

The Real Estate Wrap

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Stamp duty: we need people power

The market was greeted this week by new data showing the national housing turnover rate – the number of properties bought and sold divided by the total number of properties — is at its lowest level since 2013. In Sydney, it's near 20-year lows.

Data can shine a spotlight on an issue but the actual reasons that fewer properties are being bought and sold are what counts. The ogre that is stamp duty must shoulder a major part of the blame. In uncertain economic times, people are careful with their money. For many, stamp duty is the costly variable that tips the scales against a decision to upgrade, downsize, and everything in between. This is a tax that payers receive nothing for. For the Government, it's free money. But the high cost of stamp duty is a case of Government shooting itself in the foot.

Consider this shameful stat: in December 1995, the stamp duty on a median priced dwelling in Sydney, expressed as a percentage of the average annual gross household income, was around 12.5%. In December 2017, it was around 32.5%. Lower housing turnover has major economic ramifications. The flow-on impacts of fewer property sales to other industries are major. The businesses in these sectors are taxpaying entities.

For the NSW Government, the fast cash that stamp duty represents makes for a weaker economy and ultimately, less revenue overall. The real estate industry has harped on relentlessly on this point. If you're concerned about the exorbitant cost of stamp duty too, write to your state MP. Ask them why they want to hamstring the state's economy. Then ask them to stop. People power.

An auction is a campaign, not just a day

Selling your property at auction is not putting all your eggs in one basket. It's not a case of whether, if it sells on the day, that everything is ok, and if it doesn't, that all is lost. It's a strategy agents use. Often properties slated for auction sell beforehand. Sometimes buyers register as bidders without ever intending to raise their paddle, merely waiting to see how it goes before commencing negotiations afterwards. Points worth remembering as we look at this week's clearance rate data.

CoreLogic data shows Sydney's preliminary clearance rate softened slightly to 52% from 53.5% seven days earlier. In the week prior, the final clearance rate was reported at 51.8%, compared to 63.3% at the same time last year. A total of 645 auctions were held, up slightly from the week before.

Domain reported: "Property sellers held out for their asking prices at Sydney's weekend auctions – and, in prized pockets of the city, many got what they wanted". Then clarified: "...it's clear that some buyers think they can snare a better deal by not bidding at auctions and negotiating to buy passed-in properties." More evidence of the even power balance between buyers and vendors and that properties that are reasonably priced continue to sell. Sometimes at auction, sometimes before, sometimes after.

Final thought

Selling your property can be nerve-wracking. If you choose the auction route, and it's not shaping up to be a promising one, those nerves can become even more frayed. So let's go back a step. Your agent suggests an auction campaign. Sounds like the right approach to take. But what's the Plan B? This is a question you need to ask every agent you consider working with. If you're not convinced of the answer; that's a red flag. If you're met with a blank response, say "thanks for your time" and leave.

If they don't project confidence, that's because they aren't confident of selling the property should it not sell under the hammer or before. The best agents will be armed with a real response. They understand that setting an auction date doesn't mean the search for a buyer is put on hold. They also understand that the auction is one part of the bigger picture.

