



Australian Property Update

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Terry's View: Investors Don't Get the Best Tax Advantages

Despite what many would have us think, the property buyers who get the best tax advantages in Australia are not investors. There's a different type of buyer who is massively advantaged by the taxation system and are causing home prices to rise – First Home Buyers (FHBs).

FHBs are very active in the market right now, driven by government incentives, which is driving up property prices. FHBs are massively advantaged because of two Federal schemes, one of which means they only need a 5% deposit to buy and they won't have to pay Lenders Mortgage Insurance.

The other federal scheme only requires a 2% deposit. No other type of buyer has this enormous advantage. Other buyers and investors have to come up with a 20% deposit or pay a significant sum for LMI. FHBs also have access to State Government schemes with grants and stamp duty concessions, which can equate to tens of thousands of dollars. There are no grants for investors.

FHBs pay no land tax or capital gains tax when they sell and they pay lower council rates than investors, who contribute more than \$100 billion every year to government coffers in land tax, stamp duty, capital gains tax and council rates.

Mum and dad investors provide more than 90% of the 3.5 million rental homes in Australia. I'm not saying that FHBs shouldn't be given some help to get into the market but those advocating to remove tax benefits are very wrong in thinking that it will fix Australia's housing crisis and make housing more affordable. The only impacts will be negative - particularly for tenants.

Property Growth Pace Picks Up

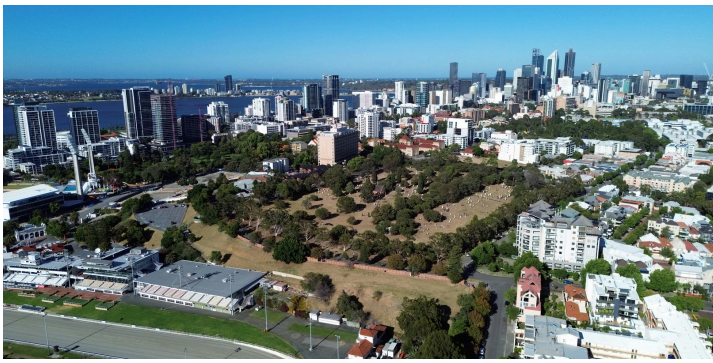
Property price growth has picked up pace, increasing at its fastest rate in four years. New price data from PropTrack shows that during February national home prices grew by 0.5% and are up by 9.1% over the past 12 months. Median dwelling prices are now about \$90,000 higher than at the same time last year. PropTrack Senior Economist, Eleanor Creagh, says the monthly increase brings the national median dwelling value to \$897,000. Houses are \$996,000 and units are \$730,000.

The latest increases bring the combined capital city dwelling value to more than \$1 million for the first time. According to the data, Australia's smaller capital cities are continuing to outperform, led by Hobart which was the performing capital in February, followed by Brisbane and Adelaide. Unit markets are still performing well with capital city unit markets outpacing house markets as buyers continue to seek out more affordable options.

According to Cotality data, Sydney and Melbourne values are flatlining while the mid-sized capitals continue to record solid growth. Research director, Tim Lawless, says while Sydney and Melbourne have traditionally led Australia's housing cycles, the slowdown in Sydney and Melbourne could signal an easing in growth conditions elsewhere down the track. "But for now, the mid-sized capitals continue to see support from extremely low inventory levels, which is boosting the growth in values," he says.

Lawless says there is a lot of competition for lower-priced properties. "First home buyers, investors and subsequent buyers are all competing across this sector of the market, while credit is less available across the higher price points due to serviceability constraints."





Vacancies Ease, Rents Rise

Vacancy rates have hit their highest rate in nearly two years but remain very tight.

The latest realestate.com.au Market Insight Report shows the national rental vacancy rate increased by just 0.19 percentage points over January to reach a still very tight 1.48%.

That is the largest increase in nearly two years but it remains well below the pre-COVID level of 2.3% five years ago.

Vacancies rose in every market in January according to the data, with capital city vacancies up to 1.5% and regional areas up to 1.4% per cent.

Hobart has Australia's tightest rental market with its vacancy rate at a very low 0.7%, followed by Perth and Brisbane which are both 1.1%.

Adelaide, Sydney, the ACT and Darwin are all between 1.4% and 1.7%, while Melbourne has the highest vacancy rate of a still very tight 1.8%.

Even though vacancy rates are easing a little, it is not enough to ease demand and slow the rise of rents.

In the quarter to February, median weekly asking rents in Sydney rose to \$800, to \$710 in the ACT and \$700 in Perth and Darwin. Brisbane is \$675 per week, Adelaide is \$625 and Hobart is \$598. Melbourne has the lowest capital city rent of \$580.



Women Missing Out

The gender pay gap means younger women are delaying trying to buy their first home.

Analysis by Cotality shows upfront costs hit women harder as the gender pay gap persists, with 29% of women saying it is a major hurdle and means they are delaying buying a home.

More than half the women surveyed (56%) say upfront costs are the main obstacle to them buying. The report says this underscores the "persistent gender gap in financial security and savings capacity" that women buyers face.

It says the gender pay gap equates to every dollar a man makes equalling 79 cents for women, which equates to about \$28,356 a year on average.

Cotality Australia chief commercial officer Lisa Jennings says saving for a home deposit has become significantly harder for many young Australian women, particularly as they navigate lower average earnings, career breaks, and rising living costs.

The survey says mortgage eligibility is another hurdle, with a fifth of non-owners saying they cannot qualify for a loan.

"If we want property ownership to remain an achievable goal, it's critical that governments, industry, and employers work together to remove the barriers and provide targeted support that helps women enter the market with confidence," she says.



Solo Buyers Struggle

Every capital city is out of reach for a solo buyer earning the average Australian wage. Analysis by Canstar shows that solo buyers are also priced out of a median priced unit markets in Sydney, Brisbane, Adelaide and Perth.

The national average full-time wage in January was \$104,807. This will allow a solo buyer to borrow about \$533,000, well below the median house price of every Australian capital city. According to Canstar, to buy the median-priced house in Sydney, a solo buyer would need to be earning \$232,000 a year, \$166,000 in Brisbane and \$145,000 in Melbourne.

Couples earning the national average wage could jointly afford a median-priced house in every capital city except Sydney and a median-priced unit in every capital. Canstar data insights director Sally Tindall says for the average sole wage earner, the dream of buying a median-priced house is "basically dead and buried".

Simon Kuestenmacher, of the Demographics Group, says this means buyers are often forced further out of the city to find something within their budget which is contributing to urban sprawl. "Sprawl is in hyperdrive because building a square metre of housing on the outskirts of town is about half the cost of building a square metre of medium or high-density housing," he says.