

4 June 2020

SERIOUS FLAWS IN HOMEBUILDER GRANT MEANS IT MISSES THE MARK IN HELPING MIDDLE AUSTRALIA WHO ARE HURTING THE MOST

Housing commentator and property developer Ian Ugarte believes the Federal Government's new HomeBuilders Scheme is seriously flawed as it does nothing to support those most affected by the COVID-19 crisis.

The new scheme limits grants of \$25,000 to owner occupiers with renovations of \$150,000 plus, which means the 'worried wealthy' are really the only ones in a position to access the funds.

Ugarte believes the scheme misses the point by not allowing the funds to be used for investment properties (either to build or renovate) which is where the need for housing reform is the greatest.

"These ludicrous restrictions mean that at a time when the government is literally paying people's wages through Jobseeker, very, very few households will be in a position to fund a \$150,000 plus renovation through cash reserves or via an ever-tightening bank loan.

"Only the worried wealthy in Australia are going to be able to spend upwards of \$150,000 on substantial renovations to their principal place of residence," the Small is the New Big co-founder said.

While the scheme might look good on paper, Ugarte feels few will be eligible for the grant, meaning the government ultimately won't need to 'cough up' much.

"Setting the bar so high in a cash-strapped economy means very few people will be able to access the grant, meaning no one wins; not our out-of-work tradies, people looking for affordable housing, or Mum and Dad investors financially haemorrhaging from job losses and little-to-no rent coming in.

"This is the same government, filled with white middle-aged men, who thought a 30-minute hair appointment was appropriate. Now they're telling us that the average Australian would contemplate a renovation of \$150,000 plus during a pandemic.

"It just demonstrates they are completely out of touch and why these grants miss the mark."

Ugarte said the scheme needed to be extended to investment properties so investors could spend a fraction of that \$150,000 to address the shortage in housing, and essentially 'pandemic proof' their investment property for the future.

"What the grant should be designed to do is make existing homes and investment properties more resilient to serious economic downturns, like the one we're experiencing right now.

“This would create a more realistic cash flow for tradies, higher yields for landlords and affordable housing for those who need it most,” he said.

Ugarte said he has seen panicked Mum and Dad investors attempt to ditch their untenanted properties and suffer a significant loss, because they felt they had no other choice.

His advice to Mum and Dad investors is to easily flip their often negatively geared properties to cash positive by converting a typical 4-bed, 2-bath rental property into 5 self-contained micro-apartments, and in the process increase the rental by up to 50 percent.