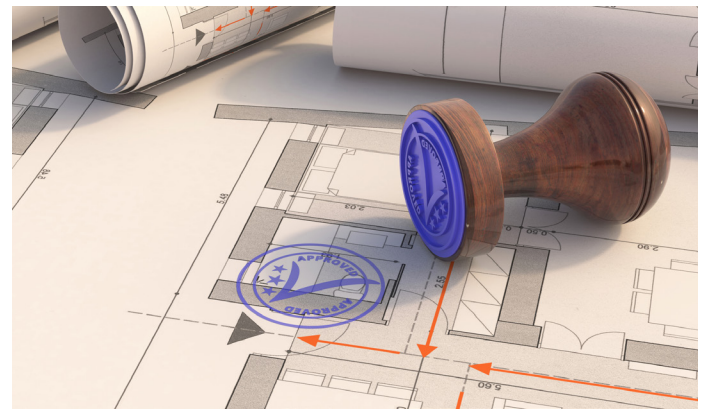




MITCHELLS
REALTY

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The Week In Real Estate



Negative Gearing Costs Explode

Negative gearing costs for the Federal Government are set to explode on the back of rising interest rates.

While last year figures from the Parliamentary Budget Office put the cost of negative gearing at about \$3.8 billion, predictions are it will hit around \$8 billion in the next financial year.

Analysts predict negative gearing deductions by investors, which is the tax offset that accounts for the gap between how much an investment property costs and how much it earns, will continue to rise as the Reserve Bank of Australia continues to put up interest rates in an effort to slow inflation.

Since May this year interest rates have risen by 2.75% and are predicted to continue rising.

The quandary for the Federal Government is whether to do something to address the rising negative gearing costs or just accept them as removing the scheme could result in investors leaving the private market leading to an even worse rental crisis.

Shortage Worsens As Approvals Fall

There seems no immediate end in sight to the current housing supply shortage, with Australian Bureau of Statistics figures showing building approvals fell in September.

There was a 5.8% drop in the total number of approved dwellings in September compared with the previous month, with the total number of approvals now 13% below the same period last year.

The biggest drop in approvals was in South Australia, which was down 19% during the month, followed by Tasmania, down 11%, Western Australia, down 9%, NSW, down 9% and Queensland down 6%.

Victoria was the only state to record an increase, with its approvals up 3.4% in September.

There was also a drop in the number of homeowners carrying out alterations and additions, with that work down by 2.9% during September.

Ryan Wells of Westpac says the figures show that approvals are starting to more broadly weaken and that increasing building costs, labour shortages and supply issues are having an impact on the housing market.

Quote of the Week

“At the moment as things get very tight, many people are looking for a property and there is only a limited number available, which means the incentive that people feel to make a successful application grows.”

Tenants' Union chief executive Leo Patterson Ross





Auctions Hit Five-Month High

Auctions continue to perform well with the latest figures showing the national clearance rate hit a five-month high in the past week, providing further evidence of improving property market indicators. CoreLogic figures show a 64% preliminary clearance rate across the combined capital cities last week, which is almost four percentage points higher than the previous week.

It is also the best result since May, although the number of properties being offered under the hammer are about half of what they were at this time last year.

In the past week 1,883 homes were offered for auction across the combined capital cities compared with 3,292 at the same time last year.

Sydney had the highest clearance rate last week of 70% (its best result since April), Melbourne's clearance rate was 62%, and Adelaide had its lowest clearance rate this year of 66%.

Canberra's clearance rate was 61% and Brisbane 43%. There were just ten auctions held in Perth last week, half of which sold.

Qld, ACT, Tassie Gain Population

Australians are keen to move to the north with new Census figures showing more people moved to Queensland than any other state.

The Australian Bureau of Statistics Census data shows there was a net gain of more than 100,000 people in Queensland in the five years to 2021.

Many of those came from New South Wales, with it recording the biggest net loss of population in Australia of 102,000 people. At the same time Victoria lost about 10,000 people, while Tasmania increased its population by 15,000 and the ACT by 10,000.

Those who didn't move states tended to move to regional areas with 160,000 people leaving Australian capital cities, as working from home became easier and more desirable in recent years.

Census program manager Mark Harding says affordability was a big issue.

"This data suggests that people are moving for housing suitability and affordability as well as employment opportunities and then settling down later in life," Harding says.

Renters Bidding For Tenancies

Renting a property has become like buying at auction, with potential tenants being forced to "bid" higher rents to secure a home amid a severe shortage of rental homes.

Tenants' Union chief executive Leo Patterson Ross says tenants feel they are being forced to offer more than an advertised rental price or to agree to pay a bulk sum upfront in an effort to sign up a home.

"At the moment as things get very tight, many people are looking for a property and there is only a limited number available, which means the incentive that people feel to make a successful application grows," he says.

Patterson Ross says it is distressing and frustrating for would-be tenants to be told they have to come up with even more money than advertised to be in with a chance to secure a rental property.

He says some property managers are calling potential tenants to see if they are wanting to offer above the asking rent.

