

# The Week In Real Estate



## Housing Inquiry: Scrap Stamp Duty

State governments scrapping stamp duty in favour of a broad-based land tax is a key recommendation from an inquiry into housing affordability.

The recommendations from the House of Representatives Standing Committee on Tax and Revenue's inquiry into housing affordability and supply in Australia, also call for a review of the taxes it says are holding back development of the build-to-rent sector. The inquiry's final report blames poor planning processes for a drop in homeownership by Australians aged under 40.

It suggests retaining negative gearing as well as allowing Australians to access their superannuation early to use as security for a home loan. "This recommendation will therefore remove the largest barrier for home buyers, being the deposit," the report says.

Recommendations also include the Federal Government rewarding state and local governments that speed up planning processes and Federal grants being tied to local and state provision of more housing supply.

## Quote of the Week

*"There is a sense buyers and sellers need to get in now ahead of a rate rise."*

PropTrack director of economic research, Cameron Kusher



## Where Property Prices Are Soaring

Property prices continue to hit record levels with the value of capital city homes increasing 23.7% in the past year.

Australian Bureau of Statistics (ABS) figures show property values experienced their biggest annual increase in value since it began keeping records in 2003.

It was the smaller capital cities which performed the best in the past year with Hobart recording the highest property price growth of 29.8%, followed by Canberra 28.8% and Brisbane 27.8%. Sydney values increased 26.7%, Adelaide 23.9% and Melbourne 20%.

Perth values increased by 15.7% and Darwin 13%.

ABS Head of Price Statistics Michelle Marquardt says freestanding house prices rose by 27.5% while unit values rose by 14%. At the same time days on market fell and transaction numbers increased.

Marquardt says record low interest rates and strong demand have helped to drive up property prices.

The total value of Australia's residential property market increased by \$512.6 billion to \$9901.6 billion in the December quarter 2021.





## Auction Clearance Rates Soften

The hot auction market is finally starting to soften with a number of capital cities recording a drop in clearance rates.

Since the start of the year the majority of capital cities achieved clearance rates in the high 70% to 80% range, but this week a number of results fell below 70%. Brisbane's auction clearance rate was 69%, followed by Sydney 65% and Melbourne 65%.

All three results were lower than the clearance rates recorded at this time last year.

Domain head of research and economics Dr Nicola Powell says the results reflected a "normalisation" of the auction market.

"This is showing that conditions for buyers are improving, and they have improved, while sellers are having to be more realistic," Powell says.

Once again it was the smaller capital cities which recorded the best auction results last week with Adelaide in the lead with a clearance rate of 83% followed by Canberra with a clearance rate of 76%.



## \$13 Billion Interest Rate Hike

A 1% increase in interest rates will cost Australian homeowners \$13 billion more in repayments according to Opposition Treasury spokesman Jim Chalmers.

He says interest rate rises are inevitable.

"They can't and won't be at or near zero forever, no matter who wins office," Chalmers says.

"If rates rise by one percentage point, which many of the banks expect over the next year, owner-occupiers could be paying \$13 billion more in interest each year."

The upcoming Federal election is expected to dampen the hot property market in the coming months.

PropTrack's director of economic research, Cameron Kusher predicts there will be fewer auctions and listings in the coming months as a result of seasonal interruptions including Easter and Anzac Day as well as the election.

Kusher says with the labour market strong, an interest rate rise is starting to look more likely.

"So, there is a sense buyers and sellers need to get in now ahead of a rate rise."

## Rate Rise To Bring Mortgage Stress

Up to three quarters of homeowners are already facing financial stress which will be exacerbated by any future interest rate rise.

Analysis by advocacy group Everybody's Home, Digital Finance Analytics and the University of NSW shows despite built in buffers from lenders, a 1% interest rate rise will affect many homeowners.

Everybody's Home spokeswoman Kate Colvin says significant prices rises in the past year are contributing to the issue.

She says prices are being pushed up by buyers fighting to get into the market and taking on big mortgages while interest rates are low.

In New South Wales, the research shows some of the worst-hit areas for mortgage stress will be in the Macarthur, Chifley and Mitchell electorate areas as well as parts of southern Sydney and the Central Coast.

In Victoria the electorates of Bruce and Caldwell are tipped for mortgage stress if interest rates rise by 1% and in Brisbane the electorate of Bowman in the city's east will struggle.

