The Week In Real Estate

Mitchells Realty
07 4125 2950
40 Miller St Urangan Qld 4655
www.mitchellsrealty.com.au

March 22, 2025

Taxes Drive Up Costs

Up to half the cost of a new home and land package is now made up of government taxes, fees and charges.

Research by the Centre for International Economics says in Sydney that is equivalent to $576,000 on a new house and land package. The value of taxes and charges on new builds in Sydney has increased by 38% in the past five years, while in Brisbane, it is even higher - up by 106%. HIA Chief Economist Tim Reardon says Australia has an acute shortage of housing, and much of the issue is caused by governments continuing to tax new home buildings, which impedes productivity.

"With half of the cost of a new home being taxes and government charges, new home buyers are spending 15 years of a 30-year mortgage just paying off that tax," he says.

The analysis shows that 49% of the cost of a new house and land in Sydney is made up of taxes, 43% in Melbourne, 41% in Brisbane, 37% in Adelaide and Hobart and 36% in Perth.

"The primary solution to resolve Australia's housing shortages is to remove government taxes and red tape to allow the industry to deliver the homes Australians are demanding," Reardon says.

New More Affordable

Despite the high level of taxes on new housing, buyers are spending less on new homes than on existing homes.

Homebuyers in the ACT, Tasmania, South Australia, Western Australia and New South Wales are taking out smaller mortgages for newly built homes compared to existing properties.

In the ACT, the average loan for a new home is 20% lower than for an established property ($525,991 versus $658,491).

The difference in Tasmania is 12.5%, while in South Australia, Western Australia and New South Wales, the gap is 6.6%, 3.8% and 0.3% respectively.

Money.com.au Property Expert Mansour Soltani says part of the reason is that people are building new homes in areas where land is more affordable, such as regional markets.

"In contrast, established properties in high-demand metro areas come with premium price tags, pushing up loan sizes," he says.

New build loans are higher in the Northern Territory (6.4%), Queensland (3.6%) and Victoria (1.8%).

Quote Of The Week

"The number of auctions is steadily increasing, and clearance rates are firming in most capital cities."

Herron Todd White, National Director, Group Risk and Compliance, Kevin Brogan

Housing Still Good Investment

Forget doomsday predictions about property value drops and slowdowns, Australia's property market value surged to a record $11.032 trillion in 2024.

The total value of residential dwellings across Australia rose by 0.2% in the last quarter of 2024, according to the Australian Bureau of Statistics. ABS head of finance statistics, Dr Mish Tan, says the overall value increased despite relatively flat growth for the December quarter (2024). The data shows the average price of residential dwellings in Australia was $976,800 at the end of 2024.

According to Herron Todd White's Kevin Brogan, there is further growth ahead, with lead indicators showing some renewed energy in the market. "The number of auctions is steadily increasing, and clearance rates are firming in most capital cities," he says. "The awakening of the market and this downward move in interest rates are expected to provide a confidence boost to most residential property markets, and indeed, some purchasers are committing early to get ahead of any increase in prices that may be prompted not only by this cut but potentially others as the year progresses."

Build to Rent Boom

Australia is entering a build-to-rent boom, with thousands of apartments proposed or underway.

More developers are leading toward the model where they construct apartment buildings, but instead of selling individual units, they retain them and rent them out.

JLL says there are 9,180 operational build-to-rent apartments as of the end of 2024, with 4,147 of those built last year. Another 8,199 are under construction, with about half of those to be completed in 2025 and a further 17,043 in the approvals pipeline. In November the Federal Government passed tax policy changes that encourage foreign investors to invest in built-to-rent projects in Australia.State Governments are also looking to encourage the development type with various incentives being introduced or considered.

Victoria accounts for 52% of the build-to-rent pipeline, Queensland 24%, and New South Wales 7%. JLL's head of residential research in Australia, Leigh Warner, says build-to-rent projects represent about 10% of the Australian apartment development pipeline.

Long Term Gain

Property investment is a long-term game, and the latest data shows where it is paying off.

CoreLogic analysis of the performance of Australia's property markets since March 2020 shows values in the combined regional markets rose by 56.3%, and the combined capital cities rose by 33.6%. With regional markets performing so well, it is not surprising that the top performer in the past five years is a regional town - Murray Bridge, in South Australia. Its values have doubled in the past five years.

The second best location for growth was Kingaroy in Queensland, where property values have almost doubled, rising 96%. The report shows that seven of the top 10 locations for five-year growth in dwelling values are in Regional Queensland, including Gympie, Bundaberg, Warwick, Maryborough, Hervey Bay and Gladstone.

West Australia has two entries in the top ten, Geraldton and Busselton. Hotspotting has long considered regional South Australian and Queensland locations to be strong investment options.

All cities in the top ten have recorded value increases of 84% or more, up to 101% in Murray Bridge.