**Housing** More foreign investors than first home buyers

# Industry slams new stamp duty proposal

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Slugging foreign buyers with an even higher stamp duty levy and land tax would not improve housing affordability in NSW, and could instead choke supply, according to the property industry.

The warning comes as new figures show there were more overseas investors than first home buyers entering the market in the September quarter last year, following the introduction of the foreign investor stamp duty surcharge. But both sides of state politics appear to be moving towards imposing a higher surcharge on foreign buyers as housing affordability has become the barbecue stopper of 2017.

NSW Opposition Leader Luke Foley announced on Tuesday that, if elected, Labor would lift the foreign investor stamp duty surcharge from 4 per cent to 7 per cent and double the land tax surcharge to 1.5 per cent, in line with Victoria, "to make housing affordable in NSW".

Treasurer Dominic Perrottet said the government was considering a similar move, but "the jury was still out" on whether increasing the levy would improve housing affordability.

He said the Office of State Revenue data, which suggested 11 per cent of buyers in the September quarter last year were foreigners, was "concerning".

"If that is at the expense of young people not being able to get into the property market, as a government we need to look at ways to ease that. It's not a panacea to the housing affordability crisis. We're working on a package of reforms to do that," he said on 2GB radio.

Data released under freedom of information laws by the Office of State Revenue showed that in the three months from July last year, following the introduction of the foreign investor levy in NSW, foreign nationals counted for 11 per cent (2995) of residential property purchases in the state compared with 7.5 per cent for first home buyers. It is the first time foreign buyer data has been available from the federal government's National Register of Foreign Ownership of Land Titles, introduced last year amid an emotive debate about foreigners squeezing out local buyers.

The property industry slammed the move to increase the surcharge as ill-conceived, cynically populist and counterproductive.

Developer lobby group the Urban Taskforce said it would put the brakes on supply at a time when Sydney was still delivering new homes at below the Department of Planning's target rate of 40,000 a year.

Chris Johnson from the group said "lifting the surcharge on foreign investors will obviously slow down to some extent that market which provides homes for renters in Sydney. Throttling down supply is not a good move."

Glenn Byres from the Property Council said foreign investment funded large-scale developments and boosted pre-sales.

"Adding more taxes to foreign investment would actually hurt supply, particular at a time when lending conditions are more stringent on offshore income," he said.

Premier Gladys Berejiklian has said that boosting supply was the key government response to the housing affordability crisis.

Steven Mann from the Urban Development Institute of Australia NSW said foreign buyers were an easy target. "By targeting a group of people that are unable to vote, our politicians are showing a predilection to winning votes rather than obtaining the best outcome for the greater good," he said.

In Victoria, the introduction of a 7 per cent levy had made no impact on foreign buyers, which have stayed at 2 per cent of the market for the past 18 months, according to a government spokesman.

## RBA fears house price crash

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a bubble and what is not, personally. "The worry is what happened in the United States: a big downturn in housing prices and negative equity. Hopefully, what we've done with strengthening the resilience of the households and the banks means they can withstand that sort of thing if it happened.

"But what we saw from the global financial crisis has made us more focused on the fact that just because one institution doesn't look to be doing anything particularly risky, it doesn't mean that if you aggregate it with the others the end result won't look quite risky.

"We don't want households to find themselves in a situation where they have to emergency sell or whatever because they can't afford it any more."

In the past year, Sydney prices have climbed 18 per cent and Melbourne prices have risen 13 per cent. "Is there evidence that people are seeing prices rise, and they think prices will always rise?" she said. "If they are, what will happen when prices turn down? Will the slump be much bigger than it would otherwise be?

"Purchases by investors was a much bigger driver of house prices than buying by foreigners. Concern about investor borrowing was likely to keep interest rates higher than they otherwise would be.

"The governor has noted that there is a balance between the interest rates that are needed to support the economy and interest rates that might be fuelling borrowing and investing," Ms Bullock said. "These are the issues that are on the mind of the governor and the board."

In a note to clients on Monday, JPMorgan analysts Ben Jarman and Tom Kennedy said the "only path out" for the Reserve Bank was to tighten controls on lending rather than lift rates at a time when the economy was fragile.