



The Week In Real Estate

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Foreign Investors To Pay More

Legislation has been passed that increases fees for foreign investors keen to secure property in Australia.

The change triples the fees for acquiring established residential dwellings and doubles vacancy fees for foreign investors. The Federal Government hopes the increased fees will help boost Australia's housing stock and provide more homes for Australians.

The increased vacancy fees are designed to encourage foreign investors to make their unused properties available to renters if they are not planning to stay in them. The legislation also cuts the application fees for foreign investment in Build to Rent projects to support the delivery of more homes across Australia. Foreign nationals generally cannot buy existing property, except in some limited circumstances if they are buying them to temporarily live in while working or studying. If they do not obtain permanent residency they must sell the property when they leave the country.

The higher fee for established dwellings is aimed at encouraging foreign buyers to invest in new housing developments and therefore help create additional housing stock, jobs in the construction industry and support economic growth.

Banks Should Match RBA

Banks would have to offer home loans that track the movements of the Reserve Bank of Australia cash rate, under proposals recommended by a parliamentary committee.

The House of Representatives economics committee's Better Competition, Better Prices report has made 44 recommendations including the suggestion that the government cooperate with banks to trial "tracker mortgages". These types of mortgages are offered in the United States already and the report said they reduced the likelihood of "disengaged consumers drifting away from the best available rate".

Banks have previously raised concerns about the product because when interest rates are on the way up it can reduce their profitability and they have concerns about the effect on the stability of the financial system. The committee also suggested that the Treasury's competition task force increase consumer engagement with mortgages and deposit products.

It says banks could be made to notify the base deposit interest rate at the end of the introductory period, clearly notifying deposit holders of changes to interest rates, changes to eligibility bonus interest, and alerting customers when they are approaching a minimum balance level eligible for a bonus interest rate.



Quote Of The Week

"An undersupply of housing relative to demand continues to keep upward pressure on home values despite these headwinds."

CoreLogic research director, Tim Lawless



Where Profits Were Made

Australian home sellers made an average \$310,000 gross profit when selling in the final quarter of 2023, according to the latest Pain and Gain report.

The CoreLogic reports shows that fewer homes sold for a loss during the quarter with 94% selling for more than owners originally paid.

In 27 house markets and 31 unit markets, every property that sold delivered a profit to the vendors. In Sydney LGAs Kuring-gai, Inner West, Strathfield and Botany Bay every house that sold achieved a profit. In Brisbane, the Somerset LGA had 100% profit-making sales for houses and in Adelaide, it was the Burnside, Walkerville and Unley LGAs. Perth's Mosman Park, Subiaco and Nedlands were the most profitable for house sales. In the unit market, Camden in Sydney's south-west was the most profitable while in the Melbourne LGAs of Melton, Nillumbik and Macedon Ranges every unit sold during the quarter was for a profit.

The report found Adelaide was the most profitable of the capital cities with nearly every sale (98.5%) making a nominal gain.

In Demand Suburbs

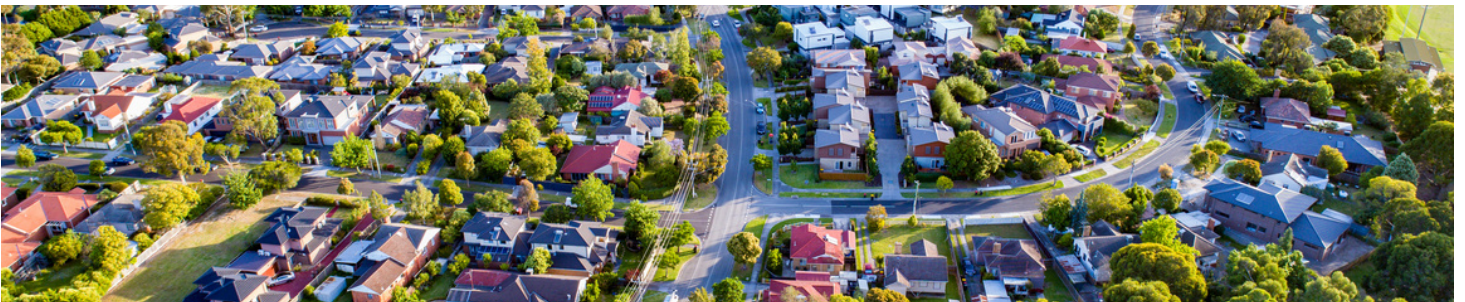
Property searches in some of Australia's most sought-after suburbs have risen more than 40% in the past year.

PropTrack economist, Anne Flaherty, says the data of where online searches are increasing for properties, is a solid indicator of where there will be future price growth.

"A rise in searches in a suburb indicates a rise in demand and more competition for those properties that hit the market," she says.

Many of the areas where searches were up had experienced stronger rates of population growth. In Western Australia Balcatta (42%), Tuart Hill (41.2%) and Padbury (38.7%) had the biggest increase in demand. In New South Wales Fairfield had the biggest increase of 18%, followed by Campbelltown (17%), and Blacktown and Merrylands (both up 16%).

In Melbourne, Coburg North had the biggest increase in searches (19.2%) followed by Pascoe Vale (19%) and Glenroy (18.5%). Brisbane searches increased the most in Alderley (21.9%), Lutwyche (21.1%) and Morayfield (20.3%).



Prices On The Up

Australian property prices rose once again during March, chalking 14 straight months of growth.

CoreLogic's national Home Value Index was up by 0.6% in March, a similar increase to February. In dollar terms that represents about a \$72,000 increase in values.

Darwin was the only capital city to record a decline in value during March (-0.2%).

CoreLogic research director, Tim Lawless, says the more affordable capital cities performed the best during the month with Perth up by 1.9%, Adelaide, 1.4% and Brisbane, 1.1%.

The ACT was up by 0.4%, Sydney, 0.3% and Hobart, 0.2%. Values did not change in Melbourne during March.

The report says although housing values are now rising faster than at the end of last year, rate hikes, cost of living pressures and worsening housing affordability are all contributing to softer housing conditions since mid-2023.

"However, an undersupply of housing relative to demand continues to keep upward pressure on home values despite these headwinds," Lawless says.