

Stamp duty cut creates buyer bargains

Apartment sales

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Victoria's budget announcement on Thursday of a stamp duty waiver on unsold Melbourne apartments could save a typical buyer about \$17,000 but could put more price pressure on sellers of existing inner-city properties, according to the industry, which is keen to clear a backlog.

The budget move kicked the industry into action right away. One of them was Evolve Development, the company behind Botanic, a 260-unit building on Coventry Street in South Melbourne.

"Our sales agents were on the phones last night and sending out emails, advising our database and potential buyers that this was now an opportunity," Evolve Development managing director Ashley Williams said on Friday.

"I'm told there's been an uptick in bookings for inspections. It's certainly going to help. Let's wait and see if it turns into something significant."

Botanic has about 30 unsold apart-

ments – part of the city's estimated total of about 8000 homes that the industry says need to be cleared off balance sheets before developers can borrow to start new projects.

While sales in the off-the-plan market were slowing before the pandemic struck, as a result of the government's macroprudential lending measures and a drying-up of foreign buyers, the resulting disruption of the local and global economy made it worse.

"Nearly all of those were presold, with contracts, paid deposits, the whole lot, pre-COVID," Mr Williams said. "COVID basically tore the guts out of those settlements."

Australia's inner-city apartment markets are at a precarious stage. Prices are stabilising, according to CoreLogic figures earlier this month showing that only five out of 59 inner-city markets assessed suffered a price fall in April.

At the same time some analysts predict the overhang of new stock to swell as projects complete, a situation worsened by the closure of borders to foreign migrants and students.

Mr Williams and other developers



Developer Ashley Williams outside his Botanic Melbourne tower, which has 30 unsold apartments.
PHOTO: JOE ARMAO

across the city applauded the Victorian government's budget decision to remove the stamp duty on apartments that had been unsold for a year or longer, while also encouraging the sale of new off-the-plan dwellings by increasing the threshold for concessional stamp duty treatment to \$1 million from the previous levels of \$550,000 for owner occupiers and \$750,000 for first home buyers.

The budget discounts would reduce the cost for buyers of a \$700,000 two-

bedroom apartment – which already had its circa-\$35,000 stamp duty impost halved – by about \$17,500, a "significant" saving in dollar terms, Mr Williams estimated.

But the move that in effect cuts the price of these new CBD apartments will put more pressure on vendors of established units. Cash-strapped owners of as many as 2037 apartments in Melbourne intend to list their property, Digital Finance Analytics figures reported by AFR Weekend show.

Existing vendors were likely to now face more competition as people in the already-reduced pool of buyers of established apartments were likely to be drawn towards these newer apartments, said Scott Chapman, the ANZ region chief executive of valuation firm Opteon Property Group.

"I think it could have an effect on second-hand stock," Mr Chapman said.

"What it will lead to is slowing sales rates in the established market."

This could make owners withdraw their homes from sale and wait it out, but it could also put price pressure on those forced to sell, he said.

"It depends on the circumstances of the vendor," Mr Chapman said. "They just decide not to sell in the circumstances. If the vendor [faces] financial challenges, you might see discounted prices."

Other people said any boost to sales was a positive move.

"Prices are already being discounted, said Greville Pabst, the chairman of valuation firm WBP Group.

"Anything that encourages buyers, that will make it easier financially to purchase a property, that's a positive."