PIPA ADVISER

ISSUE #32

For members of the Property Investment Professionals of Australia

THE TRUTH ABOUT THE RENTAL CRISIS

MARKET UPDATE

The first quarter of this year has continued to **produce strong results**

PIPA PROFILE: AMANDA TURNER

Principal of Opulence Property

FINANCE: STAMP DUTY

Stamp duty is holding us back from moving homes – we've worked out how much

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA

PIPA **mission:**

PIPA has been formed by industry practitioners with the objective of representing and raising the professional standards of all operators involved in property investment.

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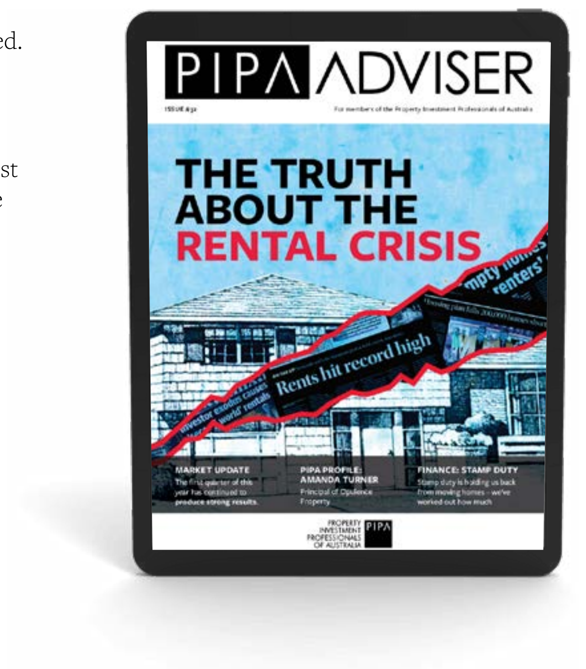

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Vale Steve Waters

Welcome to the 32nd edition of the PIPA Adviser – your industry e-magazine.

It was with a heavy heart and a deep sadness that we shared the passing of former PIPA board director Steve Waters in March.

Steve was one of PIPA's longest serving board members – dedicating 12 years to the association and to representing the property investment profession around the nation.

Steve was not only the long-standing chair of our finance committee during a period of strong growth for the association, but his knowledge, leadership, and good humour helped to shape the PIPA that we have today.

Steve was also a much-valued friend and mentor to many of us and we will all miss him dearly.

On a personal note, I was lucky to spend almost a decade working with Steve on the board and will miss his steady and supportive counsel as well as having a "beer or two" together from time to time.

I am very happy to announce that 53 finalists have been selected in our inaugural 2024 PIPA Awards for Excellence across seven categories.

The calibre of nominations made judging the submissions very difficult, so congratulations to each and every one of you for our achievement.

Tickets are currently on sale for the gala awards night at the glorious Ivy Ballroom in Sydney, which is an event you don't want to miss.

We are also hosting the 2024 PIPA Brisbane breakfast seminar in early May at the Hilton Brisbane with a stellar line-up of experts who will unpack the very latest on the Queensland property market.

You can purchase tickets for one or both of these events via PIPA Events - Property Investment Professionals of Australia - PIPA

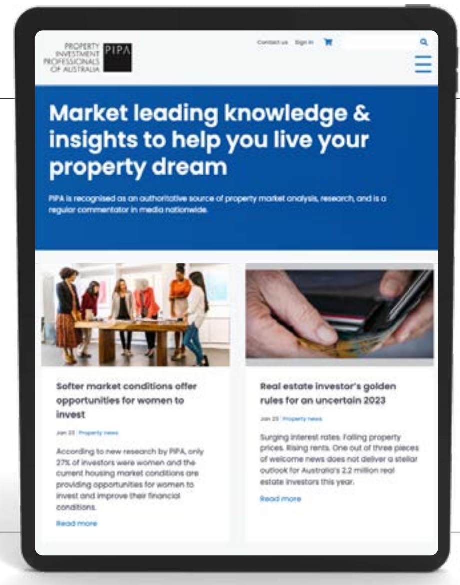
Until next time,

Nicola McDougall

PIPA CHAIR

In the news

PIPA is a regular commentator and expert source in property-related stories across the nation. Below are a selection of articles from recent months. For more articles visit the PIPA website.



Geelong Advertiser

Melbourne taxes loom as the biggest headache for Melbourne property

The Victorian capital is an economic hot spot and set to become the biggest city in Australia – so why is it the worst-performing residential market?

Read the article

THE NIGHTLY

Don't hate your landlord

Love your landlord. I know that sounds like heresy but tenants should direct their anger towards all three levels of government — not their landlords — when it comes to skyrocketing rents.

Read the article

Savings.com.au

Landlords bail from rental market

Almost 12,000 ex-rental properties were put on the buyers' market Australia-wide in the year to January, according to property analytics company Suburbtrents.

Read the article

PIPA welcomes our newest members...

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- JADD CHAHAL, *Citadel Property Agency*
- MATT SKEHAN, *Azure Buyers Agent*
- DAVID ZERNA, *Timar Buyers Agency*
- TRENT ALEXANDER, *Accelerated Investments*
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PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

THE TRUTH ABOUT THE RENTAL CRISIS

When something awful is happening to a lot of people, it helps if those in charge have someone to conveniently blame. Investors of Australia, this is where you come in.

BY SHANNON MOLLOY

You've been a punching bag for politicians, special interest groups and the media for the past few years, painted as the sole cause of the rental crisis sweeping the country.

Nationally, the rental vacancy rate now stands at just 0.7 per cent and the median dwelling price at a capital city level is $831 per week, up 12 per cent year-on-year.

"Rental affordability has hit its worst level in at least 17 years, when records begin," PropTrack economist Angus Moore said.

And it's not just lower-income households that are struggling, Mr Moore pointed out.

"Highlighting the alarming state of rental affordability at present, a household earning the median income of $111,000 can now afford just 39 per cent of rentals advertised over July-December 2023. This is, by a reasonable margin, the lowest share since records began in 2008."

But who's *really* to blame?

Who implemented a range of macroprudential restrictions that made borrowing to fund a property investment more and more difficult?

Who imposed some of the most restrictive legislative reforms on the housing sector, making it less and less attractive to be an investor?

Who majorly hiked the immigration rate so about a million new residents in just two years would arrive, all demanding a home to live in?

Who pushed and pulled policy leavers to force the construction sector to its knees, resulting in building approvals slumping 10 per cent in December and another full basis point in January?

Who decided to hike the official cash rate 13 times, adding about $1200 per month – or $62,400 a year – to the cost of repayment on a $500,000 mortgage?

It wasn't landlords, most of whom are mum-and-dad investors with a single property in their portfolios, contrary to the dark and scary image that's often painted.

One-in-three Australians now rent the home they live in, and it's the fastest-growing tenure type.

While the war on investors rages on, little is being done to meaningful correct the course and avoid further pain for millions of tenants.

The solutions are there – should policymakers and governments be ready to implement them.

Make investing more attractive

The overwhelming majority of rental properties in Australia are provided by the private market – that is, individual investors.

And on the face of it, it seemed like 2023 was a pretty busy year, with lending to landlords on the rise.

But as PropTrack director of economic research Cameron Kusher points out, many investors sold up and got out of the market at the same time.

"It resulted in a relatively small pool of rental properties being available for the large number of people seeking accommodation," Mr Kusher said.

"Given the persistent low supply of rental stock and the significant demand for accommodation, there is a critical need for additional housing, particularly in the major capital cities."

An exodus is evident when examining the results of PIPA's latest Property Investor Sentiment Survey, which found 12.1 per cent of respondents sold one or more of their rentals in 2023.

Just 24 per cent of them sold to another investor, which means the majority of those investment properties were likely removed from the market.

Analysis by property search start-up Soho described the departure of investors from the market as "significant".

"As more landlords choose to sell their properties and exit the rental market, there is a decrease in the supply of rental homes available for tenants," a report by the company read.

"This shortage of rental properties is exacerbating the rental crisis, particularly in high-demand cities like Melbourne, Sydney, and Brisbane."

Demand is only set to continue to soar, thanks to rapid population growth, a booming international student segment, and high home prices keeping people in rentals for longer.

"The limited supply of rental homes is driving rental prices higher, making it even more difficult for tenants to secure affordable housing," Soho's report read.

"The supply-demand imbalance is expected to persist, further challenging the rental market in the coming years."

When asked to list the reasons they sold, respondents to PIPA's survey nominated governments increasing or threatening to hike taxes, duties, and levies (47 per cent) and changes to tenancy legislation (43 per cent).

On top of that, investors whose rents have risen sharply are highly unlikely to be rolling in cash either, CoreLogic head of residential research Eliza Owen said.

"While rents have risen at a record pace over the past few years, they generally have not risen as much as mortgage costs on a new loan," Ms Owen pointed out.

As a result, the annual realestate.com.au Property Seeker Survey revealed 50 per cent of investors believe investing is not as attractive as it once was.

Given how much supply investors provide, governments need to examine how they can attract more landlords into the market, experts say.

"The quickest solution is to get more investors to buy residential properties that already exist and make them available for rent," Mr Kusher said.

"The best way to increase supply in the long term was to build more homes, specifically for rent."

> "The quickest solution is to get **more investors to buy residential properties** that already exist and **make them available for rent**.
>
> **- Cameron Kusher,** Executive Manager - Economic Research REA Group

It's all about supply

The advocacy group Homes for Everyone (HEUS) calls for politicians and the media to "stop penalising and instead incentivise investors to provide more rentals".

"More investors equal more rental properties. It's a very simple equation," the group said.

"Anything to support residential property investors to add more rental stock to the market supports the rental and housing crisis because above all the crisis is here because of a lack of supply."

Its campaign calls for a number of major reforms to support investment, including cutting stamp duty, lower interest rates, removal of lending restrictions, and lower council rates.

Housing policy has received minimal focus over the past decade or so, but anger among renters has forced a swift response.

The Federal Government has set a target of building 1.2 million new homes by 2029 – a worthy and ambitious goal.

But building approvals, which have been trending sharply down for three years now, would need to surge dramatically to get close to that figure.

According to the Housing Industry Association, there's a projected annual shortfall of 60,000 new dwellings, meaning the government's goal seems impossible.

"Australia commenced construction of just 23,058 new houses in the September quarter, the weakest quarter in over a decade and down by 21.6 per cent on the same quarter [in 2022]," HIA senior economist Tom Devitt said.

> "Governments have either underinvested or **slashed funding in the social housing space**.

"Holding all levels of government to account for improving planning regimes, reducing red tape, and supporting the development of appropriate infrastructure and a skilled construction workforce, must be a priority this year."

There are steps in the right direction, with the New South Wales Government recently unveiling major planning reforms that would make it easier to build more and denser housing around key transport hubs.

But the policy is facing some stiff opposition from community groups and councils, including Labor-controlled local governments.

There are big and concerning question marks over how effective the Federal Government's key housing measure will be in actually providing new homes.

Expand the safety net

Governments have either underinvested or slashed funding in the social housing space, seeing the level of stock as a proportion of all dwellings tumble over the past two decades.

There's an estimated 170,000 people on waiting lists for housing help across the country – a shameful number in anyone's eyes.

As a policy briefing paper presented to the Federal Parliament in 2022 warned, there could be a social housing dwelling shortfall of 730,000 by 2036 based on current trends.

"To prevent the existing shortfall from worsening would require the construction of nearly 15,000 additional social housing dwellings a year," the paper read.

"If the current backlog is to be eliminated, the rate of construction would need to be around 36,000 dwellings a year. The current annual social housing construction rate has been estimated at just over 3000 dwellings."

A dramatic investment in social and affordable housing would provide options for those who can't afford to sustainably rent in the private market.

It would also stimulate activity in the construction sector, bringing confidence to a vital industry that's endured years of pain, paying dividends elsewhere.

What won't work

The past few years have seen plenty of wild proposals floated about how to solve the housing mess we're in.

One offered by the Greens would force landlords to "freeze" rental prices for a two-year period, followed by a cap of two per cent every two years, but experts say this would spark disaster.

"While it may seem attractive to renters facing steep rent rises, it'll end up doing more harm than good," Brendan Coates from The Australia Institute declared.

"Ultimately, if we freeze rents, more Australians could become homeless, not fewer.

"And the long-term costs of capping rent increases at just two per cent every two years could be even greater. The cap would blunt the incentive to build more housing, leaving us with fewer, poorer-quality dwellings."

Business Insurance is a Relationship: Here's Why

Can you imagine walking into a car showroom and saying: I'll have the cheapest one, please? Then you find out the cheapest car has the lowest fuel efficiency, so petrol costs you a fortune. Maybe you're smiling because we don't shop for cars this way. Yet people consistently show that they do shop for business insurance this way.

I founded ii-A (Insurance Insights Australia) because buyers need to know the details of what they are purchasing up front and understand how to navigate specific insurance processes when circumstances require it.

Partnering not purchasing

We exist in the details, so you don't have to.

We offer a broad and varied range of insurance options to cover businesses and their customers. And, because we thoroughly research every one of them extensively, as well as the purchaser, you arrive at the ideal policy. We also ensure a seamless experience with your insurer, preventing any issues stemming from overlooked details in the fine print.

This is a significant advantage of partnering with an expert like ii-A instead of purchasing a policy based on a checklist that you compare with other insurance products. Importantly, we form partnerships with people, not just insurance scenarios. Consequently, many of our clients turn to us whenever they require insurance, reassured by our commitment to approaching each case individually. Furthermore, we stand by their side long after other brokers have concluded their services, should they ever need to file a claim.

> "We actively participate in and support the community, finding **great joy in witnessing our clients thrive** in this field.

And if the right insurance product doesn't exist, we've been known to create it!

A new category of property investors insurance

The Property Investment Advisor profession emerged in Australia approximately a decade ago, marking the inception of a relatively new industry. In its infancy, we approached reputable insurers seeking professional indemnity coverage, only to find nearly every door closed. This profession involves practitioners providing cash flow projections and various data crucial for clients' buying decisions, yet without holding an Australian Financial Services (AFS) license. Unsurprisingly, this complexity posed challenges for insurers.

In response, we took the initiative to develop an insurance product through thorough research, initially gaining the support of one insurer, followed by others. Today, we proudly stand as the recognized industry specialist for insurance tailored to this profession, contributing to its formation.

We actively participate in and support the community, finding great joy in witnessing our clients thrive in this field.

How to find the perfect business insurance partner for you

Selecting business insurance, especially professional indemnity insurance for property investment advisors is a significant decision that merits careful consideration. We believe evaluating your broker's suitability for your needs is just as crucial as engaging them to find the right policy.

To help you establish the ideal partnership, consider the following questions:

1. Does your insurance broker understand and articulate your profession effectively? Just as you

wouldn't purchase a car from someone unfamiliar with automobiles, we recommend choosing an insurance professional who has dedicated time to researching and comprehending your industry.

2. Do you leave meetings with your broker feeling well-informed and educated? You should grasp the nuances of your policy without having to interpret them independently.
3. Do you understand the policy's holistic cost beyond its price tag? Committing to a $10,000 excess is pointless if it proves unaffordable when needed. Your broker should instil confidence that your insurance investment is money well spent. As insurance premiums are on the rise, your broker should actively negotiate to lower costs rather than encourage settling for inadequate coverage.
4. Can they effectively manage your claims to ensure you're not left in a difficult situation? Insurance is a relational process, and your broker should provide continuous support throughout your insurance experience.
5. Do they endorse auto-renewal? We caution against auto-renewal as a potential trap. Instead, we prefer researching clients' evolving needs at renewal time to stay on their journey.
6. Who comprises their team? Knowing that someone will be available via phone and has access to your file details when your primary contact is unavailable is crucial.
7. Ultimately, trust and accessibility are paramount. You should feel comfortable turning to your broker for advice whenever needed. Despite the perception that brokers work for insurers, at ii-A, our motivation is to secure the best possible outcome for clients, and we persist until we achieve it.

About ii-A Insurance

With decades of experience in the insurance industry, ii-A adopts a people-first approach. We possess a deep understanding of the complexities within the insurance landscape, particularly in the ever-evolving field of emerging categories such as property investment advisory industry insurance. Our commitment is to deliver exceptional service with professionalism and expertise, catering to our clients' diverse and evolving insurance needs throughout their lifetime.

If you have an insurance-related question, I'd be happy to discuss it—you can book a meeting with me here.

For more information
E. insurance@ii-a.com.au
PH. 1300 00 2481.
W. https://ii-a.com.au/

Higher prices as housing crisis deepens

The first quarter of this year has continued to produce strong results with constrained listings underpinning Adelaide, Brisbane, and Perth in particular.

Some commentators have called time on the peak of buyer interest and sales activity in Perth, with median prices yet to reflect this potential state of play.

Market conditions in Brisbane and Adelaide remain robust, with Sydney resilient and Melbourne mostly stable – albeit with the significant exodus of investors from Victoria set to continue to negatively impact its rental crisis.

There is no question that we are in the middle of a housing crisis, with not enough dwellings available for rent or purchase in many areas of the country.

Of course, we have heard the repeated assertions by the Federal Government of its plan to support the construction of 1.2 million new dwellings over the next five years, but everyone knows that figure has no basis in reality. I have a better chance of willing Lotto next week – and I don't even have a ticket.

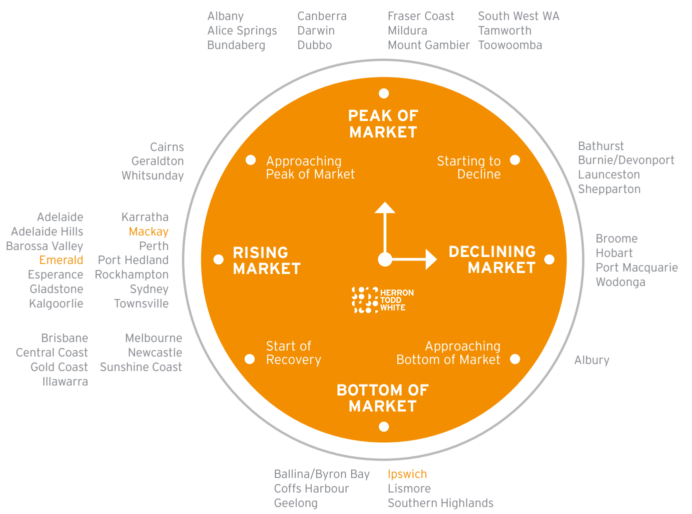
According to the Australian Bureau of Statistics, net overseas migration was a staggering 550,000 in the year ending 30 September 2023 – a mind-boggling figure when we consider the lack of housing supply currently available for renters.

Not only does that tap need to be turned off dramatically, but more needs to be done at a policy level to encourage investors back into the market to help remedy the rental catastrophe.

An immediate reduction in the three percentage point borrowing serviceability buffer would be a good place to start.

National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.



National Property Clock: *Units*

Entries coloured blue indicate positional change from last month.

NSW

Veronica Morgan
Principal, Good Deeds Property Advisors

Generally speaking, the NSW property market remains resilient, although there are some signs that 2024 might deliver more subdued sales and rental activity.

Sale Prices

Sydney house and unit prices each rose by 1% over the 3 months to March, according to Corelogic's Hedonic Home Value Index. In regional NSW, units fared the best over the same period, recording a 1.2% increase, whereas house prices rose by 0.9%.

Sydney dwelling values remain on an upward trajectory, albeit at a reduced growth rate than for much of 2023.

In March, CoreLogic reported that upper quartile home values in Sydney exhibited a slower quarterly rate of appreciation compared to the broader middle and lower quartiles. Traditionally, the upper quartile of the housing market tends to spearhead cycles, both during upswings and downturns.

Auction Clearance Rates

Clearance rates are a particularly important metric in the inner Sydney market. They demonstrate not only buyer confidence, but also vendor willingness to meet the market.

Auction listings volumes rose steadily through February and for the first three weeks, Domain recorded clearance rates between 72% and 75%, indicating a seller's market. On the fourth weekend, listings reached 1004, which was the highest number of auctions held on any single weekend over the preceding 12 months and the clearance rate dipped to 68.2%.

Over March, listings returned to more normal levels and the clearance rate hovered just above 70%, before dipping again on the third weekend to 65%, indicating a balanced market.

Inventory Levels

Inventory levels are a valuable indicator of market conditions as they incorporate both supply and demand in a single metric. Markets with three months or fewer of inventory are more likely to experience sustained price growth. Analysis by Kent Lardner at Suburb Trends shows that inventory levels in regional NSW are higher than in Sydney, suggesting a reduction of sea- and tree-change migration, particularly outside the two-hour commute.

Vacancy Rates

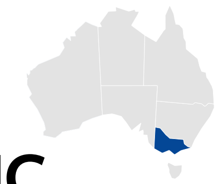
Domain reported in February 2024 that Sydney's vacancy rate reached an unprecedented low of 0.8% as a result of historically low supply levels. Nevertheless, both monthly and yearly averages for views per rental listing decreased, indicating a deceleration in demand.

Rental Affordability

Suburb Trends reports that in much of NSW, rental expenses approach or surpass 40% of household income. On a global scale, allocating more than 30% of household income to rent is considered unaffordable.

It reveals a significant trend: areas where rental costs exceed the 40% threshold are witnessing rises in vacancy rates, indicating a potential tipping point for many markets.

" Auction listings volumes **rose steadily** through February.



VIC

Matt Skehan
Director, Azure Buyers Agents

In February, Melbourne property values rose by 0.1%. This stopped the decline of growth that occurred from the back end of 2023. Melbourne's property values now sit 4.1% below their peak achieved in March 2022. A median priced house in Melbourne now costs $942,779 (CoreLogic).

The Victorian market has navigated numerous headwinds over the past few years from the onset of COVID-19, hard lockdowns, interest rates rises and the cost-of-living crisis to name a few.

However, it has remained remarkably resilient and despite not having the heady growth of some other cities these past 12 months, it has stabilised and appears ready to rebound as consumer confidence improves and interest rates decline.

The Melbourne auction market has started the year strongly showing a significant depth of buyers in the marketplace. The auction clearance rates have consistently been above the 60% level each week (Domain).

> It has remained **remarkably resilient.**

Despite a lot of negative press, in particular surrounding the increased taxes associated with owning a property in Victoria, it is hard not to like the fundamentals of the market from a demand and supply perspective and the fact it is one of our largest population and economic centres.

The rental market is extremely tight with a current vacancy rate of 1% (SQM) and rental rates have increased 10.8% over the past 12 months, the second highest gain in the country over this period (CoreLogic).

Population growth has been strong into Victoria with high levels of net overseas migration putting further pressure on our already stretched rental market. This is due to a combination of our desirable liveability, good schools, and relatively affordable housing options.

There is significant infrastructure spending happening within the State with the Metro Tunnel project, West Gate tunnel project and the Suburban rail loop project to name a few.

I anticipate that the data over the coming months will show a turning market in Melbourne this year. Melbourne offers plenty of upside with its recent underperformance from a growth perspective providing an opportunity for the savvy buyer.

For those playing the long game and looking to park their capital in a large and growing city, Melbourne offers up some strong and exciting prospects.

West Gate tunnel project
Source: bigbuild.vic.gov.au

QLD

Melinda Jennison
Managing Director, Streamline Property Buyers

The Queensland Property Market has been a top performer since the onset of COVID19, with property values across the State reaching a new peak at the end of February 2024 according to CoreLogic data.

In Brisbane, values have increased 53.5% since March 2020 up to the end of February 2024, and regional markets across the State have increased 54.4% throughout the same period.

This growth puts Queensland as the second-fastest growing property market over this timeframe, only slightly behind South Australia in terms of total growth and well above the growth for the combined capitals and combined regional markets nationally.

Brisbane's market growth has been strong over the last 12 months, after price falls throughout 2022. Over the past 12 months, property values increased 15.6% based on CoreLogic indicators, compared to the growth in regional Queensland which was 10%.

The rate of growth in Brisbane and Queensland's regional markets continues to outperform the national average on both a monthly, quarterly, and annual basis, thus confirming the ongoing strength across the Queensland market.

CoreLogic has reported that since the commencement of the upswing, across all of Australia, capital city house values have surged 11.6% higher, while unit values are up 7.6%. In Brisbane, house values have increased 15.9% and unit values have grown 14.6%. The performance in both segments of the Brisbane market has been superior to the capital city growth at a national level, but the undeniable difference is the surge in unit values in Brisbane, relative to the national average.

> Continued **upward price pressure** throughout Queensland.

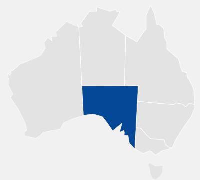
Part of the reason for the continued upward price pressure throughout Queensland is due to low listing volumes throughout most regions, relative to the long-term average. Additionally, in Brisbane, compared to 12 months ago, total listings throughout February were down 15.7%, according to SQM Research.

The rental market is tight across most of Queensland with vacancy rates, according to SQM Research, at or near record lows. The regions within the State with the highest vacancy rates up to February 2024 included Brisbane CBD and North Queensland, both at 1.8%. All other regions across the state are less than 1.3%, with the tightest areas being Central Queensland at 0.5% and Queensland's Far North Coast at 0.1%.

This is obviously putting upward pressure on rents as Queensland's population continues to surge. According to CoreLogic, in Brisbane house rents have increased 7.5% over the last 12 months and unit rents are up 12.3%.

With recent inflationary falls, the outlook for interest rates is more optimistic which may lead to a boost in buyer confidence. Potential borrowing capacity improvement could further enhance confidence, increasing demand throughout the latter months of this year.

Despite the uncertainties, Brisbane and Queensland show ongoing price growth pressure based on their underlying fundamentals, albeit the rate of growth is expected to be more moderate than 2023's surge.



SA

Peter Koulizos
Peter Koulizos, Lecturer, Master of Property, The University of Adelaide

I wrote the South Australian commentary for the PIPA Adviser exactly one year ago. Not much has changed as the Adelaide property continues to go from strength to strength.

Even though Adelaide's increase in home values of 12.6% over the past 12 months was overshadowed by the increases of home values in the Brisbane and Perth property markets, Adelaide's medium- to long-term performance has been stellar. Check out the stats below:

Change in capital city dwellings values since the onset of COVID to February 2024 (CoreLogic).

- Adelaide – 55.3%
- Brisbane – 53.5%
- Perth – 52.9 %
- ACT – 31.0%
- Hobart – 27.3%
- Sydney – 24.8%
- Darwin – 24.6%
- Melbourne – 11.0%

During this period of time, Adelaide was the best performing capital city in Australia.

Let's go further back in time and have a look at the performance of house prices over the past 20 years, according to ABS established house median prices, from December 2003 to December 2023:

- Hobart – 284.6%
- Adelaide – 207.1%
- Brisbane – 180.0%
- Perth – 166.0%
- Melbourne – 162.5%
- Canberra – 161.3%
- Sydney – 161.5%
- Darwin – 158.8%

Over the past 20 years, then, Adelaide is the second-best performing house market, where prices have more than tripled.

The increase in rents has been almost as stellar as the increase in property prices, especially since the onset of COVID-19.

> “Within two years, **Adelaide's median dwelling values** will be higher than **Melbourne's median dwelling values**.

Change is dwelling rents since onset of COVID to February 2024 (CoreLogic).

- Perth – 53.8%
- Adelaide – 38.5%
- Brisbane – 37.0%
- Darwin – 34.2%
- Sydney – 28.6%
- Melbourne – 23.0%
- ACT – 14.2%
- Hobart – 14.0%

Enough about the past, what about the future? I'm glad you asked!

Many financial advisors will state that past performance is no guarantee of future performance, but I think it can give us a guide to future performance, especially if the factors that have influenced the market in the past will continue to do so into the future.

I can't give detailed reasons as to how I think the Adelaide residential property prices will perform as I'm supposed to write about 400 words for this article but let me make a bold prediction.

I feel that I am in a reasonable position to make this prediction as I have been teaching in property for almost 30 years. I could be horribly wrong but here goes:

Adelaide's property market will continue to grow from strength to strength, so much so that within two years, Adelaide's median dwelling values will be higher than Melbourne's median dwelling values.

I am not trying to put down the Melbourne property market but as many of my property colleagues are based in Melbourne and two of the PIPA board members are based in Melbourne, it will certainly provide for some very interesting discussions. Only time will tell if I am correct!

WA

Terry Ryder
Director, Hotspotting

We see the Perth market as having passed its peak in terms of market activity, although the price data remains strong.

It's a classic scenario when a market reaches its peak, but it takes time before it's reflected in the price statistics, which always lag.

It's a major trap for investors who are still piling into that market and buying recklessly.

Other parts of WA have better prospects, including regional centres like Bunbury, Mandurah, and Geraldton.

However, there are three locations that recently featured in our National Top 10 Positive Cash Flow Hotspots research that are worthy of investigation by investors.

There has already been much written about Perth's price growth, but it's important to understand the city – like other cities – has areas that are performing better than others.

A case in point is Orelia in Kwinana, where not only has it produced 20% annual growth but it also the second fastest growing LGA in Western Australia.

Investors are increasingly being attracted to the region – about 40 kilometres south of the central city – by its affordable property prices with it being the most affordable precinct in the metro area.

But don't let its cheap property price tags put you off, because the region is also home to billions of dollars of new infrastructure and is forecast to create some 10,000 jobs over the next three decades.

With a vacancy rate of just 0.4%, it is also little wonder that Geraldton – about four hours' north of Perth – is increasingly attractive to investors.

Geraldton is the largest city north of Perth and has experienced stellar economic growth over recent years – partly due to its affordable property prices.

It is also the commercial hub for the region and is home to WA's second largest port, which are both factors that continue to underpin its local economy.

While its annual growth had been benign over the past year, the future prospects for Geraldton remain strong.

> “**Passed its peak** in terms of market activity.

Home of one of Australia's biggest regional ports, Bunbury also boasts an increasingly desirable seaside lifestyle.

Its position in Western Australia's beautiful south-west region has long attracted a steady stream of new migrants – a fact that has resulted in its population growing much faster than the national average.

It also has a number of major infrastructure projects under way, including the $278 billion Bunbury Hospital and the $800 million Greenbushes lithium mine expansion.

First homebuyers had been targeting Withers in particular due to its affordable property prices, but investors are showing a keen interest as well.

There are very few major regions left where you can purchase a house in the $300,000 to $400,000 price bracket that also offer strong rental yields and the prospect for future capital growth.

TAS

Dr Kevin Hoang
Economist and Head of Research, inSynergy Advisory

Tasmania is the sixth largest state in Australia in terms of population, with 572,000 people, and the seven largest economy with a Gross State Product (GSP) of $38.5 billion in 2022-2023. The state is well-known in both the Australian and international markets for high-quality food and agricultural products, such as salmon, cherries, and dairy products.

Currently, with a median house price of $750,000, which is 110% lower than Sydney's median price, housing prices in Hobart are among the most affordable in the country. Coupled with a low vacancy rate of 1.2% and good yields of 4.7% for units and townhouses, there is considerable appetite from interstate investors who are seeking affordable properties in capital cities.

From a historical perspective over the past 34 years, from 1980 to 2024, house values in Hobart have increased by nine times, demonstrating its resilience over a long timeframe and being relatively comparable to accumulated growth in other capital cities such as Sydney (9.5 times), Canberra (9 times), and Brisbane (8.7 times).

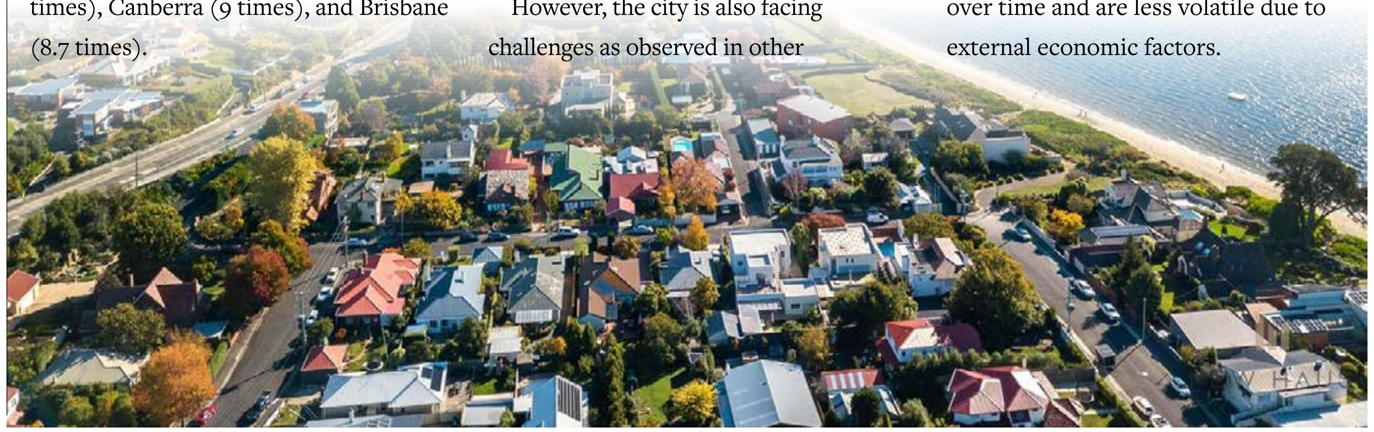
> “ **Considerable appetite** from interstate investors.

The Tasmanian government has put forward a bold plan to accelerate infrastructure investment worth over $27 billion over the next 10 years. This includes major projects such as the Marinus Link – connecting electricity and telecommunications between Tasmania and Victoria ($3.3 billion), the Robbins Island Wind Farm ($1.6 billion), the ABEL Energy Bell Bay PowerFuels Project - with the aim of producing 300,000 tonnes of renewable methanol per year ($1 billion), and the Hobart's New Arts, Entertainment, and Sport Precinct – estimated to generate billions in economic activities and thousands of jobs during and post-construction ($750 million), among other projects.

However, the city is also facing challenges as observed in other similar small cities, such as (1) an ageing population, (2) a small and less diversified economy that may not provide diverse types of jobs as in larger states, and (3) the lowest population growth rate in the country, at 0.3% in the 2022-23 financial year (against 3.1% in Western Australia, 2.7% in Victoria and 2.6% in Queensland), mainly due to a low birth rate and the out-migration of its young people to the mainland states for jobs.

A low population growth rate means less demand for housing, goods, and services, eventually posing challenges for the state's sustainable economic growth in the years to come. Therefore, the prospect for housing values in Tasmania to significantly take off in the coming years is somewhat limited.

Against the backdrop of the state's economic and demographic landscape, most investment-grade locations are likely located in Hobart and Launceston's inner and city fringe suburbs, where housing demand and values tend to trend up consistently over time and are less volatile due to external economic factors.



ACT

Claire Corby
Buyers' Agent, Capital Buyers Agency

In the ACT, it's a mixed bag for 2024 and only when diving below the headlines can we see what's transpiring in the Canberra market of late.

On the supply side of the real estate equation listings have notably picked up in the early months of this year. The catchcry of 2023 was of no stock on the market and rarer still, perennially popular A-grade family homes.

Vendors have now brought homes to market which has spiked supply in this first quarter, alongside investors selling up. Many investors are selling in response to increased Government compliance, rising holding costs, stagnant rental prices, and our lack of a land tax threshold.

In short, investors sensitive to yield are leaving in search of greener pastures with better cash flow. This increase is supply has brought many options to a starved buyer cohort who, until recently, were a flock of seagulls on a lone hot chip at the beach.

Lacking a beach here, perhaps the lawns of Parliament House is a more apt setting.

Auction clearance rates in the ACT have been hovering around the 50% mark throughout the first quarter of 2024 reflective of increased supply – but what of those hungry buyers? With interest rates seemingly levelled, Canberrans are feeling confident in their repayment calculators and are bidding up a storm. Only select homes are in strong demand though; the winning combination of renovated interiors, sought-after school catchment areas and inner-city addresses have drawn bidders to pay above reserve while many other homes are overlooked and sit on the market to ponder their shortcomings.

> “ Listings have **notably picked up**.

Two particular buyer pools have been especially active – downsizers and first home buyers. The sale of the family home in the inner 'burbs has provided downsizers with deep pockets, short timeframes, and a desire to stay centrally located. First home buyers are more susceptible to interest rates but are increasingly helped along by the BoMD (Bank of Mum and Dad), with the tell-tale lean across on auction day for the kids to continue bidding.

With more builders going into liquidation and rising costs of materials, the appetite for renovation is plummeting and properties in need of work are passed over for their prettier counterparts.

The low auction clearance rate masks the two-speed market currently in play. As the market heads into some of the busiest auction weekends dodging holiday periods this autumn, it's likely that the statistics for the ACT will continue to report a flatline for the quarter but the story behind the data tells a different tale.

Amanda Turner

Amanda Turner recently celebrated the fifth anniversary of Opulence Property with the next phase of its growth dedicated to retaining its boutique business model.

Q Can you please tell us more about your business Opulence Property?

Opulence Property launched in 2019, purposefully designed as a boutique company focusing on a bespoke approach for clients seeking assistance throughout an investment property journey.

Initially we started through with growing a rent roll organically from zero with our Asset Management Services and has since grown in the previous five years to now include investor strategy and acquisition of the property, providing a comprehensive service throughout the Toowoomba and Southeast Queensland Region.

Q How long have you been a property investment professional and what were your pathways into the profession (incl. other careers)?

I've been a property investment professional for a bit over a decade now, with a desire for long term results that has been ingrained in me since early on in my career.

My journey in the industry began simply, starting from the ground up in Brisbane and Toowoomba. Guided by supportive mentors and employers, I grew through various roles, from trainee receptionist to Property Portfolio Manager, refining my skills in both residential and commercial sectors.

Along the way, I've had the privilege of being involved in direct development transactions, gaining invaluable hands-on experience.

Before my starting career in real estate, my background and upbringing were within agriculture, particularly within the cattle export industry in the Northern Territory. To say the least, this life and involvement in the industry has provided me with a unique perspective and skillset within my approach to my clients and a transaction from start to end.

Q Also, please tell us a little about your own personal property investment history?

Property investment has been empowering, humbling, and enlightening for me. I've been interested in creating wealth through real estate since I was young and actively pursued entry-level opportunities.

Over time, I've built and managed my own portfolio of properties, gaining firsthand experience in navigating the market's complexities. This journey has deepened my understanding of real estate and improved my decision-making and risk management skills.

Through my own peaks and troughs of the property market as an investor, I've gained first-hand knowledge and confidence to assist clients with their investment goals.

Q What are some of the reasons why you originally decided to join PIPA?

Joining PIPA has been a natural step to my career and business alignment.

Along with the insights and education provided by PIPA, being part of a community dedicated to improving professional standards and consumer outcomes. It's essential not just for my business but also for ensuring our clients receive a higher standard of service.

The lack of regulation in the real estate industry surrounding property investment, even in 2024 is still astounding to me. I've seen firsthand how unqualified advice can damage a consumer financially.

PIPA's advocacy efforts, both directly to the property sector and with the government, are already making a difference in improving the sector by at least the bringing the issues to light and making people aware of the lack of regulations at hand.

Whilst it is in the early days It's a positive step in the right direction.

Q You have completed the PIPA Accreditation Program and are a QPIA member as well. How did you find the training program?

Completing the PIPA Accreditation Program and becoming a Qualified Property Becoming a Certified Investment Advisor (QPIA) member

> "I've **built and managed** my own portfolio of properties.

has significantly enhanced both my professional and personal growth.

It keeps me updated on best practices, setting my business apart in the industry with a more valuable and transparent client-focused service.

The comprehensive training program equipped me with the knowledge and skills to offer better investment reporting and confidently guide clients toward successful outcomes.

Q Why did you think it was important to undertake specialist advice training and what are some of the benefits for your business after finishing the program?

Undertaking specialist advice training was crucial for my business because it allowed me to differentiate myself in the market and enhance the value proposition for my clients.

> "It allowed me to **differentiate myself** in the market.

By obtaining accreditation and demonstrating a commitment to ongoing education, I can offer a higher level of expertise and credibility, which builds trust and confidence among my current and new clients, whom of which refer me onto friends and family, which I take as an incredible compliment.

Q What's next for your business in the next 12 months and beyond?

Our primary goal is to maintain an authentic focus on our clients. This requires us to prioritse client retention and meaningful growth, rather than expanding simply for the sake of it.

I believe that our boutique model benefits us greatly, both as a business and as individuals. It allows us to offer a personalized approach to our clients, leading to better outcomes for them.

I find great satisfaction in being able to be hands-on with clients, not just as a business owner, but also as their advisor.

We are currently moving through our fifth year in business, which flew by at incredible pace. However, what got us to year five won't get us to years eight, 10, and beyond, so, currently we are refocusing and reinvesting into the business to elevate the service, our clients' needs and experience, along with internal training for the team to be better equipped in legislation application across contracts, property and tenancy, risk management, negotiation skills and market insights.

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Stamp duty is holding us back from moving homes – we've worked out how much

If just one state of Australia, New South Wales, scrapped its stamp duty on real-estate transactions, about 100,000 more Australians would move homes each year, according to our best estimates.

Stamp duty is an unquestioned part of buying a home in Australia – you put your details in an online mortgage calculator, and stamp duty is automatically deducted from the amount you have to contribute.

It's easy to overlook how much more affordable a home would be without it.

That means it's also easy to overlook how much more Australians would buy and move if stamp duty wasn't there.

The 2010 Henry Tax Review found stamp duty was inequitable. It taxes most the people who most need to or want to move.

The review reported:

Ideally, there would be no role for any stamp duties, including conveyancing stamp duties, in a modern Australian tax system. Recognising the revenue needs of the States, the removal of stamp duty should be achieved through a switch to more efficient taxes, such as those levied on broad consumption or land bases.

This article was originally published on

THE CONVERSATION

Read the article

But does stamp duty actually stop anyone moving? It's a claim more often made than assessed, which is what our team at the e61 Institute set out to do.

We used real-estate transaction data and a natural experiment.

What happened when Queensland hiked stamp duty

In 2011, Queensland hiked stamp duty for most buyers by removing some concessions for owner-occupiers at short notice.

For owner-occupiers it increased stamp duty by about one percentage point, lifting the average rate from 1.26% of the purchase price to 2.27%.

What we found gives us the best estimate to date of what stamp duty does to home purchases.

A one percentage point increase in stamp duty causes the number of home purchases to decline by 7.2%.

The number of moves (changes of address) falls by about as much.

The effect appears to be indiscriminate. Purchases of houses fell about as much as purchases of apartments, and purchases in cities fell about as much as purchases in regions.

Moves between suburbs and moves interstate dropped by similar rates.

With NSW stamp duty currently averaging about 3.5% of the purchase price, our estimates suggest there would be about 25% more purchases and moves by home owners if it were scrapped completely. That's 100,000 moves.

Victoria's higher rate of stamp duty, about 4.2%, means if it was scrapped there would be about 30% more purchases. That's another 90,000 moves.

> “A **one percentage point increase in stamp duty** causes the number of home purchases to decline by 7.2%.

Even low headline rates have big effects

The big effect from small-looking headline rates ought not to be surprising.

When someone buys a home, they typically front up much less cash than the purchase price. While stamp duty seems low as a percentage of the purchase price, it is high as a percentage of the cash the buyer needs to find.

Here's an example. If stamp duty is 4% of the purchase price, and a purchaser pays $800,000 for a property with a mortgage deposit of $160,000, the $32,000 stamp duty adds 20%, not 4%, to what's needed.

If the deposit takes five years to save, stamp duty makes it six.

A similar thing happens when an owner-occupier changes address. If the buyer sells a fully owned home for $700,000 and buys a new home for $800,000, the upgrade ought to cost them $100,000. A 4% stamp duty lifts that to $132,000.

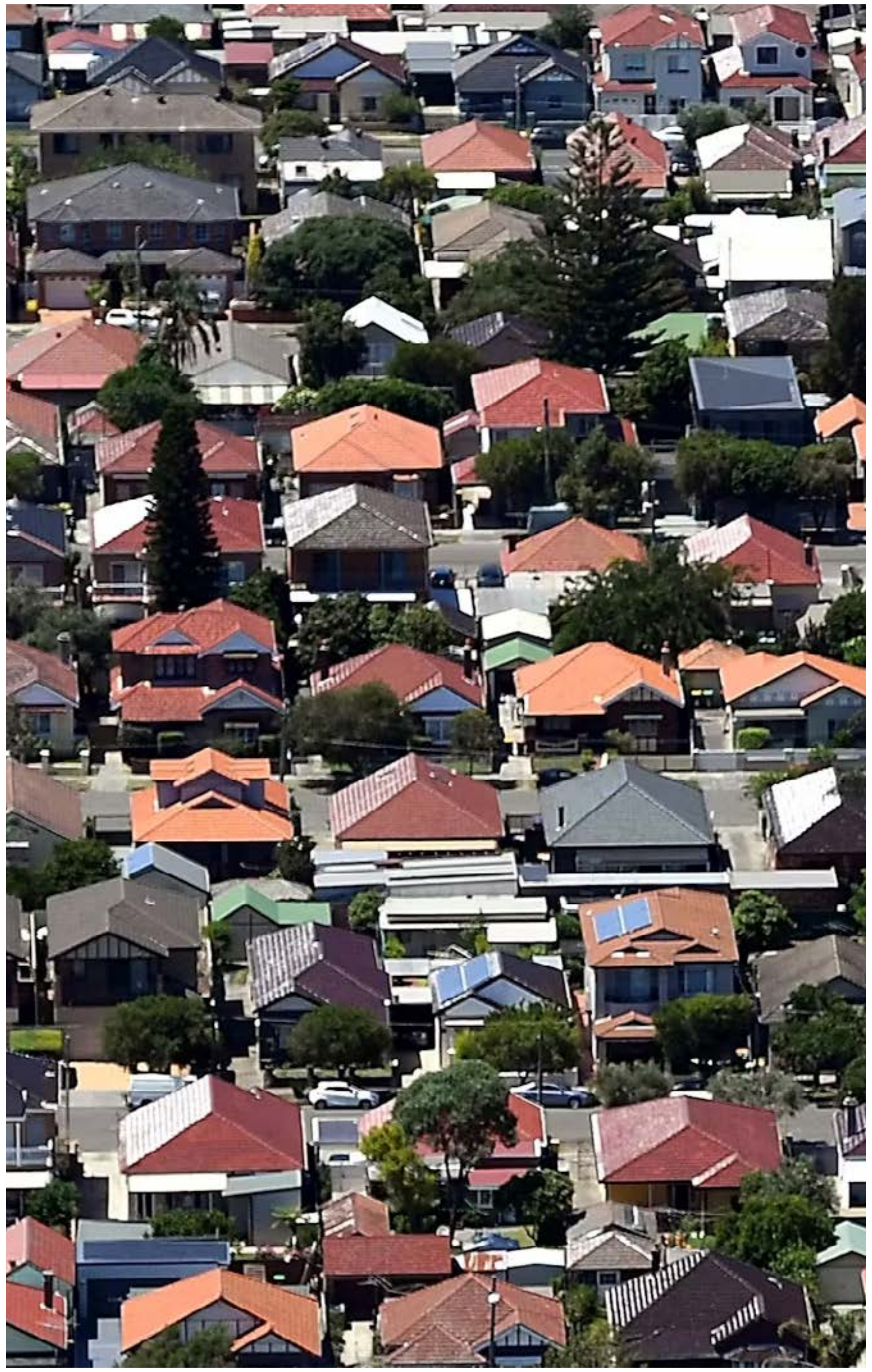
Averaged across all Australian cities, stamp duty costs about five months of after-tax earnings. In Sydney and Melbourne, it's six.

Stamp duty has bracket creep

This cost has steadily climbed from around six weeks of total earnings in the 1990s. It has happened because home prices have climbed faster than incomes and because stamp duty has brackets, meaning more buyers have been pushed into higher ones.

Replacing the stamp duty revenue that states have come to rely on would not be easy, but a switch would almost certainly help the economy function better.

The more that people are able to move, the more they will move to jobs to which they are better suited, boosting productivity.



All over Australia, stamp duties suppress movement. Source: Sam Mooy/AAP

The more that people downsize when they want to, the more housing will be made available for others.

Our findings suggest the costs are far from trivial, making a switch away from stamp duty worthwhile, even if it is disruptive and takes time.

Misha Ketchell
Editor of The Conversation Australia and New Zealand.

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