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The great Australian challenge

WITH decreasing affordability across the home building industry, the “great Australian dream” of home ownership has become the “great Australian challenge” for first-home buyers.

If there’s one thing that has been a constant in the new housing market for as long as I can remember, it’s that the best time to buy a new home is yesterday. And the next best time is today. This has never been truer than what we are experiencing in Victoria.

Over the past 10 years it has been clear that it is becoming increasingly difficult for first-home buyers. You only need to look at the statistics to see the trend – the average age of a first-home buyer is now mid-30s, with the average deposit required close to \$100,000.

It was only in 2010 that first-home buyers were usually still in their 20s and deposits in the \$50,000-\$60,000 range. It’s not unforeseeable that in the next 10 years first-home buyers will be well into their 40s.

Despite low interest rates making money more accessible than ever, the effects of the pandemic, coupled with last year’s HomeBuilder scheme, have accelerated price growth and reduced land supply all at the same time – making it more challenging than ever for first-home buyers.

With more than 75,000 HomeBuilder grant applications creating unprecedented demand on the housing industry, and Covid shutting down our borders making the import of materials for construction trying, we’ve seen a 20 per cent increase in the cost base of producing a new home in the past six months alone.

The uncertainty of Victoria’s lockdown policy, as well as restrictions on site, have also led to developers hitting the brakes on production of new land allotments – creating a scarcity of available titled land to build on. It’s a double whammy for new home purchasers.

But it’s not all doom and gloom for first-home buyers. Savings are at an all-time high, credit card debit has been wound right back and the Reserve Bank expects interest rates to stay close to 1 per cent for the foreseeable future.

It’s going to take a bit more patience for buyers as time frames extend out for land titles (and, in turn, construction of new homes), and an adjustment in terms of expectations – what is and isn’t possible given purchasing budgets – but land developers and builders need to keep trading ... and that’s when we’ll see some real innovation begin to take place.

So, if you didn’t get into the market yesterday, it’s probably time to get serious.

DANIEL SENIA IS GENERAL MANAGER AT FIRST PLACE BUILDING COMPANY