

# Australian Residential Market Update

## September 2022

### *Six recent announcements for the Australian residential market*

#### **Cash rate target lifted for the fourth consecutive month**

On 2 August, the Reserve Bank of Australia (RBA) made the decision to lift the cash rate target by 50 bps, to 1.85%. The Board placed high priority returning inflation to the 2-3% range expected post-2024, after an estimated peak of 7.75% due by the end of 2022.

The economy is earmarked to strongly grow this year, reflecting the tight labour market as the unemployment rate declined further to 3.5% in June 2022 - the lowest in close to 50 years. This has allowed consumer spending to be resilient, while an upswing in business investment is underway. From 2023, the RBA believe an increase in unemployment is inevitable as economic growth begins to slow.

#### **The lure of the spring selling season**

Auction clearance rates are a modest weekly yardstick to measure the pulse

of the residential market. The latest available data from CoreLogic shows from 1,816 auctions held in the week, 58.8% sold, compared to only 51.9% a month earlier despite a similar number of auctions taking place. This uptick is somewhat expected for the spring selling season, however over the coming months this data must be considered alongside those properties being sold prior to auction, sold at a discount or sold off-market in order to understand the bigger picture.

#### **Upgrading minimum energy efficiency requirements in new homes**

Australia's building ministers have approved changes to the *National Construction Code (NCC) 2022* for residential buildings. They have agreed to increase minimum energy efficiency standards from 6 stars to 7 stars on the National Home Energy Rating System (NatHERS) and introduced a 'whole-of-

home' budget approach to managing the energy use of fixed appliances including heating and cooling, hot water, lighting, and pool and spa pumps. Condensation management was also addressed.

Changes included the provision of a new liveability standard within NCC 2022 which will require additional accessibility requirements for new homes such as wider corridors and step-free access.

The ministers also approved changes to facilitate charging of electric vehicles (EVs) in apartments through provision of base infrastructure for future cabling and control point installation at the time of construction.

The NCC 2022 will be available from 1 October 2022 for reference, but will come into effect on 1 May 2023, with a transition period until 1 October 2023.

### Independent flood inquiry released

The New South Wales (NSW) Government has supported 6 of the recommendations and provided in-principle support for a further 22 recommendations from the Independent Flood Inquiry which provides a blueprint for change and practical actions to ensure communities and government can prepare for floods and recover faster. Several recommendations relate to housing, development mechanisms and simplifying planning system disaster provisions.

### Encouraging more skilled workers to Western Australia

Addressing the state's current skill shortage, the Western Australia (WA) Government has announced changes to the migration program to attract workers to choose WA when migrating to Australia.

Changes have been made to the state nomination criteria with some temporary measures introduced such as waving the application fee, halving the required employment contract to six months, reducing requirement for sufficient funds and removing additional English language criteria for professional and manager occupations. In addition, more than 100 occupations were added to the WA skilled occupation list including, but not limited to, architects, property managers and quantity surveyors for the property industry.

### Queensland introduces interstate land tax model

The largest reform to the current transparent land tax system has been approved by the Queensland Government and will take effect from 30 June 2023. This avant-garde method of land tax calculation will see

a landholder's entire, nationally held property portfolio, used to determine the rate of land tax which will be applied to the Queensland proportion of a landholder's property value. The previous land tax thresholds will remain unchanged.

Given there is no centrally held register of landholders, the onus will be on the landholder to provide accurate reports to the Queensland Revenue Office (QRO). Aside from the financial and investor sentiment impact, there is industry concern around the difficulty this new tax methodology will create for landholders across Australia. Many landholders, some of whom have never been liable for land tax previously, will be required to assess their holdings in other jurisdictions against the land tax exemption criteria in both Queensland and the jurisdiction in which their additional land is held.

#### AUSTRALIAN DWELLINGS as at 31 AUGUST 2022

|                      |       |   |               |
|----------------------|-------|---|---------------|
| CAPITAL VALUES   MoM | -1.6% | NEW LISTINGS   Rolling 28 day count   YoY ^   | 13.4%         |
| CAPITAL VALUES   QoQ | -3.4% | TOTAL LISTINGS   Rolling 28 day count   YoY ^ | 11.3%         |
| CAPITAL VALUES   YoY | 4.7%  | AUCTION CLEARANCE RATE [Total Auctions] ^     | 58.8% [1,816] |

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

Caroline Stanley  
+61 402 170 901  
cstanley@gracosway.com.au

**Knight Frank Research**  
Reports are available at  
[knightfrank.com/research](https://knightfrank.com/research)



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice © Knight Frank Australia Pty Ltd 2022 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Australia Pty Ltd for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Australia Pty Ltd in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.