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Property Tax and Assessment News from Around the World

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CONTENTS

FIRST HOME OWNERS WOULD SAVE MONEY FOR 60 YEARS WITH PROPERTY TAX, SAYS NSW GOVERNMENT

A first home buyer who opts to pay property tax rather than stamp duty could be ahead financially for 60 years, according to NSW Treasury analysis released before the government's final push to implement the Premier's pet policy before the election.

NSW Treasury modelling shows if a first home buyer opted for an annual property fee on a $1.5 million apartment, it would take 63 years before you reach the value of stamp duty that would have been paid in today's dollars using the upfront fee. For a unit purchased for $1.25 million, it would take 52 years.

Similarly, for a house purchased for $1 million it would be 23 years, while a unit at the same price would take 43 years, the modelling released by the NSW Treasurer's office shows.

Premier Dominic Perrottet is eager to ensure his property tax policy, which has a planned implementation date of January 16, passes parliament in the final sitting weeks before the March election. However, it faces fierce opposition from NSW Labor.

Labor has labelled the changes “a forever tax”, and the bill was referred to an upper house committee for a one-day inquiry last week after passing the lower house this month. The committee is due to report back on Friday.

NSW Treasurer Matt Kean said the policy would allow younger people to get a start in the property market without the impost of an upfront payment.

Treasury estimates that half of all owner-occupiers sell their properties within 10.5 years while two-thirds of owner-occupiers sell their properties within 20 years.

“Most people purchase a home more than once during their lives, so it will make sense for many first home buyers to choose a smaller annual fee for that limited period, rather than stamp duty paid upfront in a lump sum,” Kean said.

“This initiative will help many first home buyers get the keys to their dream home sooner but will also result in overall savings in many scenarios.”

The inquiry into the property tax bill received just 13 submissions, however there were several hundred when Treasury released a formal consultation paper into stamp duty reforms in late 2020.

NSW Treasury made a submission to the upper house inquiry, which says the policy is “not expected to have any noticeable effect on dwelling prices”.

However, a submission from the Combined Pensioners and Superannuants Association said the group was concerned the policy “may be about the introduction of a universal property tax in NSW by stealth and small beginnings”.

The Housing Institute of Australia’s submission said it supported initiatives to help home buyers enter the housing market sooner, but it should be the first step in broader stamp duty reform.

First home buyers who opt in to the government’s property tax policy would pay an annual levy of $400 plus a 0.3 per cent tax on the value of their land.

Property tax rates will be indexed so that the average annual property tax payment grows at the same rate as gross state product (GSP) per capita. However, to avoid bill shock, annual increases will be capped at 4 per cent.

NSW Treasury’s analysis was based on the assumptions of 3.2 per cent GSP growth (which is the average over the past 15 years), 5.6 per cent interest rates (the average variable discounted owner-occupier mortgage rate over the same period) and land value of the property rising at the same rate as the average property.

ALMOST 80% OF AUSTRALIA'S HOUSE AND UNIT MARKETS NOW IN DECLINE

Australia's housing market downturn has become more widespread, with four in five house and unit markets analysed across the capital cities recording a fall in values over the past three months, almost double the number that declined in the previous quarter.

CoreLogic's interactive Mapping the Market tool shows 79.5% or 2,405 house and unit markets analysed saw values go backwards over the September quarter, a significant increase on Q2, when 1,293 markets recorded a decline. This saw values in 38.3% of house and unit markets fall below the levels recorded this time last year.

Using the CoreLogic Home Value Index, a methodology widely used by economists and institutions nationally, 3,027 capital city house and unit markets were analysed to provide an overview of quarterly and annual changes to median values.

CoreLogic Economist Kaytlin Ezzy said the updated data confirmed the extent of the housing market downswing and demonstrates how much it has accelerated over recent months following six successive hikes in the cash rate.

"This analysis shows the effect of the three 50 basis point rate hikes through the September quarter, plus the lagged impact of the first two hikes (totalling 75 basis points) in May and June, so it's not surprising to see significantly more markets recording a decline in value," she said.

The CoreLogic Home Value Index showed dwelling values across the combined capitals declined -4.3% over the September quarter, down from a -0.8% decrease recorded over the three months to June.

"Across the capital's house markets, Sydney, Melbourne, Canberra and Hobart each saw 100% of analysed suburbs experience a decline in values over Q3, with Hobart the only city also recording a quarterly decline in all unit markets analysed," Ms Ezzy said.

"Darwin, Perth and Adelaide had the lowest portions of house and unit markets experiencing quarterly declines, which is a reflection of those cities reaching their peak a little later in the cycle than the larger capitals. Unsurprisingly, Sydney and Melbourne also have the highest share of house and unit markets recording an annual decline in values."

Growth conditions across Sydney weakened significantly over the period, with house values falling -9.7% since April, and -7.0% over the past quarter, taking values -6.4% lower than this time last year. All 563 suburbs analysed saw house values fall over Q3, however Ms Ezzy said the pace of decline varies significantly from suburb to suburb.

“The rate of quarterly decline ranged from a -13.0% fall in Asquith to a -0.8% drop in Silverdale. The recent declines saw the median house value across 34 suburbs fall below $1m over the past quarter. Additionally, house values in 72.6% of suburbs are now below the levels recorded this time last year,” she said.

“Continuing the trend seen across Sydney’s house market, quarterly value declines became more widespread across Sydney’s unit market, with only 13 of the 304 markets analysed recording a rise in unit values over the quarter.

“These resilient unit markets were concentrated in the city’s South West and Blacktown regions, as well as Rushcutters Bay (where values rose 0.6% in the quarter) and Sydney (where values held steady) in the Inner City region. As values continue to decline, the portion of suburbs recording an annual decline in unit values also increased, from 12.7% in June to 69.7% over the 12 months to September,” she said.

Melbourne house values fell -4.2% over the quarter, and -4.9% over the year, taking the median value to $937,131. Following Sydney’s trend, all of the 385 house markets analysed across Melbourne recorded a quarterly decline in value, with 27.5% recording a fall of more than -5%. Additionally, 74.3% of house markets saw values fall from this time last year.

“The number of suburbs with a median house value above $3 million has fallen, from six in June to four in September, while the count of house suburbs with a median below $750,000 rose to 71. Unit values in Melbourne have also deteriorated over the quarter, with 88.4% of the 251 unit markets analysed recording a fall in values in Q3,” Ms Ezzy said.

Growth conditions across Brisbane fell into negative territory over the quarter, with house values falling -5.1%. Just 5.7% of suburbs analysed saw values rise in Q3, 15 of which were located in Ipswich, and four in Logan – Beaudesert. However only two suburbs recorded a decline in house values compared to this time last year, Chermside (-1.8%) in the north, and Fairfield (-0.3%) in the south. Despite recording significant growth over the past two years, 70.5% of Brisbane’s house markets have a current median value below $1m, and 11.0% have a median value under $500,000.

After rising 3.5% over the June quarter, unit values across Brisbane rose just 0.4% over the three months to September. Despite the overall rise, unit value declines have become more common at the granular level, with 46.7% of the 169 suburbs analysed recording a quarterly decline in values, up from 5.6% in June. These suburbs were largely concentrated in the Inner City (25), as well as Brisbane’s South (17), East (12) and Logan – Beaudesert (12). None of the suburbs analysed saw unit values fall over the 12 months to September.

Since the onset of COVID, house values across Adelaide have risen by nearly 50%, taking the median value around $225,000 higher to approximately $705,000.

Ms Ezzy said the strong growth in values has seen 78 of the 302 suburbs analysed record a current median house value in excess of $1m, while one suburb (Toorak Gardens - $2,068,356) has a median above $2m.

“However, Adelaide has not been immune to rising interest rates, with house values now -0.5% below the July peak. Over the last quarter, 48% of house markets in Adelaide saw values fall, while no suburbs recorded an annual decline in values.

Adelaide’s unit market remains the strongest out of the capitals, with quarterly growth in unit values at 2.4%, but down from a recent peak rate of 4.9% over Q2. Of the 95 unit markets analysed, 11.6% saw values fall over the quarter, while only one recorded a decline in values over the year (Findon -3.0%).

Perth house values declined -0.5% in the September quarter, taking Perth’s median house value to $584,941. More than half (53.1%) of the 288 house markets analysed recorded a decline over the quarter, and a further 9.7% saw values fall from a year ago. Almost one in five (19.8%) house markets now have a median of $1 million or more, while 26.4% of suburbs are below $500,000. With a median house value of $584,941, Perth remains the cheapest capital to buy a house in.

Unit values declined across 37 (38.9%) suburbs over the quarter, while 18 recorded a year-on-year decline. Of Perth’s 95 unit markets analysed, 71 had a median value below $500,000, while none had a median value above $750,000.

Following a -4.3% decline in house values and a -5.3% fall in unit values over the quarter, Hobart is the only capital city to record a decline in all house and unit markets analysed over the three months to September.

Darwin was the only capital city to see both house and unit values increase over the quarter (up 1.4% each). Of the 37 house markets analysed, 13 saw values fall over the three months to September, while just three saw values fall compared to this time last year. Unit values declined in five suburbs over the quarter, while no suburbs recorded a year-on-year decline. Darwin remains Australia’s most affordable capital to buy a unit in, with a median value of $377,432.

Canberra’s median house value fell -5.2% the September quarter to $1,009,575, with all of the 85 suburbs analysed recording a decline over Q3. Over one in four house markets (27.1%) saw values fall year-on-year. Unit values declined in 40 of the 47 suburbs analysed, while only one suburb, Macquarie, in the city's North-West, recorded a year-on-year decline in unit values.

SOCIALIST ALLIANCE CANDIDATE CALLS FOR AN ‘EMPTY PROPERTY TAX’

Australia is experiencing a humanitarian crisis as people cannot afford to rent and house prices are simply out of most working people’s reach.

Yet last year’s Census revealed more than 1 million homes across Australia are sitting empty. The Census showed that more than 10% or 1,043,776 homes are unoccupied.

Merri-bek Socialist Alliance (SA) councillor Sue Bolton, who is standing for SA in Pascoe Vale in the Victorian elections said urgent changes were needed to stop land banking.

“We need an ‘empty property tax’ to force landlords to stop land banking and make empty housing available for those who need it,” she said.

Five years ago, Victoria introduced a vacant residential land tax on owners of properties which lay vacant for more than six months in a calendar year.

Bolton said the 1% tax on the capital improved value of land had been “a pointless exercise”.

“Property owners are not self-reporting so the government isn't collecting the tax on vacant properties,” she said.

There are around 300,000 empty homes across the state. They could be used for a variety of purposes, Bolton said, including regular rental as well as to accommodate social and public housing tenants.

“They could also be used to house the homeless, following the program that was so successful over the pandemic lockdowns.”

The national rental vacancy rate has been at 0.9% for three months in a row, meaning that those looking for homes are facing the toughest outlook on record.

“The first home owner’s scheme has been shown to drive up house prices,” Bolton said. “The billions being spent on this farcical program would be better used to construct sustainable public and social housing.

“This would not only create lots of jobs, it would provide security to those facing homelessness and contribute to mitigating the climate crisis,” Bolton said.

The Productivity Commission review also found that the $16 billion a year spent in government housing assistance could be better targeted.

The Age reported on September 30 that about two-thirds of low-income households are spending more than 30% of their income on rent now and 20% spend more than half their income on rent. About a fifth of low-income households have less than $250 left after paying their weekly rent.

Bolton is a councillor in Melbourne's north west where a climate-change driven rain event has caused flooding in the Marybyrnong and Werribee Rivers.

She said those without safe homes needed to be given housing during the floods and the Victorian government needs to pressure the federal government to do more to fund housing instead of new coal and gas projects.

MACHINE LEARNING TAKES ON PROPERTY VALUES

Researchers at the University of South Australia have developed a machine learning technique that makes property valuation more transparent, reliable, and practical, with the ability to accurately model the impact of urban development decisions on property prices.

The technique was created and validated using over 30 years of historical sale information in metro Adelaide and uses purpose-developed machine learning algorithms to process huge amounts of data about housing, urban structure and amenities, making it possible to quantify the effects of urban planning policies on housing value.

Lead researcher, UniSA geospatial data analyst and urban planning expert Dr Ali Soltani, says the technique, has implications for the property, urban planning, and infrastructure sectors.

"Our modelling technique and findings may help real estate investors, builders, property owners, house appraisers, and other stakeholders gain a more realistic view of the value of property and the factors that affect that," Dr Soltani says.

"This research has implications for policymakers by providing insights into the potential impacts of urban planning – such as infill regeneration, master-planned communities, gentrification, and population displacement – and infrastructure provision policies on the housing market and subsequent local and regional economy.

"By capturing the complicated influence of infrastructure elements such as road and public transportation networks, commercial centres, and natural landscapes on home value, our model is especially valuable for enhancing the accuracy of current land value predictions and lowering the risks associated with traditional property valuation methodologies, which are largely dependent on human experience and limited data."

Dr Soltani says the model – developed in conjunction with Professor Chris Pettit from UNSW's City Futures Research Centre – may also be extended to include other economic features at both the macro and micro levels, such as changes in interest rates, employment rates, and the influence of COVID-19, by harnessing the benefits of big data technologies.

"This model has the potential to be used as a decision-support platform for a variety of stakeholders, including home buyers and sellers, banks and financial agents, investors, the government, and insurance or loan agents," Dr Soltani says.

"Our technique makes it simpler for stakeholders and the general public to apply the findings of sophisticated models on historical or real-time data from multiple sources, which have previously been almost black-box and expert-oriented."

QUEENSLAND SCRAPS TAX CHANGES TARGETING INTERSTATE LANDLORDS

Backflip comes after resistance from real estate industry and NSW's refusal to hand over information

The Queensland government has scrapped a proposal to alter land tax arrangements for interstate property investors, in a move described as bowing to industry pressure and wealthy landlords.

The proposal – which met fierce resistance from the real estate sector and other states – would have seen interstate property holdings taken into account when determining whether an investor meets the threshold for land tax concessions.

Queensland's premier, Annastacia Palaszczuk, decided to shelve the proposed tax on Thursday night, reportedly after speaking to interstate leaders who heavily opposed it.

The New South Wales premier, Dominic Perrottet, announced this week he would refuse to hand over information about Queensland property holders living in NSW, to prevent them from being added to Queensland's land tax list.

Through a spokesperson Queensland's treasurer, Cameron Dick, on Friday said he stood by his comments about the need for reform.

"The treasurer stands by everything he's said about land tax, but of course he accepts the decision the premier has made after talking to other leaders," the spokesperson said.

Greens MP for South Brisbane, Amy MacMahon, said shelving the land tax proposal was incredibly shortsighted.

“Decades of tax breaks for wealthy property investors put us in this housing affordability crisis in the first place by artificially inflating house prices, locking working families out of the market and pushing up rents,” MacMahon said.

“The government backed down on crucial rental reforms last year when the REIQ [Real Estate Institute of Queensland] threw a tantrum, and now we see them cowering before wealthy property investors yet again.

“The upcoming housing summit will be a sham if the state government just bows to the desires of wealthy property investors and the REIQ.”

John Quiggin, an economist at the University of Queensland, said it was extremely “unfortunate” that a reasonable proposal had been axed as a result.

“What we had was a loophole that only benefits large investors with holdings in multiple states that harms everybody else in Queensland who wants to buy land,” Quiggin said.

“It was striking, the voracity of the campaign over tax adjustment which only affects interstate investors.”

The REIQ and the state opposition celebrated the shelving of the proposal, which they dubbed a “renters’ tax” that would have led to rent hikes.

“The REIQ has led the charge against this land tax since December last year and we worked with various stakeholders to fight the changes,” chief executive of the REIQ, Antonia Mercorella, said.

“To send shockwaves through the private housing investment market during a rental crisis was unprecedented and illogical.”

But Guardian Australia has spoken with more than a dozen experts who say there is no evidence the proposal would have a detrimental effect on the housing market or result in rent increases.

The chief executive of Tenants Queensland, Penny Carr, said rents had been increasing for months, with a lack of supply driving up the cost.

“People are calling us all the time about increased rents. It’s not tied to the land tax issue,” Carr said. “We’ve had historically low vacancy rates and that’s driven rents up.”

The Queensland government will hold an affordable housing summit next month, amid concerns about homelessness and a severe lack of secure housing.

Karyn Walsh, the chief executive of not-for-profit organisation Micah Projects, said solutions need to be focused on getting people into housing, not catering to the vested interests of the real estate sector.

“Many people are falling into homelessness. People are living in cars or couch surfing,” she said. “We’re seeing lots of people lose the places they’ve been in for six or seven years.

“There’s no security in tenure, there’s no rent freezes. I can’t see how property owners are being disadvantaged at the moment to be honest.”

Walsh said long-term solutions were needed rather than the perpetual funding of crisis responses.

“We certainly need some crisis responses but it’s got to be balanced with what are we doing long term to create affordable housing for the lowest income people in our community,” she said.

REINSW ATTACKS FIRST HOME BUYER CHOICE SCHEME

The scheme allows first home buyers to choose between an upfront stamp duty or opt for an annual land

It is calculated at 0.3% of land value, with a $400 annual fee

With the NSW state government introducing a new property tax bill into parliament last week, the Real Estate Institute of New South Wales (REINSW) has strongly criticised the tax.

To be called the First Home Buyer Choice scheme, the tax will be a trial and allow first-home buyers to swap stamp duty for effectively an ongoing land tax.

It will be set at a $400 annual fee plus 0.3% of the land value. The price cap is $1.5 million, covering around 84% of homes sold in the state according to the state government.

“Home ownership is the investment that starts paying dividends from the moment you walk through your front door for the first time and we don’t want people to have to wait an extra couple of years to reap those benefits,” said NSW Premier Dominic Perrottet.

“Treasury analysis indicates half of all owner-occupiers sell their home within 10.5 years, with first home buyers likely to sell even sooner. That means for the majority of first home buyers that don’t already receive stamp duty assistance, First Home Buyer Choice will not only allow them to break into the property market earlier, but pay less overall,” added Treasurer Matt Kean.

Scheme ‘at odds’ with housing affordability

REINSW CEO Tim McKibbin has lamented the notion of introducing another tax on property at direct odds with the state government’s objective of improving housing affordability for first-home buyers.

“To make something more affordable, Government should apply less tax to it, not replace one bad tax with another. Approximately 40% of the cost a consumer pays for a new property is taxes and charges. Reducing the tax burden and addressing the lack of supply is the most appropriate place to start the discussion about improving affordability,” Mr McKibbin said.

Mr McKibbin noted that tax brackets for stamp duty have not changed since 1986 – before most first home buyers were even born – and have not been adjusted for CPI during this time.

“It means more and more properties are subject to higher rates. The NSW Government collected over $14.5 billion in stamp duty for the financial year ended 30 June 2022,” he added.

What are the alternatives to stamp duty for first home buyers?

Mr McKibbin fundamentally believes that tax should be a consequence of a transaction, not a consideration. This means that stamp duty is a significant imposition and therefore a serious consideration for people contemplating a property transaction.

“The irony in the stamp duty debate is that there’s empirical evidence demonstrating that by reducing the rate of tax, more transactions will flow and the Government will actually receive more tax revenue,” Mr McKibbin said.

In terms of solutions, Mr McKibbin said the institute has outlined a range of solutions to assist first home buyers, such as exemptions from stamp duty to better compete with other purchasers and providing stamp duty relief for empty nesters, to encourage downsizing and freeing up larger homes for families.

In addition to taxation reform, Mr McKibbin reiterated the need for a much-improved DA process and clear development guidelines at a local level to improve supply, which would ultimately bolster affordable housing.

“But swapping one bad tax for another solves nothing, especially for first home buyers, he concluded.

LAND TAX ABOUT TO INCREASE: 1.4M NOTICES SENT TO SYDNEY PROPERTY OWNERS

Property owners will have higher land tax repayments soon, unless they can justify a lower valuation.

Falling property values will leave homeowners with inflated land tax valuations that don't reflect the state of the market, warns the NSW Valuer-General David Parker. Mr Parker acknowledges that more than two-thirds of the 2.1 million valuation notices will be issued for residential properties in the Western Sydney region alone.

Mr Parker expects an “avalanche” of objections. Though dwelling prices across Australia’s capital cities are down 1.3% according to CoreLogic, they are 1.7% higher than last year and around 20-30% higher than their last valuations.

Any objections will need to be from the perspective of a property valuer, with clear reasons why the Valuer-General's valuation is wrong with an evidence-backed proposal for a new valuation. Falling property values against sky-high valuations will inflict pain on cash-strapped borrowers. With HSBC’s Paul Bloxham predicting a 300-basis point rise in the cash rate to tame inflation, around 30% of borrowers would pay 40% more on their mortgage. This disproportionately affects those on lower incomes and those at risk of mortgage stress.

Property valuers will be in high demand as owners seek to justify a lower valuation with supporting reports. However, a low property valuation does not favour the property market. Even though a lower valuation will mean less land tax, valuers that perceive a significantly lower market value of a property can be a threat to an existing mortgage over the property.

"The work of valuers is crucial to lenders as valuers determine a property's suitability as security for a loan and ultimately determine the amount you can borrow based on the LVR. This is the ratio of a loan amount to the overall market value of the property. So as valuations move further away from the value of properties at the beginning of a loan, lenders may require owners to contribute savings to reduce their mortgage in line with the fall in the property's value," says Ulrika Lobo, director of Sparrow Loans.

“Most people aren’t aware of how important property valuers are, but they play a crucial role in our financial system. Their opinion on the value of property keeps the gears in motion,” Ulrika said.

“Valuers have a difficult job putting a value on a property. In the current market, property values are in flux, and it is hard to determine what a property will be worth in a year or even the next three months. This makes valuers a gateway to finance and a bottleneck in refinancing mortgages."

"In the interim, owners with existing mortgages can take advantage of a bleak outlook for property values to reduce their land tax while praying the valuer is wrong at the same time," says Ulrika.

Strong pushback from property owners is expected in the coming months. Objections that are not accepted will see those property owners paying higher land tax repayments as land values are recalculated.

"With property values expected to fall further as interest rates tighten, the issue of accurate valuations will become a more pressing concern."

NSW TRIAL TO ALLOW PROSPECTIVE FIRST HOME BUYERS TO SWAP STAMP DUTY FOR ONGOING LAND TAX

Buyers will be able to choose a $400 annual fee and 0.3% of the land value while it's their primary residence instead of stamp duty

Prospective first home buyers in New South Wales will be able to see how much money they would save by opting in to an ongoing land tax instead of stamp duty, with a new online calculator.

The government will introduce legislation this year to trial the First Home Buyer Choice from January.

Buyers will be able to choose a $400 annual fee and 0.3% of the land value while it's their primary residence instead of stamp duty, and the property is not locked into the tax if sold.

The government says about 84% of homes sold in NSW fall under the $1.5m eligibility cap.

On Monday, an online calculator on the ServiceNSW website will allow people to search for a property and see what they would pay for stamp duty compared with the land tax, using data from the Valuer General.

The NSW treasurer, Matt Kean, said the calculator will help prospective buyers proceed based on their own circumstances and aspirations, and most will end up paying less overall by opting for the land tax.

"Treasury analysis indicates half of all owner-occupiers sell their home within 10.5 years, with first home buyers likely to sell even sooner," he said.

An $830,000 apartment with a land value of $265,000 would attract an $1,195 payment in the first year, compared with $32,440 for stamp duty.

A $1.35m house with a land value of $810,000 would command $58,450 in stamp duty, compared with a $2,830 first-year payment.

Land suitable for development is a finite resource and land values usually increase over time, pushing up the payment along with it.

Opting for the ongoing land tax will help homebuyers save for deposits and buy their own home sooner, allowing them to also benefit from the increasing property value, the premier, Dominic Perrottet, said.

"Home ownership is the investment that starts paying dividends from the moment you walk through your front door for the first time and we don't want people to have to wait an extra couple of years to reap those benefits," he said.

With the trial budgeted at $728.6m over four years, the change would cost the budget in the short term but ongoing land taxes could provide a more predictable revenue base compared with stamp duty, which depends on property transactions rather than ongoing ownership.

Labor is yet to release housing policies ahead of the March election but opposes the optional land tax trial, warning it will not end at a trial and describing it as a forever tax on the family home.

It says the government also doesn't have a mandate to introduce such a drastic change two months ahead of an election and should let voters decide instead.