The Real Estate Wrap

With Leanne Pilkington

President of the REINSW
Managing Director, Laing+Simmons Corporation

Published 1st April 2019

It's game on

Moving ahead with its potentially divisive changes to negative gearing and capital gains tax, Labor has put a date on the implementation of its policy should it prevail in May.

Labor will introduce the changes by January 1 next year, meaning that new investors won't be able to deduct rental income losses from their taxable income, unless they invest in a newly-built home. The policy won't apply to their existing investment properties, but it will mean that the capital gains tax discount will be halved for investments entered into after January 1.

The changes will kick in earlier than most analysts thought. Agree or disagree, Labor has put its cards on the table. Some think the immediate impact will be a further dampening in property prices. Labor hopes it will provide more opportunities for first home buyers, the main point of the negative gearing tinkering in the first place.

Obviously the Coalition will attempt to paint the policy as reckless, and Labor as incapable of responsibly managing the changes, as it sharpens its focus on income tax cuts to ease cost of living concerns and appeal to voters on the grounds of being a safer economic bet.

This will be key to Tuesday's budget: the Coalition has always claimed bigger economic muscle and the next month will see Morrison, Frydenberg and co. flex those muscles more and more.

Separately, as we write this, the Reserve Bank is preparing to meet. While interest rates are expected to be left unchanged, an outcome even more likely given the early budget that is about to be handed down, the fact that talk among economists has shifted from the next move being up, to the next move being down, is reverberating through the market.

Talk of lower rates may not be improving consumer confidence, but as part of the ongoing housing market discussion, it's probably having a positive impact on transactional activity. That's because, even though the weather is cooling, and even though we're still not calling it a recovery, on the ground more properties are selling. Go figure.

Clearance rates: agents bullish

Laing+Simmons agents at all points of the compass are reporting improved numbers through open homes and are, on the whole, more bullish about their upcoming auctions. Recent Saturdays have seen more bidders, more onlookers and, generally speaking, more transactions.

This is not necessarily translating to higher prices – median prices are still sliding, albeit gradually – but the market has largely accepted the new reality of fair value for good property.

High profile auctioneer Damien Cooley echoed the sentiment over the weekend, as reported by *The Sydney Morning Herald*, saying the market now is better than what it was at the start of 2019.

"*That doesn't necessarily mean that the prices are increasing but more properties are selling. I think this is coming off the back of buyers seeing value: the market has come back and vendors are recognising that the market is not as good as it was and they are more willing to sell*," Cooley said.

CoreLogic says 789 auctions were held in Sydney last week and from 505 results reported, 333 sales were made to deliver a preliminary clearance rate of 65.9 per cent. This was just under the 67.9 per cent recorded for the corresponding week 12 months ago.

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Final thought

Six months ago it was generally accepted that interest rates had bottomed out and would eventually rise. It was a question of when, not if.

But things have changed. Many economists – serious ones, at that – now expect rates to be cut in the near future as wider economic influences like soft wage conditions take hold.

It reinforces the importance for mortgage holders to continually review their loan terms. Get into a dialogue with your financier. Crunch the numbers on whether to fix or not fix your rate. Don't be afraid to shop around. If need be, vote with your feet.

The banking royal commission is done, new lenders are emerging, the landscape is changing. It's time to take stock of where you stand, yet again.