

From: Colin Clarke []
Sent: 15 September 2003 13:08
To: housing@pc.gov.au
Subject: Home Ownership Inquiry - SUBMISSION

Your web site does not have a "Make a Submission" link so far as I can see, so I am putting my submission in this email.

SUBMISSION TO THE PRODUCTIVITY COMMISSION INTO HOME OWNERSHIP.

I take it that a major concern of the Inquiry is the current high cost of home ownership as a percentage of household income. My comments relate to one part of those costs, the selling commissions of the real estate industry, which in most cases is passed on to buyers.

At present, in Melbourne, the median price of a house is \$352,000, (HIA - Commonwealth Bank Quarterly Review of Housing Affordability, June 2003, p4). In 1999 the median for houses was \$174,000, (Valuer General, "A Guide to Property Values", 2001, p12).

Typical real estate agent commissions are \$2000 plus 2.5% plus GST, (Norris First National, Rosebud, VIC, 3939, 11th August 2003).

So, in 1999, commission on a sale of \$174,000 would have been \$6985. In 2003 commission on a sale of \$352,000 would be \$11,880.

As can be seen, the commission has risen by \$4895, or 70% of the First Home Owners Grant.

This increase has taken place whilst CPI has gone from 122.3 to 141.3, (Reserve Bank, Prices and Output Tables, G02 CPI All Groups).

The percentage rise in CPI for the period mid '99 to mid 2003 is 15.5% The percentage rise in sales commission for median houses over the same period is 70.0%.

The important point is that this increase in commission is a substantial windfall gain to the real estate industry because, as the CPI figures show, the industry's cost have risen by a much smaller amount. I don't believe there is evidence that the real estate industry works harder or offers more service now than it did in 1999.

If commissions were tied to CPI increases, the current median house sale commission would be \$4,895 + 15.5%, or \$5,653 instead of \$11,880. Thus home buyers would save \$6,227, almost equal to the amount of the First Home Owners Grant.

My Submission concludes with the request that an Inquiry into real estate commissions should be established to determine whether the increased dollar amounts now paid are justified.

Thank you for considering my submission.

Colin C Clarke
VIC

14/09/03

AVG Antivirus checked

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Version: 6.0.518 / Virus Database: 316 - Release Date: 11/09/2003