

16 December 2015

2015, the year in review

As 2015 draws to a close it is timely to reflect on the remarkable year that has passed!

Economic circumstances are not greatly different to what they were twelve months ago – growth is still below trend, unemployment whilst relatively stable is lower than it should be for growth and business and consumer confidence are mixed despite record low interest rates.

Investor activity in housing which has been strong but is now slowing, as macro prudential measures take affect, has resulted in a supply response from the building sector which reports a better outlook than it has for some years and is taking up some of the gap in economic activity from a declining mining sector. In deed, dwelling investment has been the second largest contributor to growth in the Australian economy. Australia's property industry is emerging as the main driver of economic growth and increased employment.

Whilst investor activity is abating the lending figures show that owner occupiers are now having a greater presence in the market. First home buyers have, however, slipped to just 15.1 per cent of total owner-occupied housing finance commitments – the lowest since June 2004.

Spurred on by low and stable interest rates we have seen weighted median prices increase for the eight capital cities to nearly \$700k for houses and \$550k for other dwellings with Sydney reaching a median house price of over \$1m.

A legacy of the past increase in investor activity has been increases in vacancy rates and with it only moderate increases in rents and, in some cases, declines.

A feature of the past year has been the diversity of the Australian housing market with the median price in Sydney increasing by 22.6 percent in the twelve months to September whilst Perth decreased by 5.0 per cent. The Sydney median is three times that for Hobart.

On the policy front it is particularly pleasing that the Government has embraced taxation reform. There is no doubt that taxation policy and its reform will be the number one issue going into the 2016 Election and public debate will intensify following the release of the Green Paper in February next year.

Whilst negative gearing will be scrutinized in the Green Paper the economic arguments for its retention will prevail. REIA will continue lobbying for the maintenance of the present taxation arrangements regarding property as well as the abolition of stamp duties which are hindering economic growth.

New arrangements for foreign investors buying residential property came into effect on 1 December. REIA's lobbying secured several wins in the process leading up to this. Importantly the compliance burden will not fall on agents. Conveyancers and lawyers will have to fill in the paperwork which will be used to populate the Foreign Investment Database managed by Treasury. Agents, as has been the case, have to advise foreign buyers that they need FIRB approval before purchasing a property and that unless they are citizens, temporary or permanent residents, they are not eligible to buy existing property,

only new properties with FIRB approval. The penalties will be for those who ‘knowingly assist’ those breaking the law such as lodging false documents relating to company ownership and attempting to circumvent the rules. They won’t affect agents who are given the wrong information by foreign buyers.

Foreign investors bidding at multiple auctions will only pay a single fee cover a 12-month period. This covers REIA’s concern with the initial proposal that those attending auctions might have to pay fees for each auction they bid at.

The Government’s response to the Financial System Inquiry (Murray Inquiry) provided a further win for the position REIA took in its submission and subsequent response when the Government rejected the Murray recommendation that was to prohibit borrowing by SMSFs to buy property.

From the REIA we wish all readers a Merry Christmas.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia. For further information or interview opportunities, please contact: