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REALTY

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The Week In Real Estate



Property Taxes Hit Record Levels

The property taxes paid by Australians have hit record levels. The official figures show that Australians pay more taxes on their real estate than their employers do for payroll and labour force.

Property taxes have a major impact on housing affordability as they are a big component of the cost of creating new dwellings.

ABS data has found that taxation revenue collected by all levels of government for property grew by over \$8.5 billion in the last five years. Taxes on employers' payroll have grown \$3.9 billion in the same period.

In FY2018 revenue from property taxes totalled \$30.3 billion, which was a \$1.6 billion rise on the previous year. The biggest beneficiary is local government which had an \$18.1 billion cut of the revenue generated last year, while the State Government portion was \$12.2 billion.

According to ABS, "the sole source of taxation revenue for local governments is taxes on property" while state governments have taxes on property, employers' payroll and the provision of goods and services.

Quote of the Week

"An industry of property magazines, TV programs and websites is making it harder than ever to have realistic expectations about what you can afford – with many Australians putting off important life stages, like having children, in the quest to afford the perfect property."

HSBC's head of mortgages, Alice Del Vecchio, commenting on research showing average Australians spend a lot of time on real estate research.

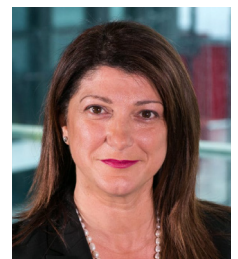


We Rank No.7 On Property Focus

Australians are spending several hours conducting property research each week, far exceeding the amount of time they spend at the gym or talking to their parents. An online survey by HSBC reveals Australians are dedicating an average of 2.5 hours a week to property research.

According to HSBC's research, which surveyed 11,932 adults, Australia is the seventh most property-obsessed nation in the world. Adults around the globe were found to spend an average of 3.5 hours a week researching property, signalling that a "culture of property obsession" may be "sweeping the globe".

Australians reportedly spend twice as much time researching property than exercising at the gym (1.08 hours) or speaking to their parents (0.88 hours). HSBC says the research demonstrates that cooling markets in Melbourne and Sydney have done "little to dent the property fixation" among Australians. The UAE and USA were reportedly the world's most property-obsessed nations, clocking an average of 6.6 hours and 4.95 hours, respectively, on research each week.





Rate Cut May Boost Prices

Big city housing markets could hit an early trough if the Reserve Bank cuts interest rates soon, AMP Capital chief economist Shane Oliver says.

An early rate cut, regarded as much more likely after unexpectedly weak inflation data in April, could bring forward the bottom of the cyclical dip in prices in the big cities, says Oliver - who expects two rate cuts this year, the first of them next week.

“An early rate cut does raise the possibility that the bottom of the cycle will come earlier,” he says. “Historically, if you look at the last two cycles, the 2008 GFC-related slump and the 2011-12 slump, house prices started to rise 4-5 months after the first interest rate cut.”

Meanwhile, weak loan growth and expectations of a cut in official interest rates have triggered a sharp fall in banks’ funding costs, sparking expectations of “out-of-cycle” mortgage rate cuts.

Banks last year raised variable interest rates, citing higher funding expenses - but a key measure of what it costs banks to borrow on wholesale debt markets has recently returned to more normal levels.

A Million Affordable Homes Needed

Australia is crying out for affordable rental properties, with new research highlighting the need for one million extra affordable homes across Australia by 2036.

Analysis by UNSW’s City Futures Research Centre looked at ABS data to measure “rental stress”. People are considered to be suffering from rental stress if they spend more than 30% of their income on rent.

The report claims there is an existing deficit of 651,300 affordable rental homes. Based on current trends, this will blow out to around 1,024,000 by 2036. One-third of all the affordable homes needed are in New South Wales.

“The recent housing boom has contributed to the number of households in distress, but the need actually arises from a prolonged lack of investment into social and affordable housing going back two to three decades,” says lead researcher Laurence Troy.

A number of non-government organisations and social housing groups have suggested that the best way to provide the new homes is for the government to invest \$8.6 billion a year in capital grants for not-for-profit organisations.

World’s Wealthy Head For Australia

The world’s wealthy are increasingly on the move – and many are choosing Australia as their new home. About 108,000 millionaires migrated across borders last year, a 14% increase from the prior year, and more than double the level in 2013, according to Johannesburg-based New World Wealth.

Australia, US and Canada are the top destinations, while China and Russia are the biggest losers. The UK saw around 3,000 millionaires depart last year with Brexit and taxation cited as possible reasons.

Wealth migration figures point to present conditions such as crime, lack of business opportunities or religious tensions, says Andrew Amoils, head of research at New World Wealth.

Australia tops most “wish lists” for immigrants because of its perceived safety, no inheritance tax and strong business ties to China, Japan and South Korea. It also stands out for its sustained growth, having escaped the GFC unscathed and avoided recessions for 27 years.

The US was the second most popular destination in 2018, with New York City, Los Angeles, Miami and the San Francisco Bay area the preferred options.

