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## 2023: YEAR OF THE DOWNSIZER

The current shift in economic conditions and personal priorities means a downsizer trend is emerging in 2023.

Switching from a larger to a more manageable property is making sense to a lot of people who have been reaching out to their real estate agents for advice about downsizing.

Take a look at the different reasons why you may decide to join this movement and say goodbye to your family home.

### Why downsize in 2023?

During the pandemic, a lot of adult children found themselves back at home with mum and dad. Now there is the flexibility to move around again, if you have empty bedrooms and living spaces nobody uses, it's time to downsize.

Opting for a smaller home doesn't mean you can't still have family come to visit; you may decide on a three bedder or a two-bedroom place with a study that can function as a spare room when necessary.

### You have had enough of housework and gardening

The added effort of maintaining a larger property can become too much, even if you still have kids living at home.

A townhouse or apartment can still feel spacious but will save you from endless vacuuming and lawn mowing. Downsizing may require some time and effort as you decide what to keep and what to sell or throw out, but at the end of the day the less you have, the less you have to take care of.

The added benefit of downsizing is being able to move into a newer property that requires less upkeep than your old place.

### You need to save money

Personal finances are stretched paper thin in 2023 and running a larger home can be expensive. From energy bills to maintenance and increased home loan repayments caused by consecutive interest rate rises, those costs add up.

Downsizing will release equity in your home or even allow you to live mortgage free. This is why couples and individuals of all ages are starting to list their larger properties for sale in 2023.

### You want to earn more from property

One of the benefits of downsizing, especially if you have had your home for a long time, is that you may have the opportunity to invest in two separate homes and lease one of them out. This will give you a place to live and some additional income.

If you're ambitious, there is even the potential to buy land and build a duplex or some townhouses (always work with experts before committing to this kind of strategy).

### To put money in your super

New superannuation laws have lowered the eligible age for downsizer superannuation contributions from 60 to 55.

Under this incentive, if you are eligible, the ATO will allow you to place up to \$300,000 of the proceeds from the sale of your home into your superannuation fund. If you're working towards retirement, you may decide with the help of a financial planner or accountant that this is the right move for you.

### For a flexible, lock up and leave lifestyle

Living in a larger home makes sense if you are raising a family and everyone needs their space. However, factors like security and upkeep come into play.

Switching to a downsizer lifestyle means you can still have a quality home with a beautiful kitchen, air conditioning, a terrace or balcony and plenty of storage space. The added benefit if you choose to switch to a strata-style apartment block with swipe card access is a heightened feeling of security and less to worry about when you're not at home.

### Ready to downsize?

Whether you want more time and freedom or you have a plan to unlock the equity in your home for better cash flow, the final reason to downsize in 2023 is that it's a great time to sell.

Despite tricky economic conditions, property in Australia is still performing very well and stock is low. If you have a family home to sell, 2023 is an excellent year to find a buyer, fast.

**Downsize your home, starting from now. Contact your local Professionals representative to find out more.**



## HOW MUCH? WHY SOME LISTINGS DON'T HAVE PRICES

If you have started house hunting and checking out online listings, you may have noticed that not all properties are listed with an asking price, even if they are selling by private treaty.

This may feel frustrating when you have a budget, but the agent has usually taken this approach with a strategy in mind. If you see a home without a price or price guide, it is probably for one of the following reasons:

### To start a conversation

One of the key reasons for a home being advertised without a price is to generate curiosity from potential buyers. If you see a home listed without a specific figure, contact the agent and ask how much it's worth. They may give you a number immediately, or let you know exactly why they haven't put a price on the ad.

It won't hurt to enquire. Even if the home is not within your budget, you may just meet the agent who helps you find something that is.

### To find out how much a buyer will pay

Sometimes it's difficult to put a precise value on a home. If a place is unique or unusual, it's not always easy to know what people will pay for it.

By not naming a price, the seller and their agent can see what buyers think about the value and let the market set the price.

With this being said, real estate agents can usually give accurate values based on factors such as size, number of bedrooms and the condition of the property. They may have a ballpark figure in mind but be interested to hear feedback from buyers to confirm their suspicions.

### To help the seller with their expectations

Everyone is different and it can sometimes be difficult for an agent and a seller to agree on the value of a property.

A home that's advertised without a price may be the agent's way of saying to the seller, "Let's see". They may set a ballpark figure so the property will come up when people search for it but not be 100 per cent clear about the asking price. They will gather feedback from potential buyers as evidence of what the home may be worth.

## It's a seller's market

Thanks to the constantly fluctuating condition of the real estate market, sellers might choose not to list a price in case they get it wrong.

In areas experiencing high demand, average home prices can jump overnight. If you don't see a price, it may be because the market is moving too fast to keep up and the seller doesn't want to offer their home at too low a number.

## What to do when a property is advertised with no price

If you are interested in a home that's advertised without a price, call or email the agent.

Property exchanges always start with conversations, so start asking questions and don't fail to consider a listing just because it doesn't have a price tag attached. You never know what the outcome could be.

**Ready to find your dream home? Get in touch with your local Professionals representative today.**





## WHY LANDLORDS ARE ON THE RADAR FOR THE ATO IN 2023 (AND WHAT TO DO ABOUT IT)

If you own an investment property, you need to be especially careful with your tax return this year.

The Australian Taxation Office (ATO) has announced it will be keeping a very close eye on income reports submitted by landlords and property investors, in an effort to cut down on shortfalls in taxes paid by owners of rental properties.

Here's everything you need to know about the ATO crackdown and how you can reduce the risk of mistakes in your tax return.

### Landlords, the ATO and income declarations

As a landlord or property investor, you are generally entitled to claim a number of expenses in your tax return. While you can claim tax deductions on the cost of things like property management fees, the tax office is worried investors are not submitting accurate income and expense declarations.

The Guardian recently reported that the ATO is losing \$9 billion in tax revenue because of tax avoidance and errors made by Aussie taxpayers. Of this amount, around \$1.3 billion comes from inaccurate investment property claims, which are either made mistakenly or otherwise.

Tax rules around rental properties can be more than a little confusing, and it is easy to get things wrong. For instance:

- You can't claim full interest costs from refinancing a rental loan if you spend some of the funds on a holiday
- Repairs and capital works are not the same; each will affect your tax return differently
- If you live in your rental property for any period of time, you probably cannot claim 100 per cent of the running costs for the year

It's easy for people to make assumptions when they report their income and expenses, which is why the ATO is set to scrutinise tax returns this year.

### How will the ATO expose tax return errors?

To tackle the problem of inaccurate tax returns from property investors, the ATO is working with Australian lenders and financial institutions. This will allow them access to people's account information so it can be cross-checked in reference to property usage, income and expenses.

In short, the ATO has the right to access your bank account and your data using sophisticated data-matching software, to check that you have submitted your tax return correctly.

Accessing this information and cross-referencing it with its own records will give the ATO a better understanding of the accuracy of tax return forms and what has and hasn't been declared.

### What to do this tax time

With the possibility of around two million Australian landlords having their data scrutinised by the ATO this year, there is a genuine reason to pay extra attention to your tax return, especially considering how easy it is to make honest mistakes.

One of the best steps is to work with a reliable property manager who can help you to keep track of expenses and income, and report everything accurately to your accountant. This takes the guesswork out of figuring out what you have spent in order to own and operate your property, and will make it easier to back up your claims to the ATO if you have to.

**Want help to manage your investment property and keep track of the associated expenses? Contact your local Professionals office today.**

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## WHAT'S INFLUENCING AUSTRALIAN PROPERTY PRICES IN 2023?

With interest rates rising repeatedly and many households cutting back on spending, it was forecast at the start of 2023 that property prices would fall in Australia.

However, the opposite is happening, with recent reports saying that home values are now expected to go 4 per cent higher by the end of the year.

Here is what is influencing the continued change in prices:

### Foreign exchange rates

The foreign exchange rate has a massive influence on international buyers. The stronger the Aussie dollar is against their country's currency, the less tempted international buyers will be by the Aussie property market. Conversely, when the Australian dollar is comparatively weak, property becomes more affordable.

With the Australian dollar relatively low at the moment, international investors are flocking to the market. This is helping keep prices buoyant, particularly in capital cities.

### The home loan hold-out

Interest rates have risen almost every month for a year but most households are adapting so they can continue to pay their mortgage. People are cutting back on luxuries but making their home loan a priority.

While there has been talk of more properties coming onto the market as people's low fixed rate mortgages expire, this is yet to be the case. Up to date reports say borrowers are "making a safe descent off the fixed rate cliff", and that fixed rate expiries have not led to any significant increase in arrears as of yet. This is contributing to the lack of stock on the market.

### Intercity and interstate migration

While international buyers are keeping prices strong in Sydney and Melbourne, there is also migration happening between states, with Queensland being the most popular sea change destination.

Brisbane, the Gold Coast and the Sunshine Coast are experiencing steady growth, as are regional areas such as Rockhampton, Yeppoon and the Capricorn Coast.

Meanwhile, regional towns are still enjoying an influx of new residents, with some destinations reporting 40 percent price increases over the last twelve months.

### Construction industry challenges

With multiple construction companies becoming insolvent this year and the price of materials and labour still high, the cost of building and renovating is also increasing. As a result, there is a shortage of new homes, which is pushing those prices up even further.

### What this means for you

A strong and steady property market is a good thing. If you're able to buy, you have fewer concerns about overpaying and experiencing a drop in value. If you're looking to sell, you should have the opportunity to achieve an excellent price, particularly when you have the help of an experienced agent who can expose your property to a wider section of the market.

**Want to know how your local market is performing? Get in touch with your local Professionals representative today.**



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