



## Covid-19: HomeBuilder Scheme & Titled Lots

Sales momentum increased for new land since restrictions were lifted in May on the back of Government stimulus grants as well as Developers, Estate Agents and purchasers working together to find right solutions for all parties.

With Metropolitan Melbourne and Shire of Mitchell back in lockdown, we now look to maintaining sales momentum as we head back into unchartered waters.

May and June saw a spike in consumer confidence which translated into an increase of new sale deposits, however, completing sales and settlement risks were key challenges as employment for many remained uncertain and there were risks of valuation shortfalls.

Not since the 'First Home Buyers Boost' was introduced during 2009/2010's GFC, the HomeBuilders Scheme equates to \$25,000 for home buyers, \$35,000 for First Home Buyers and \$45,000 for Regional First Home Buyers.

The announcement of the scheme brought forward the purchasing timeframe for home buyers looking to build before the end of the 2020. Red23 saw high demand for Titled and near Titled land within our projects and generally across Greater Melbourne and Regional Victoria. We likened enquiry and sales numbers to that of early 2018, the most recent housing boom.

There are now waiting lists for new Titled stock or Titled lots that won't be able to settle.

We have witnessed Developers with capacity to adopt settlement risk strategies extend settlement timeframes, transfer client deposits to later titling blocks and help fund valuation shortfalls. These measures have helped control the number of blocks returning to market which was anticipated to dampen price and create an oversupply of available land.

According to Red23 Research, 22% of land available for sale in Metropolitan Melbourne and Greater Geelong are Titled, with a further 45% due to Title before the end of the year. At the end of May 2020, the 7 metro growth areas had approximately 2,600 land lots potentially eligible for the grant. This in turn equates to approximately 3 months' worth of stock, based on the average monthly sales rate in Q1.'20.

In Greater Geelong, there are approximately 400 lots Titled or near Titled, equating to approximately 4 months' worth of stock based on the average monthly sales rate in Q1.'20.

With the success of 'HomeBuilder,' the Federal Government have made key refinements to the scheme:

- Granting home buyers enough time to organise finance and building approvals as well as meet legal requirements before construction is commenced
- Adjusting the scheme to be in-line with the schedule of payments for First Home Owner grants for new homes
- Confirming that 'off the plan' home contracts are eligible, similar to building contracts

Red23 sees further refinements to the HomeBuilder Scheme would provide added support to the new homes market during lockdown and beyond September when supply of Titled lots will likely to reduce:

- Open HomeBuilder to investors, especially 'Mum and Dad' type investors
- Extend the deadline for signed building contracts beyond 31 December 2020. This will keep momentum for stock featuring in future stages
- Once build and land contracts are signed, no time restriction to commence construction

Since entering Stage 3 lockdown and with speculation Stage 4 being introduced, we have seen sales fall by approximately 30%, compared to 70% that we witnessed in late March. Although these are only early days.

The HomeBuilder Scheme will help sustain market momentum during these 6 weeks of lockdown and lead market recovery while there is a supply of Titled lots this year. But we need to turn our focus to the medium and longer term recovery and how we support buyers in a position to purchase and the important flow on effect it will have to the broader land and new homes industry.