

Submission No. 7  
Mr J Highfield

SUBMISSION TO THE PRODUCTIVITY COMMISSION ON HOME  
UNAFFORDABILITY

- A. Impact of Federal Policies
- B. General Comment and Media
- C. Solutions?

Property speculators driving up prices, sure beats the Stock Market.

60K profit in a year; a practice criticised in the 1993 Boyer Lectures as unproductive.

The Prime Minister  
for the Productivity Commission

Inquiry into housing affordability

Dear Sir

The factors commented on are as follows:

- A. The impact of Federal Government Policy;
- B. General observations and the medias role and
- C. Solutions to rising cost of homes

A

- (i) Pre and post GST factors and the multiplier effect pushed up home prices.
- (ii) Immigration created demand and this was added to by the non means tested and non-phased in 1<sup>st</sup> home grant. First home owners buying, taking a tax free profit on sale and also having the grant subsidise sale costs pushed up home prices.

B

- (i) Media frenzy created demand (see the Neimoeller attachment). Apart from factors A(i) and A(ii) other demands for housing were created by, low interest rates, currency advantaged internet buyers, investor activity encouraged by tax advantages of negative gearing, 50% tax only on gains on sale, tax depreciation allowances and tenants provided by the federal government in respect to Defence Service homes now privatised

and law income rental subsidy tenants, who can't get into public housing, due to under funding of the CSHA.

- (ii) Increased land tax in Victoria pushed investors interstate.
- (iii) A poorly policed share market, rife with fraud, insider trading, CEO excesses and compromised auditors plus an old boy mates system amongst directors has resulted in investors moving into property, whereby a tenant pays off your investment. These investors are redundancy funded workers seeking income between jobs, retirees and baby boomers looking for income.
- (iv) Land shortages in areas where there are jobs is adding to cost pressures, particularly in Sydney where a 1000 people a week are moving in from jobless rural areas plus immigrants arriving.

### C

- (i) Some solutions are smaller houses.
- (ii) Investment property to lose some attraction by taking away the 50% tax concession.
- (iii) Dwellings, the family home must have prices capped until they again coincide with the CPI. A maths expert could work out a formulae using consumer price indexes in the tax guide. They are way out of line today as a 4 BR Newcastle home sells at \$250K, but the CPI Index from 1985 to 1999 fuels the value at \$60K from a 1985 figure of \$35K.
- (iv) Low income, first home owners and retired persons on pensions under \$25K p.a. should not have to pay all the added costs of estate agents. Solicitors et al and a one stop State or Federal agency internet shop (or in a Library) needs to be set up whereby you can view a house on the net, get a loan and have the lender set up a building inspection and all the rest.
- (v) The GST has to come down for 1<sup>st</sup> home owners and low income people, i.e. retirees.
- (vi) If Macquarie Bank can source cheap money overseas (1% in USA) for our housing loan market then why can't our super funds do the same and so loan repayments benefit our super funds.

Mr J Highfield  
NSW  
5.8.03