

Australian Residential Market Update

November 2022

Recent industry announcements shaping the Australian residential market

All eyes remain on inflation and the labour market

For the second month in a row, the Reserve Bank of Australia Board increased the cash rate target by 25 bps, this time to 2.85% in the 1 November 2022 meeting. This makes a total of seven consecutive months where the cash rate has been raised, the last time trending this high, being in April 2013.

According to the Board, this has been necessary to establish a more sustainable balance of demand and supply in the Australian economy to help return inflation to the 2-3% target range. It's likely further interest rate rises will be factored in over the period ahead as it monitors the uncertain global economy, household spending and wage growth.

The Australian economy continues to be solid, with the national income being boosted by a record level of the

terms of trade, while the country has now sustained a lengthy period of full employment.

This economic growth is expected to moderate in 2023 as the global economy slows, household spending on services pulls back as consumption diminishes due to tighter financial conditions and lower consumer sentiment running off the back of house price declines.

NSW government changes tax system to support first home buyers

The New South Wales (NSW) government has introduced the *Property Tax (First Home Buyer Choice) Bill 2022*. This is an Act to enable first home buyers to opt to pay an annual property tax, rather than duty, when buying their first residential property.

Removing this up-front, stamp duty hurdle, allows a reduction in the time

taken for buyers to save for their first home deposit and will hopefully booster home ownership across NSW for younger and lower income groups.

Existing stamp duty concessions for first home buyers are available for purchases of up to \$800,000, and these concessions will continue.

The property tax option will be available for properties for up to \$1.5 million, helping a broader group to become first home buyers.

In total, the NSW government have estimated these measures will offer support to about 97% of all first home buyers, or about 57,000 people per year.

The property tax will only be payable by first home buyers who choose it and will not apply to subsequent purchasers of a property.

Proclamation issued for the Victorian State Election

The Victorian State Election will be held on 26 November 2022, so the Victorian government is currently in the midst of caretaker role. The incumbent Labor Government, led by Premier Daniel Andrews since 2014, is standing for a third term. The Liberal-National Coalition, led by Matthew Guy, will be campaigning to be elected for the first time since 2010.

This main contest will take place mostly across the regions and outer suburbs, given the increasing challenge coming from Green and Independent parties closer to the city.

Key issues from major parties range from a focus on health, the legacy of the COVID-19 pandemic, the cost of living, infrastructure, making housing more affordable and securing the

Victorian economy considering the current global headwinds.

Key announcements from Premier Andrews for the Labor party include extending the success of the level crossing removal program with a new target of removing 110 level crossings by 2030.

Apprentices, including those working in construction roles such as bricklaying, carpentry, joinery, electrical and plumbing will be eligible for vehicle registrations to be fully subsidised.

The Labor party also committed to installing 100 neighbourhood batteries across Victoria, which is forecast to support 25,000 households access battery storage.

Key announcements for the Liberal-

National Coalition include pledging to cut stamp duty for first home buyers in 2023 for properties valued up to \$1 million, stepping up the Labor Government's existing arrangement for zero stamp duty on properties valued at up to \$600,000.

They further outlined a plan to make 150,000 new housing lots available over the next two years across Melbourne and regional Victoria by cutting red tape and expediting planning reforms.

There were also several packages announced by the Coalition to expand or deliver new bus routes across Melbourne's outer suburbs and regional areas, build five new schools in Melbourne's western suburbs and fund stage one of a new freeway bypass around Shepparton in country Victoria, alongside Federal assistance.

AUSTRALIAN DWELLINGS as at 31 OCTOBER 2022

| | | | |
|----------------------|-------|---|---------------|
| CAPITAL VALUES MoM | -1.2% | NEW LISTINGS Rolling 28 day count YoY ^ | -25.2% |
| CAPITAL VALUES QoQ | -4.1% | TOTAL LISTINGS Rolling 28 day count YoY ^ | -5.0% |
| CAPITAL VALUES YoY | -0.9% | AUCTION CLEARANCE RATE [Total Auctions] ^ | 58.8% [1,921] |

Source: Knight Frank Research, CoreLogic, Hedonic Home Value Index

^ Latest available

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



Residential Research

Michelle Ciesielski

+61 2 9036 6659

michelle.ciesielski@au.knightfrank.com

Media Enquiries

Vanessa De Groot

+61 410 460 211

vanessa.degroot@au.knightfrank.com

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