

Originally published on mortgagebusiness.com.au

Calls for ‘land tax discount’ as vacancy rates drop

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October 11, 2023

4 minutes

According to the latest PropTrack *Market Insight Report* rental conditions deteriorated further in September, with the national vacancy rate falling 0.06 percentage points (ppt) to hit a new low of 1.06 per cent.

The data showed the share of rental properties sitting vacant is now 55 per cent lower compared to the start of the pandemic.

Economist Anne Flaherty from PropTrack explained that the expenses associated with maintaining investment properties have surged in recent years, prompting more investors to divest their assets.

The comments coincided with recent data from MCG Quantity Surveyors, which observed there had been a [spike in investors exiting the eastern parts of Australia](#), while Western Australia had experienced a surge in new investments.

Another challenge for tenants is that, more landlords have sold their properties than those buying, further reducing the supply of available homes for sale.

“While this can be viewed as good news for the owner-occupiers that buy these former investment properties, it is bad news for the tenants forced to relocate as a result of the sale,” Ms Flaherty said.

She explained land tax is one expense that has risen significantly off the back of overall price growth.

“One suggestion could be a land tax discount for landlords that offer their property to the long term rental market,” Ms Flaherty said.

Ms Flaherty also highlighted that Australia’s population growth outpaces the development of new homes, intensifying pressure on both the buyer and rental markets.

As such declining vacancy rates, on the back of less supply, are increasing competition for rentals and placing growing pressure on rents.

“As a result, rents are predicted to continue rising at above trend levels over the coming months, particularly in the capitals,” she said.

Domain's [latest Rent Report for the September quarter](#) revealed that Australia's rental market extended its record-breaking streak of consecutive increases, pushing median weekly asking rents for houses in the capital cities to new highs, with a median of \$600.

Furthermore, while property prices reached new highs in September, the average buyer's borrowing capacity has decreased by approximately 30 per cent compared to April 2022, Ms Flaherty warned.

"Additionally, people are staying in the rental market longer, with the transition from tenant to first home buyer currently incredibly difficult," Ms Flaherty said.

Given the market pressures, vacancy rates are unlikely to lift meaningfully any time soon, with the rate of population growth exceeding the delivery of new housing supply.

Capital vacancy rates fall

Looking at the major capitals, Sydney's vacancy rate slid 0.11 ppt to sit at 1.18 per cent in September, reflecting a quarterly drop of 0.37 ppt.

Melbourne's rental vacancy rate hit 1.15 per cent in September after falling 0.06 ppt over the month.

Vacancy held relatively steady in Brisbane over the month, rising just 0.02 ppt to 0.86 per cent.

South Australia now has the lowest vacancy rate in the country, sitting at just 0.65 per cent in both Adelaide and regional South Australia.

Perth recorded the second-lowest vacancy in September at just 0.71 per cent.

Hobart saw the sharpest drop in vacancy over the month, falling 0.13 ppt to 1.40 per cent.