

What the Budget and the new FHOCG means to you

by Julie Rayner

The new Queensland Government have seen fit to make some dramatic changes to the First Home Owners Grant. The change in rules presents a whole new ball game to those entering the market for the first time. Personally, I don't see these changes as being advantageous to most first home buyers in that the purchase price for new properties is generally higher than existing properties and the location of the properties may not be suitable or desirable to the prospective buyer.

Here's the deal in a nutshell :

- The current First Home Owners Grant of \$7,000 has been abolished.
- All Contracts of Sale for existing dwellings must be finalised before 11th October 2012 to be eligible for the existing First Home Owners Grant of \$7,000.
- The First Home Owners Grant has been replaced with the First Home Owners Construction Grant of \$15,000.
- The FHOCG will be provided for new homes or off-the-plan homes only up to a value of \$750,000.
- The owner must live in the home as the principal place of residence within 12 months of completion.
- The owner must occupy the home as the principal place of residence for a minimum period of 6 months.
- The property may not be sold within 12 months of the owner occupying the property.
- There will be no further First Home Owners Grant available for the purchase of existing dwellings.



It's kind of hard to know what to say to that. If you don't already have a contract on an existing property, you have very little time to achieve one now and I would hazard a guess that it would be almost impossible to complete a contract within the less than thirty days remaining in the lifespan of the First Home Owners Grant. It will be interesting to see the next round of statistics after the implementation of the new scheme. I cannot see over the short to medium term, that any significant improvements will result for the building industry as a whole and I suspect that the renovation market will also be affected by the changes to the Grant.

These changes mean an entire re-think of your purchase plan. You need to evaluate the cost of buying an existing property and renovating (if necessary) in the area you want vs buying a new property which may not be in the area you want, will most likely be further out of the CBD (more travel expenses) and will almost certainly be more expensive than the alternative.

Write yourself a list of Pro's and Con's, new vs existing. For example, you need to think about the costs of renovating and upgrading to green technology compared to fully landscaping a bare block, fencing it and building a letterbox (depending on the inclusions in your building contract); the availability of the infrastructure and services you require; transport arrangements, affordability and availability; the costs associated with building vs existing. Does it add up to more than

\$15,000 worth of value and is it worth the additional \$ in your mortgage payment? That's really the bottom line and that's where it worries me the most. In being restricted to buying a new property to receive the FHOCCG, the first home buyer is committed to a more expensive purchase. I feel that this will result in first home buyers placing current plans on hold to re-evaluate their situation (best case scenario), many may find a purchase now beyond their reach entirely (not a good outcome, but time may improve the situation) and there will undoubtedly a percentage of buyers who will over-reach their budget "just a little" to find that 12 months later, their property must be sold as they can no longer afford it (total disaster).

The good news is that there's no rush to make up your mind. The market, in my opinion, has almost hit its bottom benchmark. There are indicators of some growth generally and I feel that the market will begin to improve, slowly, over time. I do not believe that we will see prices rise anywhere near as quickly as they fell as investors try to absorb recent and current conditions.

There will be a cautious air over the market for some time yet. I would suggest that the general political situation in Queensland, coupled with our economic position and the effects of the Federal Governments Carbon Tax are all factors which hold some influence over the property market. I feel that savvy investors will watch the market and other indicators over the next couple of months before committing. If you're looking to buy your first home, I would suggest that you do the same.

Keep in mind that buying a new property is very different to buying an existing home. You will be offered many choices in finish for the property and you have the ability to customise features and make additions or changes to plans with most builders. You need to nail down the inclusions on the contract. You don't want it to come to handover day, only to find that the clothesline or the TV aerial wasn't included. Don't ever make the mistake of signing a building contract without reading every single piece of paper that is placed before you and I would also strongly advise that you have any contract viewed by a professional (preferably a solicitor) before you sign it. I've never met a builder that would have a problem with that. Building contracts are tricky: there's inclusions and exclusions, different charges for different finishes, penalties for delays, wet day allowances seriously, get some help!

Finally, in this little rant, if you need some advice, or would like to know anything about real estate, give me a call or flick me an email, anytime.