The Northern Territory First Home Owners Grant (FHOG) will be directed towards the construction of new dwellings from 1 January 2015.

Additional changes remove the current property value limit of $600,000 and increase the value of the grant for the purchase or building of new homes from $25,000 to $26,000. These changes will take effect from Budget Day, 13 May.

Treasurer, Dave Tollner, said the removal of the value limit for new homes will reduce red tape by simplifying the application and assessment process. It has the added benefit of removing the requirement that the buyer pay for a valuation of the property.

“These are practical changes that will make the grant more appealing and flexible to first home buyers that are buying or building new homes,” Mr Tollner said.

Currently, a grant of $12,000 is available for the purchase of established homes in the urban area, essentially Darwin, Palmerston and Litchfield. A grant of $25,000 is available for the purchase of established homes outside the urban area.

To stimulate the construction of new homes, and encourage the take up of the Giles Government’s program of accelerated land release, the grant will only be available for the construction or purchase of a new home from next year.

Providing a grant for the purchase of an existing property is widely regarded as contributing to higher property prices, rather than improving housing affordability.

Economist Saul Eslake criticised the FHOG for established homes in a submission to a Senate committee looking at affordable housing.

He stated the FHOG on established homes “served to simply to exacerbate the already substantial imbalance between the underlying demand for housing and the supply of it.”

Mr Tollner said it was clear that the FHOG for established dwellings has added upwards pressure on housing prices and enriched home sellers rather than assisting first home buyers.

“That’s why the Territory Government will direct the FHOG solely towards the construction or purchase of new homes from next year.
“By targeting the first home owners grant towards the purchase of newly built homes, the grant is more likely to contribute to growth in housing supply and employment in the construction sector” he said.

To assist first home buyers that might be relying on the FHOG to help fund the imminent purchase of an existing home, the Territory Government will maintain the payment for existing dwellings for eight months.

“This will ensure an orderly transition and allows buyers who are currently in the process of buying a home, or intending to do so in the near future, with sufficient opportunity to take advantage of the FHOG as part of that purchase until the end of the year.

“But ultimately, we want this grant to encourage the construction of new homes, create more jobs in the residential construction sector and improving housing affordability by increasing housing stock.

“This is a far better result than merely creating a churn in existing dwellings that is widely accepted as having an inflationary effect on the cost of housing,” Mr Tollner said.

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