



The Week In Real Estate

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Tax Cuts Encourage Investment

Stage 3 tax cuts coupled with a drop in interest rates could be enough to entice investors back to the property market.

Industry experts said the two financial measures combined would lead to better borrowing capacity.

RateCity analysis says borrowing capacity might improve by between 4% and 5% as a result of the Stage 3 tax cuts.

LJ Hooker's head of research Mathew Tiller, says there has already seen an increase in investor activity over the last six or so months with much lower vacancies and higher yields.

"With more money tipped into everyone's pockets, that could increase buyer demand from both investors and owner-occupiers. It would also help borrowing capacity for investors and the serviceability of their mortgages," he says.

Under the Stage 3 tax cuts, people on \$100,000 a year receive a tax cut of \$2179 a year, those on \$190,000 and above will receive a cut of \$4529, and those on \$70,000 will receive a tax cut of \$1429.

Cheaper to Buy Than Rent

The Property Council of Australia (PCA) is calling for the Federal government to double the \$3.5 billion incentives it has already offered for states and territories to exceed their housing targets.

In its budget submission, PCA says the extent of the housing crisis requires scaled-up incentives and it wants a doubling of the performance-based New Home Bonus and the \$500 million Housing Support Program.

Property Council of Australia Chief Executive, Mike Zorbas, Australia can't afford for any of the states to miss the housing targets.

"We need to supply more quality homes around job, educational and social opportunities and as close to public transport as we can get," he says.

"With younger people utilising bespoke student housing to meet their unique needs, and older Australians moving into communities that are proven to keep them healthier and happier for longer and save taxpayers \$1 billion a year by delaying their entry into aged care, then we open up the middle market for more Australian families," he says.



Quote Of The Week

"Housing values have been more than resilient in the face of high interest rates and cost of living pressures."

CoreLogic Research director Tim Lawless



Prices Tipped to Keep Rising

Australian property prices are tipped to rise by 5% a year for the next two years according to a survey of property analysts.

The poll by Reuters, conducted in February, of 14 property analysts, shows the majority think price increases will continue to rise despite substantial increases in the past three years. ANZ senior economist Adelaide Timbrell says housing prices will still grow because people will have more borrowing capacity through the year due to tax cuts and rate cuts.

“And there’s still strong population growth and a backlog of building homes that needs to be filled.”

According to CoreLogic Australian Housing values nationwide increased by 0.6% in February, with Western Australia, Queensland and South Australia the most solid performers. Almost every capital city (Hobart was the exception) recorded a lift in values over the month according to CoreLogic Research director Tim Lawless.

“Housing values have been more than resilient in the face of high-interest rates and cost of living pressures,” he says.

Retirement Housing Solution

The Federal Government should include retirement communities in its aim to build 1.2 million new homes by 2029, according to the Retirement Living Council (RLC).

The RLC has submitted ahead of the Federal Government’s May Budget, which says the move would save up to \$1 billion a year by delaying entry into taxpayer-funded aged care.

RLC Executive Director, Daniel Gannon, says given the number of people aged over 75 is set to increase from 2 million to 3.4 million by 2040, more supply was needed for this type of living.

“Between now and 2030, the retirement industry requires 67,000 homes to be built to meet existing levels of demand from older Australians. Of this amount, only 18,000 are currently planned,” he says. The RLC’s Better Housing for Better Health report says Australia needs to rethink how it can turn “inefficient use of space” into freed-up housing stock.

Almost three-quarters of those over 75 were living in dwellings with one or more bedrooms spare, representing over 1.4m older Australians in oversized under-utilised homes.



Ideal Spots For FHBs

There are plenty of locations that fit within the budget of first-time buyers according to a new report by Domain.

Domain chief of research and economics, Dr Nicola Powell, says the big issue is saving a deposit but median house prices are low enough in these locations to make it manageable. She selected suburbs with medians where it would not take as long to save a 20% deposit for a couple on average incomes, although it does require buyers to be willing to look further from the CBD.

The Domain First Home Buyer Report says in Melbourne the Melton-Bacchus Marsh area about 66km from the CD is more affordable for first-home buyers.

Brisbane buyers should look in the Cleveland-Stradbroke area while in WA, Perth City is the most affordable.

Adelaide’s Playford is ideal for first-time buyers, in Canberra it’s Tuggeranong and in Darwin, Palmerston. In Sydney, St Marys is within FHB budgets, but it is still more expensive than many other cities.

“Generally speaking, if you’re looking for an entry-level house, the time to save decreases the further away you get from the city centre,” Powell says.