RESIDENTIAL RESEARCH

FOREIGN INVESTMENT IN AUSTRALIAN RESIDENTIAL PROPERTY

MARKET INSIGHT **JUNE 2017**

GLOBAL WEALTH TRENDS, PROFILING FOREIGN BUYERS & THE IMPACT OF TAXING FOREIGN INVESTORS ON PROPERTY PRICES

KEY FACTS

Growing demand from the wealthy population to move their money into safe-haven cities. Globally, Sydney ranked 4th most important for investment, while Melbourne ranked 10th.

Total value of approvals for Chinese to buy Australian property was up 31%; leading all countries with a 43% share, followed by the US and Singapore.

In NSW, **63% of all properties purchased by foreign buyers were apartments** compared to 50% in Queensland and 45% in both Victoria and Perth.

Since the introduction of the FIRB fee on 1 December 2015, houses in Australian capital cities have grown 5.8%, while apartments are up 5.2%.

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FOREIGN INVESTMENT IN AUSTRALIAN RESIDENTIAL PROPERTY

Global Wealth Flows

Wealth creation gathered momentum during 2016, despite uncertainty over the future path of fiscal, economic and political policy. Being more mobile than ever, many are looking to diversify into new and emerging global markets to preserve future wealth.

There is growing demand from the wealthy population to move their money into safe-haven cities, although globally increasingly challenged by governments to exercise control over that process.

The most important cities to the world's wealthy were reported in the Knight Frank's Wealth Report 2017 City Wealth Index. The index is based on factors such as wealth concentrations, connectivity & investment, stability & governance and technology & innovation. Sydney ranked in 11th place globally, while Melbourne ranked in 20th place. Concentrating on the ranking of both cities for the 'investment' category, Sydney ranked 4th and Melbourne ranked 10th.

The movement of private wealth can take the form of temporary investments while others, like migration, are more permanent. The latest data on high-net-worth individual (HNWI) migration has confirmed the strong and growing desire to live in Australia. The HNWI population in Sydney grew by 4,000 persons and by another 3,000 persons in Melbourne—the two cities leading the global list of net inflows of HNWIs in the year ending 2015. This net inflow of HNWIs represents growth of 4% to the 106,800 HNWI population already based in Sydney and 4% of the 74,800 HNWI persons already in Melbourne.

As locals living comfortably in Australia, we often overlook the basic factors that make living in Australia so incredibly attractive to foreign buyers.

Australia currently holds five capital cities in the top 20 of the World's Most Liveable Cities. The Economist Intelligence Unit index is based on 30 factors spread across five areas including stability, infrastructure, education, healthcare and environment ranking 140 cities around the world.

Melbourne has now held the number one position for six consecutive years. Adelaide is ranked in 5th position, equal to the Canadian city of Calgary, while Perth ranked in 7th place. Just outside the top ten, Sydney has slipped to number 11, while Brisbane claimed 16th position as shown in Table 1.

TABLE 1
World's Most Liveable Cities
Index of 140 cities, 2016

1. Melbourne
2. Vienna
3. Vancouver
4. Toronto
=5. Adelaide, Calgary
7. Perth
8. Auckland
9. Helsinki
10. Hamburg
11. Sydney
...
16. Brisbane

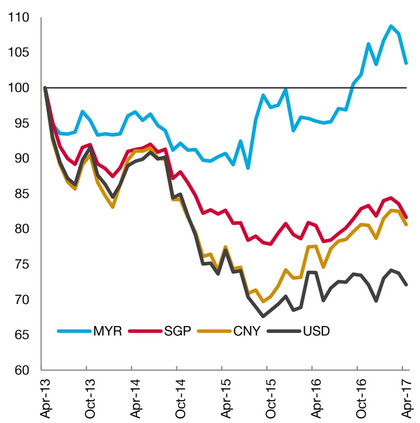
Source: Knight Frank Research, Economist Intelligence Unit

In 2012, the Australian Government established the Significant Investor Visa (SIV) programme providing significant migrant investment into Australia with AU$5 million worth of investment under the Business Innovation and Investment Visa programme. Analysing the number of SIVs granted in Australia since this time, 58% have been granted in Victoria and 32% in NSW. Grants for the top five source countries include China (87.9%), Hong Kong (2.8%), Malaysia (1.7%), South Africa (1.3%) and Japan (0.9%).

Property remains a substantial target for this moving capital, and its likely 32% of the ultra-high-net-worth individuals (UHNWI) globally will invest in offshore real estate in the next two years, according to The Wealth Report 2017 Attitudes Survey. Over this time, 30% of Australasian ultra-wealthy are likely to purchase another residential property within Australasia, while 12% are planning to make their next residential property purchase offshore.

The recent purchasing power against the Australian Dollar (AUD) has become extremely attractive for foreign buyers and expats buying residential property in Australia as represented in Figure 1.

FIGURE 1
Purchasing power against the AUD
Index = Apr-13, last day of month



Source: Knight Frank Research, Reserve Bank of Australia

At the end of April 2017, a property worth AU$1 million was equivalent to US$747,500 (US$1.04 million as at April 2013); while a prime property priced at AU$5 million was closer to $3.74 million (US$5.18 million as at April 2013), the purchasing power calculated in Table 2.

TABLE 2
USD Purchasing Power
Against the AUD, rounded, last day of month

	AU$1M	AU$3M	AU$5M
Apr-13	$1.04M	$3.11M	$5.18M
Apr-14	$0.93M	$2.79M	$4.64M
Apr-15	$0.80M	$2.39M	$3.99M
Apr-16	$0.77M	$2.30M	$3.83M
Apr-17	$0.75M	$2.24M	$3.74M

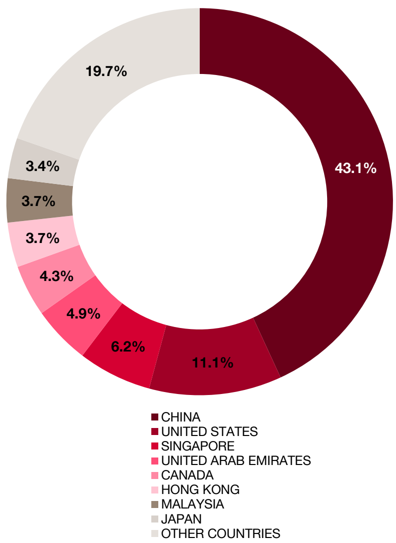
Source: Knight Frank Research, Reserve Bank of Australia

Profiling Foreign Buyers in Australia

In order for foreign buyers to invest in Australian residential property, an individual must apply to the Foreign Investment Review Board (FIRB) or in some cases, a developer can apply on behalf of foreign buyers in their off-the-plan project. The FIRB Annual Report for 2015-16 was released in early May 2017. According to the report, the FIRB approved a total of $247.9 billion worth of proposed investments across all industry sectors that fall within the scope of Australia's Foreign Investment Policy.

Residential ($72.4 billion) and commercial ($49.7 billion) property represented 49.2% of all proposed foreign investment in 2015-16. Growth was recorded at 25.9% over the previous year to reach a total of $122.1 billion. Isolating the property sector, approvals for Chinese nationals to purchase Australian residential and commercial property tallied $31.9 billion in 2015-16. This was an increase of 31%, from $24.3 billion in 2014-15 and up 157% from the 2013-14 financial year. As shown in Figure 2, other active countries included the United States (at $8.2 billion) and Singapore ($4.6 billion).

FIGURE 2
Total Value of Property Approvals by Country of Investor
Residential & Commercial, 2015-16



Only countries disclosed by FIRB are represented

Source: Knight Frank Research, FIRB Annual Report 2015-16

> "We often overlook the basic factors that make living in Australia so incredibly attractive to foreign buyers"

“The price being paid by foreign buyers for residential properties has increased over the past 18 months.”

Residential Development Sites

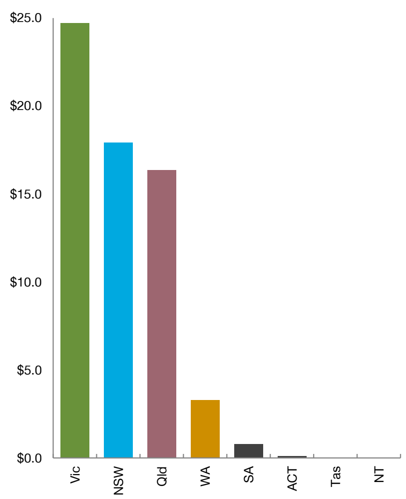
A significant component of residential FIRB approvals in 2015-16 included proposed investment in property for development totalling $65.2 billion.

Estimating proposed investments include the aggregation of estimated acquisition costs, development costs and costs of both the establishment and development in the case of new businesses.

As illustrated in Figure 3, Victoria led the states and territories in 2015-16, with $24.7 billion approved, followed by New South Wales with $17.9 billion. Queensland recorded $16.4 billion of proposed investment in residential property, up 205% on the previous year, while Western Australia recorded $3.3 billion.

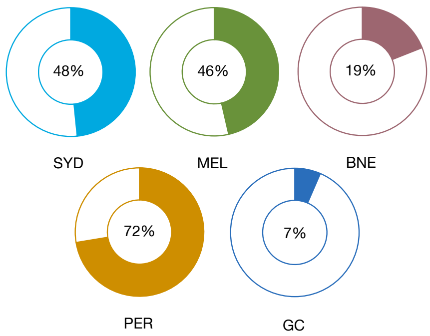
Analysing the disclosed purchasers of development sites with potential for higher density, it was found the portion of foreign investors was 46%, by value, for the five major Australian cities in 2015-16. A year earlier it was weighted more heavily towards foreign investors at 51%. Although more Australian developers actively transacted sites in Greater Perth this year, the portion of foreign investors, by value, totalled 72% (up from 41% a year earlier). It's evident that foreign buyers continue to take the opportunity to become established in the market, looking for a longer term hold while the AUD is favourable.

FIGURE 3
Distribution Of Proposed Investment In Residential Property For Development
$ billion, 2015-16



Source: Knight Frank Research, FIRB Annual Report 2015-16

FIGURE 4
Portion of Foreign Investors, by Value, in Potential Higher Density Development Sites
By total volume sales, 2015-16



Foreign investors are considered as any foreign interest associated with the sale. SYD & MEL sales $5M+; BNE, PER & GC sales $2M+.

Source: Knight Frank Research

Greater Sydney saw 48% of residential sites sold to foreign investors in 2015-16 and Greater Melbourne was slightly lower at 46%. A year earlier the readings were 55% and 37% respectively. With increased interstate investment recorded, more Australian developers bought in Greater Brisbane resulting in just 19% offshore investment (down from 51% a year earlier). This was similar on the Gold Coast when the portion of foreign investors was 7%, as shown in Figure 4.

New & Established Dwellings

In the absence of transparency of foreign buyers of new and established Australian dwellings, the National Australian Bank (NAB) carry out a Residential Property Survey each quarter. The survey covers a large panel of property industry professionals exposed directly to the residential market.

The proportion in types of properties purchased by foreign buyers tends to vary from state-to-state, although apartments remains to be the most dominant dwelling type purchased across the major capital cities, as shown in Figure 5.

FIGURE 5

Types of Residential Property Purchased by Foreign Buyers

% share of the total, by State, Q1 2017

Land is considered a dwelling or land suitable for redevelopment.

Source: Knight Frank Research, NAB Residential Property Survey Q1 2017 (reproduced)

Approximately 63% of all NSW properties purchased by foreign buyers were apartments, compared to 50% in Queensland and 45% in both Victoria and WA. House purchases were more prevalent in WA, at 36%, while Victoria saw the highest share of dwelling/land for re-development comprising 24%.

The price being paid by foreign buyers for residential properties has increased across Australia over the past 18 months. A combination of significant growth in mainstream property values, sustained upward growth for prime residential properties, restrictions for outbound capital for Chinese investors, increased purchasing power against the AUD and a slower momentum of frenzied buyers along the East Coast has allowed buyers to carry out more due diligence within the buying process.

Only a 15% portion of foreign buyers are spending less than $500,000 on a house in Q1 2017 (down from 28% in Q3 2015), while 20% are now spending more than $2 million, up from 14% in Q3 2015 as shown in Figure 6.

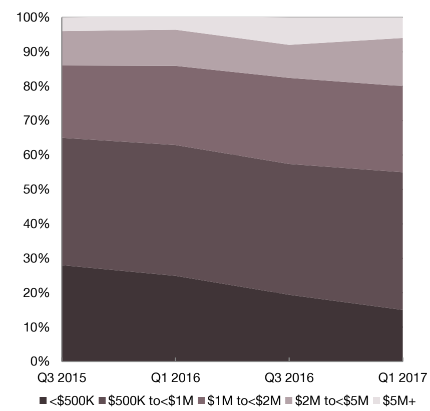
Prices paid by foreign buyers for apartments has remained more steady, with this housing trend more evident in the lower end of the price range. The 25% share of foreign buyers is less prominent in Q1 2017, than in Q3 2015 (at 34%), for apartments priced under $500,000.

These entry-level buyers have moved inline with an upward trajectory in capital values, therefore also creeping up to the $500,000 to less than $1 million price range; with the highest share of buyers at 45% as shown in Figure 7.

FIGURE 6

Prices Paid by Foreign Buyers for Houses

% share of the total, Australia

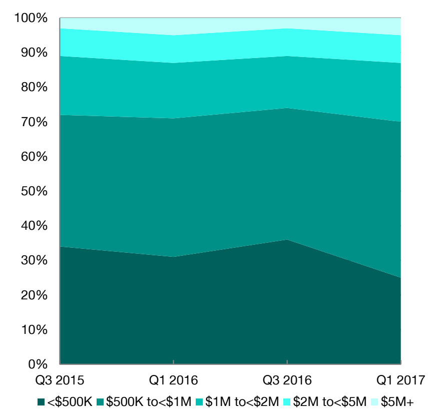


Source: Knight Frank Research, NAB Residential Property Survey Q1 2017 (reproduced)

FIGURE 7

Prices Paid by Foreign Buyers for Apartments

% share of the total, Australia



Source: Knight Frank Research, NAB Residential Property Survey Q1 2017 (reproduced)

CURRENT RULES FOR FOREIGN INVESTORS

Foreign Investors

All foreign persons, that is temporary residents and non-residents, can apply to purchase off-the-plan properties, vacant residential land for development and newly constructed dwellings in Australia.

Temporary Residents

Non-resident foreign persons are generally prohibited from purchasing established dwellings in Australia. However, temporary residents can apply to purchase one established dwelling to use as their residence while they live in Australia, although on the condition the property is sold when it ceases to be their principle place of residence.

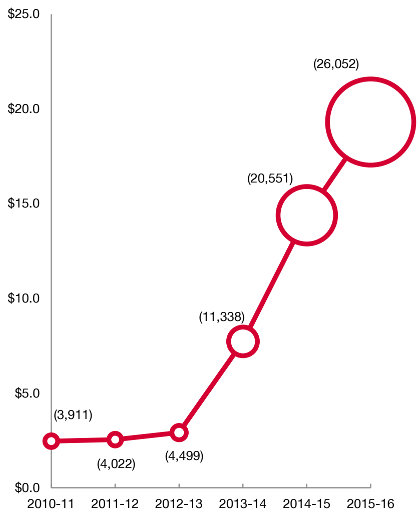
Non-residents of Australia are currently limited to purchasing new or off-the-plan property once granted approval from the FIRB. The FIRB reports on the number of applications made over the course of the financial year.

Over the year ending 30 June 2016, proposed investment in new residential property for individuals rose 34% to reach a value of $19.3 billion in Australia, which comprised of 26,052 approvals. This was up almost six-fold since 2012-13 when investment approvals were valued at $2.9 billion when 4,499 individual purchasers were approved, as shown in Figure 8.

FIGURE 8

FIRB Applications for New Residential Property—Individual Purchases

$ billion total value & (number of proposals)



Source: Knight Frank Research, FIRB Annual Report 2015-16

If a foreign person is buying into a large-scale residential apartment project or a house-and-land package within a larger sub-division, the developer may have already gained FIRB approval for the 50% portion of the properties they intend to sell direct to foreign purchasers.

Total investment in applications sort by developers of off-the-plan property was valued at $38.4 billion in 2015-16; one-third higher than the $28.7 billion the year earlier.

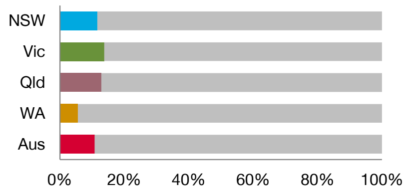
The NAB Residential Property Survey estimated the proportion of foreign buyers in Australian housing markets was broadly unchanged in new property markets in Q1 2017, with an estimated 10.8% share of all new property sales nationally, compared to 10.9% in Q4 2016, but down from 16.8% in Q3 2014.

Foreign buyers were noticeably less prevalent in Victoria, where their market share of total sales fell to an estimated 13.8% (19.3% in Q4 2016), although still the most favoured state for foreign buyers as shown in Figure 9.

FIGURE 9

Estimated Foreign Buyer share of New Property Sales

% share of the total, Q1 2017



Source: Knight Frank Research, NAB Residential Property Survey Q1 2017 (reproduced)

In contrast, foreign buyers in NSW saw their share of total sales rising to an estimated 11.6% in Q1 2017, up from 8.1% in the previous quarter. This jump could be attributed to a softening in local demand in the tail-end of 2016, when many Sydney apartment projects were offered for the first time to the offshore market.

Generally, an established dwelling (house or apartment) can only be purchased by temporary residents for use as their home whilst they live in Australia and must divest if circumstances change. To acquire an established dwelling, approval must still be granted by the FIRB.

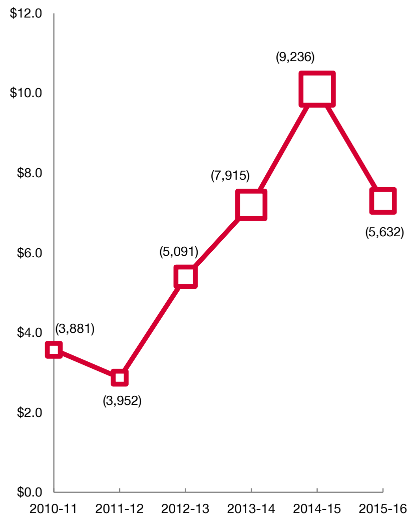
Analysing these approvals for established dwellings over the 2015-16 financial year, 5,877 approvals were given, a decrease of 36% on the previous year as shown in Figure 10.

The FIRB attributes the decrease to a range of reasons including a slowing housing market, state-based policy changes, a shift to investment in new

FIGURE 10

FIRB Applications for Established Residential Property—Individual Purchases

$ billion total value & (number of proposals)



Source: Knight Frank Research, FIRB Annual Report 2015-16

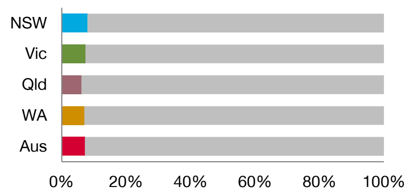
dwellings, and the introduction of fees and processing changes. Additionally, the introduction of the established dwelling exemption certificate enables foreign buyers to receive pre-approval to purchase a single established dwelling. They notify its location once purchased, rather than requiring the person to seek individual approvals for each potential dwelling until they successfully purchase one dwelling.

The estimated foreign buyer share of established property sales was 7.2% across Australia, led by NSW (at 8.0%), then Victoria (at 7.4%), WA (at 7.0%) and Queensland (at 6.1%) as shown in Figure 11.

FIGURE 11

Estimated Foreign Buyer share of Established Property Sales

% share of the total, Q1 2017



Source: Knight Frank Research, NAB Residential Property Survey Q1 2017 (reproduced)

FIGURE 12

The Process for Foreign Buyers when Purchasing, Owning and Selling Australian Residential Property

As at 15 June 2017

BUYING				
APPLY TO FIRB	Must be made prior to purchase	Check if the Developer has a Exemption Certificate	Property-specific; one application per property	Applies to all Australian residential properties
+ PAY FIRB APPLICATION FEE based on AU$1M Value	Below =$5,500	Above = $11,100+ fees are tiered per million	Uncapped if over $1M	If within several categories the highest fee applies
AWAIT FIRB APPROVAL	Decision is normally made within 30 days	Must be in the best interest of Australia	Approval or fee does not secure sale	Strict penalties occur if in breach
STAMP DUTY SURCHARGE on market value	NSW (incl. Sydney) = 8%^	Vic (incl. Melbourne) = 7%	Qld (incl. Brisbane & Gold Coast) = 3%	WA (incl. Perth) = 0%
OWNING				
AUSTRALIA > VACANT RESIDENTIAL PROPERTY	Annual levy	Applicable if vacant or	not genuinely on rental market for 6 months of year	Equivalent to application fee paid at time of purchase
NSW > surcharge on taxable value	Land Tax = 2%^			
Vic > surcharge on taxable value	Absentee Owner = 1.5%	Vacant Residential Property Tax = 1%^^		
Qld >	Absentee Owner = 1.5%^^^			
WA >	No additional surcharges payable			
SELLING				
CAPITAL GAINS TAX (CGT) on market value	12.5% of the purchase price withheld	Applicable to all contracts over $750,000	A clearance certificate must be provided by the vendor	Clearance certificates granted to Aus. residents

^Effective 1 July 2017 ^^ Subject to the passage of the State Taxation Acts Amendment Bill 2017, the VRPT will apply from 1 January 2018 ^^^Imposed if taxable land is $350,000+

Source: Knight Frank Research, Commonwealth Government, NSW Office of State Revenue, State Revenue Office Victoria, Queensland Government, WA Department of Finance

FOREIGN BUYERS: PURCHASING RESIDENTIAL PROPERTY

FIRB APPLICATION FEE ESTIMATOR

An interactive on-line fee estimator is available at https://firb.gov.au/applications/estimator/

FIRB Application Fee

All foreign investors must pay a FIRB administration fee before their foreign investment application will be processed and stricter penalties have been ramped up by the Australian Taxation Office (ATO) for those who breach the rules. It's important for individual buyers to clarify if the developer has sort this approval prior to purchasing an off-the-plan property.

Duty Surcharge

Foreign investors must now pay a duty surcharge in addition to standard state-based stamp duty rates in New South Wales, Victoria and Queensland.

The duty is levied on the market value of a residential property at the time of sale. **New South Wales**—including the capital city of **Sydney**—has introduced a flat transfer duty of 4% applicable to all acquisitions from 21 June 2016. This surcharge increases to 8% from 1 July 2017. At this same time, those purchasing off-the-plan properties will no longer be entitled to the 12 month deferral period for the payment of stamp duty.

Victoria—including the capital city of **Melbourne**—since 1 July 2015 has imposed a duty surcharge on foreign investors. From 1 July 2016, this amounts to 7% on the purchase price.

Queensland—including the capital city of **Brisbane** and the **Gold Coast**—a foreign investor duty will be applied at a rate of 3% for contracts signed on or after 1 October 2016.

DEVELOPERS: NEW RESIDENTIAL PROJECTS

FIRB Applications & Approval Conditions

Property developers can apply for a New Dwelling Exemption Certificate to sell new dwellings in a development of 50 or more residences to foreign investors to assist in streamlining the FIRB application process for the purchaser.

The fee for a New Dwelling Exemption Certificate for a developer is AU$25,000 upfront, with a reconciliation of properties sold to foreign persons based on the above rates.

From 7.30PM (AEST) on 9 May 2017, the Government prevents developers selling more than 50% of lots within the development to foreign persons.

There is also a limit to the value of all apartments that can be bought by a single foreign investor to AU$3 million in the one development. If foreign investors want to purchase apartments above this value, they will have to seek individual approval.

Improvements to the Foreign Investment Framework

The Government now allows failed off-the-plan purchases to be considered as 'new' for the treatment of residential applications.

FOREIGN BUYERS: OWNING RESIDENTIAL PROPERTY

Foreign-Owned Vacant Residential Property

The Government has introduced an annual levy applicable to foreign persons who own residential property which is vacant; or not genuinely available on the rental market, for at least six months of the year. This annual levy will be equivalent to the relevant foreign investment application fee imposed at the time the property was purchased. The levy applies to any foreign persons who make a foreign investment application for residential property from 7.30PM (AEST) on 9 May 2017.

Land Tax Surcharge

An annual surcharge is now applicable for foreign investors owning a residential property in NSW and Victoria; effective for the 2017 Land Tax year.

New South Wales—including the capital city of **Sydney**—an annual land tax surcharge of 0.75% was enforced from Midnight on 31 December 2016; applicable for the 2017 Land Tax year to holdings of NSW residential land by foreign persons on the total land value. There will be no tax-free threshold and no principal place of residence exemption for the tax. This surcharge increases to 2% from 1 July 2017.

Victoria—including the capital city of **Melbourne**—an absentee person, considered to be a foreign purchaser not residing in the property (purchased by the foreign investor in Victoria) will be levied an annual 1.5% surcharge on the land value; from 1 January 2017 for the 2017 Land Tax year.

This foreign investor land tax is intended to minimise the number of properties that remain vacant for extended periods throughout the year; counteracting the incentive to ramp up housing rental supply.

In March 2017, the Victorian Government announced the introduction of a vacant residential property tax (VRPT) for both local and foreign owners.

The VRPT will be levied on dwellings that are vacant for more than a total of six months in a calendar year. The new proposed tax will be self-reporting. That is, owners of vacant residential property will be required to notify the State Revenue Office of any vacant properties that they own. The VRPT will apply annually at a rate of 1% of the property's capital improved value, and be payable on a calendar-year basis – as with land tax. Subject to the passage of the State Taxation Acts Amendment Bill 2017, the VRPT will apply from 1 January 2018.

Queensland—including the capital city of **Brisbane** and the **Gold Coast**—a land tax surcharge on absentee landowners will be imposed on absentee foreigners if their taxable land is $350,000 or higher. This will be applicable for the 2017-18 Land Tax year.

FOREIGN BUYERS: SELLING RESIDENTIAL PROPERTY

Capital Gains Tax (CGT)

Foreign and temporary tax residents are no longer entitled to access the CGT main residence exemption from 7.30PM (AEST) on 9 May 2017. However, existing properties held prior to this date will be grandfathered until 30 June 2019.

Capital Gains Tax withholding rate for foreign investors is applicable for all contracts with a market value over $750,000 when signed on or after the 1st July 2017. This requires 12.5% of the purchase price to be withheld by the purchaser and remitted to the ATO unless a clearance certificate has been provided by the vendor. The money withheld is a portion (not in addition to) from the agreed sale price.

If a purchase price negotiated between a purchaser and vendor is on an 'arm's length basis', then the purchase price may be used as a proxy for market value. The ATO can only grant a clearance certificate to a vendor who is considered to be an Australian resident. It is important to note that a residency status for tax purposes is not necessarily the same as that for immigration purposes; or for the FIRB. It is recommended to seek professional legal advice to further clarify the residency definition for this legislation.

The foreign resident CGT regime for withholding tax applies to taxable Australian property including vacant land, buildings, residential and commercial property, leaseholds and strata title schemes.

More detailed information about foreign resident capital gains withholding payments is available at http://www.ato.gov.au/FRCGW

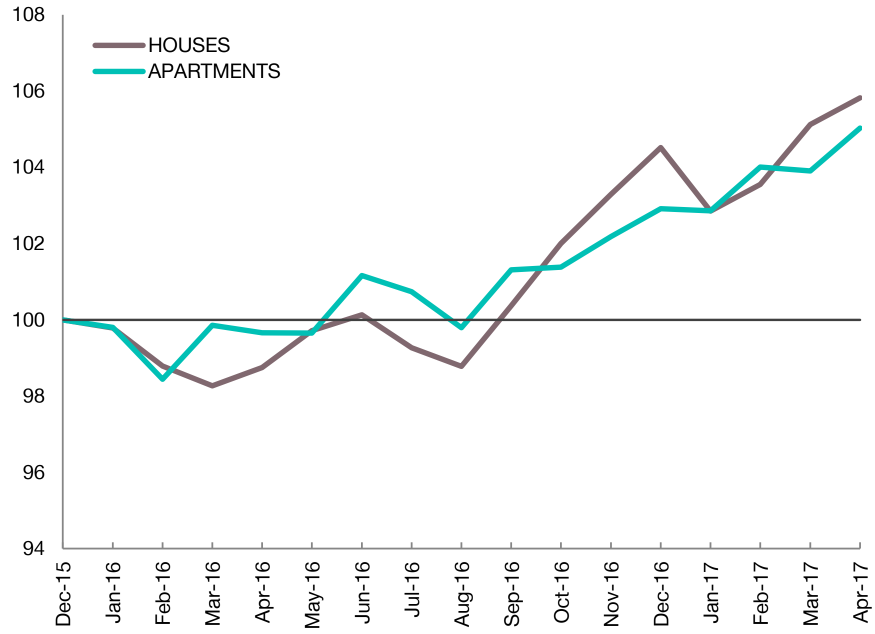
Source: Knight Frank Research, Commonwealth Government, NSW Office of State Revenue, State Revenue Office Victoria, Queensland Government, WA Department of Finance

> "Has established property values been hindered with the introduction of these cooling measures for foreign buyers?"

FIGURE 13

Capital value growth since the introduction of FIRB application fees

Index = Dec-15, Australian Capital Cities, month ending



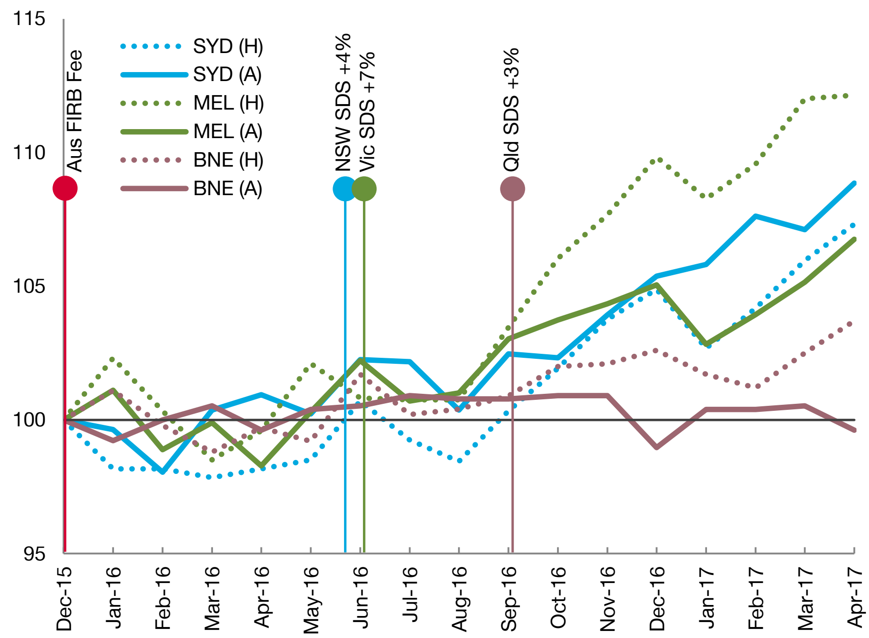
Based on weighted average median values for Australian capital cities

Source: Knight Frank Research, Residex

FIGURE 14

Capital value growth since the introduction of FIRB application fees & State-based stamp duty surcharges (SDS)

Index = Dec-15, month ending



Based on weighted average median values for Australian capital cities where (H)=Houses and (A)=Apartments

Source: Knight Frank Research, Residex

THE IMPACT OF TAXING FOREIGN INVESTORS ON PROPERTY PRICES

In March 2014, following increased community pressure around housing affordability, the Federal Government commissioned a study to be undertaken by the House Economics Committee on the role foreign investment plays in residential property. The eight month investigation resulted in a list of 12 recommendations, including a modest administration fee to be collected upon lodging an application, enhanced data collection, stricter fines for purchasers and associated third parties.

Fast-forward to 1 June 2017, foreign buyers are now subjected to a FIRB application fee starting from $5,000, the ATO has been given responsibility to regulate foreign investment with civil and criminal penalties imposed, including third parties who knowingly assist a foreign investor to breach the rules. In addition, state-based surcharges were introduced by NSW, Victoria and Queensland.

FIRB have attributed a fall in the number of approvals, to 5,632, for established residential properties (those that can only be purchased by temporary residents) to the introduction of application fees and state-based surcharges, amongst an array of other factors.

Despite this small portion, many levels of Government and media insist on linking affordable housing back to elevated levels of foreign investment in Australia. Has established property values been hindered with the introduction of these cooling measures for foreign buyers? Isolating these measures being introduced, property price growth has been charted and indexed back to their effective date (see Figures 13 to 17).

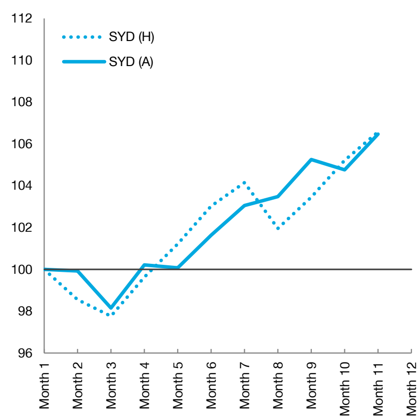
The initial impact of the introduction of the FIRB application fee, from 1 December 2015, was hidden given it coincided with seasonally slower buyer demand heading into the festive season.

Although property price growth was sluggish at this time, houses and apartments in Australian capital cities were back in positive territory by June 2016, accelerating once again post-August 2016. Overall, houses in Australian capital cities have grown 5.8%, while apartments are up 5.2% since the introduction of the FIRB fee.

A mixed result occurred in each state for the months following their unique state-based tax surcharges being introduced. Interestingly, Sydney and Brisbane apartment values remained steady for the first month, to then fall 2% by month 3. Sydney went on to grow 8.4% by month 11 driven by a sustained period of undersupply. Sydney houses initially fell to month 3, but have since enjoyed upward growth, rising a total 8.7% by month 11. Brisbane apartments by month 7 had yet to pick up, recording 1.1% negative growth over this time. Houses in Brisbane saw an opposite trend to increase overall by 2.8%.

Bearing in mind, Victoria already had a 3% tax surcharge imposed a year earlier; when this surcharge was lifted to 7% on 1 July 2016, there was little impact to established properties pricing growth off the back of strong population growth. Melbourne house prices soared the highest of the three major capital cities, with price growth of 10.8% by month 10, while apartment prices recorded growth of 4.4% over the same period.

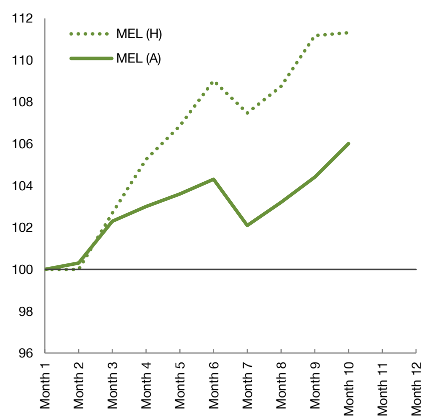
FIGURE 15
Sydney capital value growth since the introduction of NSW duty surcharges
Index = Jun-16



(H)=Houses and (A)=Apartments

Source: Knight Frank Research, Residex

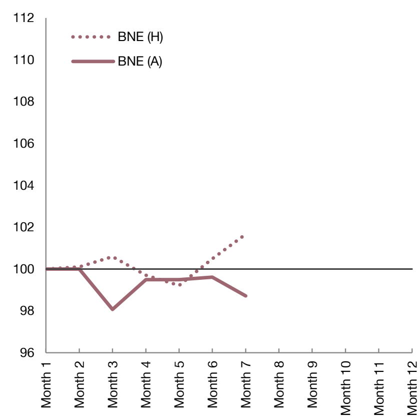
FIGURE 16
Melbourne capital value growth since the increase to Victorian duty surcharges
Index = Jul-16



(H)=Houses and (A)=Apartments

Source: Knight Frank Research, Residex

FIGURE 17
Brisbane capital value growth since the introduction of Queensland duty surcharges
Index = Oct-16



(H)=Houses and (A)=Apartments

Source: Knight Frank Research, Residex

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