

Stamp Duty to Dampen Foreign Investment

Insight: Changes to state government stamp duty rates are significantly increasing the cost of purchasing an investment for foreign buyers.

Update: The average Stamp Duty bill paid by an owner occupiers is also up by 16.4 per cent over the year to \$20,725. This is against an increase in the median home price of just 10.5 per cent over the same timeframe.

Given that stamp duty calculations are tied to property prices recent price developments have had an impact on stamp duty bills. The progressive rates which apply to stamp duty (i.e. higher tax rates apply to higher value properties) mean that higher dwelling prices translate in to even larger increases in the size of stamp duty bills.

Over the last year the largest annual increase in the stamp duty bill on a median priced home occurred in Victoria, which increased by 33.2 per cent. This was partially due to an increase in the median dwelling price but was primarily due to the fact that the median home price now sits above the price threshold for eligibility for the state's 'owner-occupier concession'.

An owner occupier purchasing a median priced dwelling in Victoria, would incur a stamp duty bill of over \$30,000 (excluding concessions for first home buyers), whereas a buyer in Queensland would pay only \$7,000. This represents 5.2 per cent of the dwelling price in Victoria but only 1.6 per cent in Queensland.

State governments across the country should be far more active in reforming their revenue base and reducing their reliance on stamp duty. There are more efficient means available to state governments to raise tax revenue than slugging home buyers.

But spare a thought for foreign buyers in NSW. Recent changes to Stamp Duty in NSW mean that they now pay almost \$100,000 in transaction taxes to acquire a standard apartment in Sydney – almost four times as much as local buyers.

Confidence in Construction Industry Grows

Insight: Construction sector continues to grow.

Update: The seasonally adjusted HIA-AIG Performance of Construction Index (Australian PCI®) increased by 4.5 points to 60.5 points in July. This signalled the strongest pace of overall industry growth since the survey's inception in September 2005 (readings above 50.0 points indicate expansion with higher numbers indicating a faster pace of expansion).

The further upturn in industry conditions reflected expanding activity across all four major construction sectors. Commercial construction and house building were the major drivers of growth in July. The rate of expansion in commercial construction lifted to its highest level in 12 years amid an increase in the number of projects entering the work pipeline. House building recorded its fastest pace of growth in 3½ years on the back of a solid backlog of work and on-going strength in demand.

More robust conditions were also evident in engineering construction activity in July, with the sector's sub-index rising solidly in line with reports of increased levels of non-mining infrastructure work.

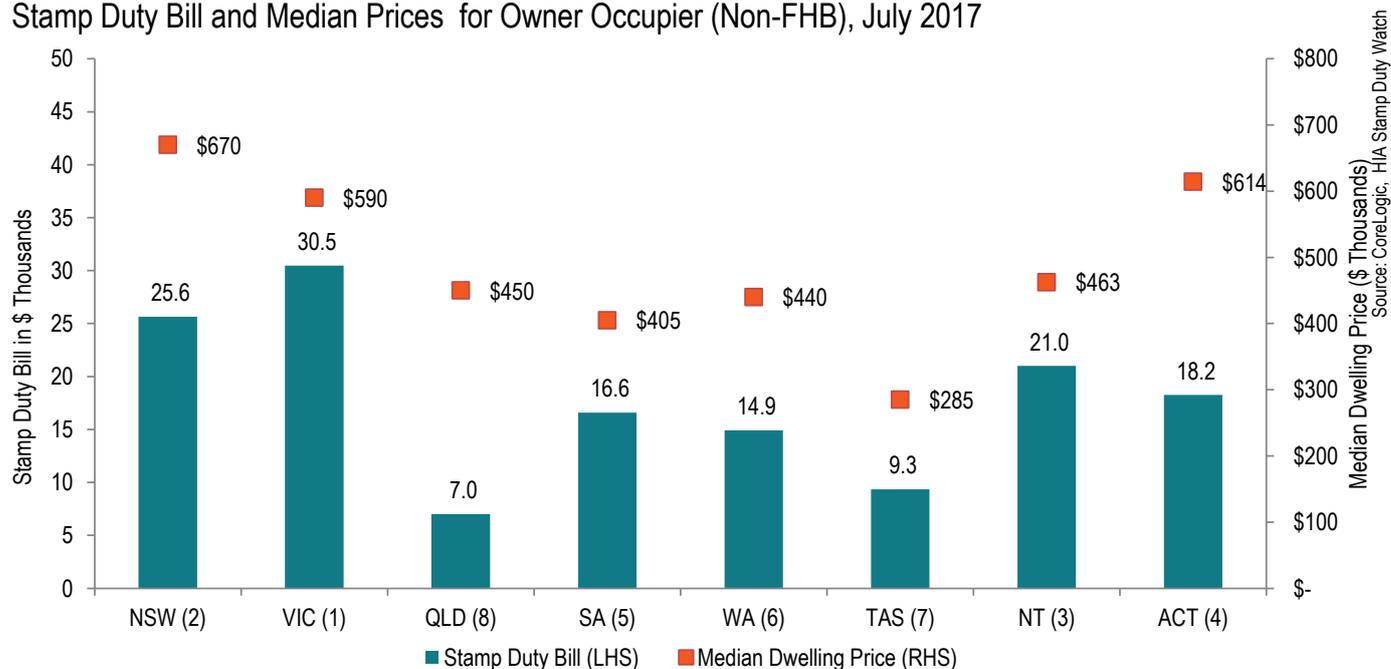
In addition, the apartment building sector returned to modest growth after contracting in June, supported by a fourth consecutive month of expansion in new orders.

Across the construction industry growth in new orders and activity accelerated in July to rates that were among the strongest in the survey's 12-year history. This led to solid expansions in deliveries from suppliers and employment.

Survey respondents to the Australian PCI® generally attributed this month's pick-up to an improvement in demand conditions citing a lift in new orders and an increase in tendering opportunities.

House builders reported a high degree of support from on-going projects while some businesses indicated that stamp duty reductions (which came into effect in NSW and Victoria from 1 July) had led to an increase in first home buyer.

Stamp Duty Bill and Median Prices for Owner Occupier (Non-FHB), July 2017

**The fortnight ahead – key dates and releases****Thursday 17 August**

ABS Labour Force 11.30am

Tuesday 18 August

ACI Building Materials Bulletin 11am

Thursday 24 August

State and National Outlooks – Winter Edition 2017, 11.00am

Thursday 3 August

HIA Stamp Duty Watch, winter 2017, 11.00am

Wednesday 9 August

ABS Housing Finance June 2017, 11.30am

ABS Regional Building Approvals June 2017 11.30am

Friday 11 August

ABS Lending Finance June 2017, 11.30am

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