

Interstate investors arrive as Queensland Great Start Grant finally finds a place



The Queensland Newman government's Great Start Grant, which gives first home buyers \$15,000 for buying or building a new home, is finally finding some take-up.

As of 2 June, 6,251 applications had been approved and paid. This was well up from 5,343 in March 2014. More than 3,000 had been granted for Brisbane, according to Treasurer Tim Nicholls' budget papers. Eligible first home buyers of properties up to \$500,000 pay no duty, with reduced rates available up to \$550,000.

It had been a slow start as in March 2013 the Queensland government renamed its \$15,000 first-home owner construction grant (FHO CG) the 'great start grant' as just 126 first-home buyers had taken advantage since September 2012 last year.

But despite a small increase in new construction activity, the budget papers showed overall dwelling investment declined in Queensland for the sixth consecutive year in 2012-13. It was mainly due to a sharp fall in alterations and additions, partly reflecting the completion of earlier disaster-related renovation activity, and also slower income growth.

With sustained low interest rates and an improved outlook for residential property prices, growth in new dwelling approvals did accelerate in 2013, particularly for apartments in inner-city Brisbane. As a result, overall dwelling investment is expected to increase in 2013-14.

"Increased activity by interstate and overseas investors is also expected, as recent large gains in Sydney house prices prompt investors to seek markets elsewhere," Nicholls noted. Beyond 2014-15, as the RBA moves to a more neutral monetary policy setting, dwelling investment growth is expected to moderate. The first home grant take accompanies Treasury forecasting a further increase in residential sales.

"The recovery in the housing market is expected to continue in fiscal 2015 supported by low interest rates and the continuation of the government's Great Start Grant," budget papers said. Revenue from transfer duty is expected to grow by 9.6% in 2014-15, following strong growth of 28.2% in 2013-14 that was supported by a number of large commercial transactions.

The 2014-15 estimate also includes the duty expected from a large commercial transaction. Underlying growth was 14.8% in 2013-14 and 13.3% in 2014-15 once the impact of these large transactions is removed. Annual growth in transfer duty averaged over 22.6% from 2000-01 to 2007-08, driven by a range of factors including Queensland's relative affordability of housing, high population growth and the impact of the burgeoning mining sector.

Transfer duty growth is expected to be modest relative to that experienced between 2000-01 and 2007-08. The transfer revenue is tipped to be \$2.65 billion in the 2014/15 year, compared to \$2.42 billion in 2013/14. There is a \$2.73 billion estimate for 2015/16. "While low interest rates and a solid economic outlook are expected to support recovery in the property market, this is expected to occur at a gradual pace, particularly in the non-residential sector," the budget papers said.

Average growth of around 6.6% per annum is expected over the period 2013-14 to 2017-18. Every one percentage point increase in the volume of sales sees transfer duty collections increase by about \$25 million. Land tax revenue of \$980 million this year is tipped to increase to \$995 million in the 2014/15 year. Transfer taxes represent 21% of state taxation income and land tax represents 8%.

Revenue growth from transfer duty can vary significantly from year to year due to the volatility of both the residential and non-residential segments of the property market, while land tax has a relatively stable base and the effect of three year averaging of land values for assessments. Resident individuals are generally liable for land tax if the total taxable value of the freehold land owned by that person as at 30 June is equal to or greater than \$600,000.

Companies, trustees and absentees are liable for land tax if the total taxable value of the freehold land owned as at 30 June is equal to or greater than \$350,000.

Land tax is estimated to grow by 1.5% to \$995 million in 2014-15, the first year of annual growth since 2010-11. The budget papers noted in recent years, land tax revenue has been adversely impacted by declining values, particularly for commercial and multi-unit residential land. Real Estate Institute of Queensland's chief executive Anton Kardash said Queensland's real estate sector was starting to hit its straps" with more favourable market conditions.

The Queensland Treasurer, Tim Nicholls, has delivered a budget with a projected surplus of \$188 million, the first surplus in a decade. "The Queensland economy is now entering a period of transition as the investment phase of the large LNG projects nears completion and the production and export of LNG begins. "Supported by sustained low interest rates, rising asset prices and a lower exchange rate, economic growth in 2013-14 is expected to be underpinned by household consumption growth, a recovery in dwelling investment and a significant contribution from net exports.

"However, as construction of the major LNG projects nears completion, business investment is expected to fall and see overall economic growth ease to 3% in 2013-14, compared with 3.6% in the previous year," the budget papers said. Employment growth picked up during the course of 2013-14, supported by some recovery in the labour-intensive household sector.

"This recovery is expected to support a further strengthening in employment growth in 2014-15 and beyond. "This, in turn, is expected to drive a steady improvement in the unemployment rate, from 6% in 2013-14 to 5 1/2% in 2016-17." Following the global economic slowdown, Queensland's annual population grew by almost 95,000 in the year ending December quarter 2012.

Since then, it has fallen back to approximately 84,000 in the year ending September quarter 2013, reflecting lower inflows from both net overseas and net interstate migration. The decline partially reflects a slowdown in the influx of workers as the resources investment boom peaked during 2013. "Looking ahead, net overseas migration to Queensland is expected to pick up to be more in line with the State's share of the national population. "This increase will be supported by an expected recovery in overseas student arrivals as a result of the lower Australian dollar, as well as measures to simplify student visas.

"Net interstate migration is also expected to recover from current low levels, assisted by improved housing affordability in Queensland relative to New South Wales and Victoria," the budget papers said. Overall, Queensland's population growth is expected to be 1 3/4% in 2013-14, similar to that nationally. Growth in Queensland is then expected to strengthen to 2% per annum over the remainder of the forward estimates period, slightly stronger than the 1 3/4% per annum forecast national growth over the same period.