this growth. Not only is there a sound return on investment in terms of economic growth, but it will allow Australia to become a destination of choice for the international talent.

### **Conclusion**

REA believes that in general the property marketing is functioning well and that any interventions by the Federal Government should be targeted. An expansion of the schemes to support first home buyers is appropriate as it would help those who find it hardest to enter the property market.

There should also be more coordination between State and Federal Governments on the funding of social housing, and REA notes the current Housing and Homelessness Agreement review being conducted by the Productivity Commission. The outcomes of this review will provide a good basis for how this can be achieved.

Stamp duty reform is the critical issue that would allow States to gain budget certainty as well as remove the disincentives on property being transferred

Yours sincerely

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