

Media Release



13 March 2009

FHOG BOOST MUST CONTINUE

The Urban Development Institute of Australia (UDIA) (WA) has presented the government with a compelling case for the continuance of the First Home Owners Grant Boost.

“UDIA has firm evidence that the boost must be in place for at least 12 – 18 months in order to effectively stimulate the market for the long term,” UDIA CEO Debra Goostrey says.

“First home buyers are integral to the continued health of the property market at all levels and the FHOG Boost stimulates first home buyers to purchase,” Ms Goostrey said. “This in turn stimulates the wider market and improves consumer confidence.”

UDIA has analysed the effect of the previous boost to the FHOG and has concluded that the 8.5 months the current boost is scheduled to run is simply not long enough to be effective.

“In March 2001 when the government introduced the first FHOG Boost, it ran for 8.5 months and then a further 6 months after that at a reduced rate,” Ms Goostrey said. “That 14.5 month period provided enough time for the property market to normalize and for the middle market to recover.”

“In 2008 when the boost was introduced the market was much more subdued than in 2000 and therefore the market may need even longer to recover,” Ms Goostrey said.

FHOG figures clearly show that the number of grants paid for new land jumped by 229% in the 7 months after the grant boost was introduced in 2001.

“The stimulus effect on the economy was significant with an estimated 990 jobs created to service this new dwelling growth and 2437 indirect jobs were created in WA,” Ms Goostrey said.

“Once the boost was withdrawn completely, first home buyers decreased back to normal levels, however this was compensated by a reinvigorated market.”

The same thing needs to occur now.

“At the moment, first home buyers are a large percentage of the market, and the boost needs to continue until the rest of the market normalizes,” Ms Goostrey said.

“UDIA calls on the Federal Government to maintain the boost at the current amount until at least December 2009 and then if conditions are right it should be reduced in increments over the following 6 months.”

End.

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