IPTI Xtracts

Property Tax and Assessment News from Around the World

AUSTRALIA – September 2020

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Taxpayers risk 'missing out' on share of land value surge near new projects

A British rail expert says the introduction of special levies on properties near proposed new train stations will ensure the NSW government receives a share of the expected surge in land values.

With governments set to boost infrastructure spending to help lift the economy out of recession, Professor Andrew McNaughton said they needed to establish a levy, before the preferred sites of Sydney stations and other transport projects were announced.

A windfall by a billionaire family from the sale of land next to Western Sydney Airport to the federal government has shone a spotlight on property acquisitions, and the risk taxpayers miss out on some of the uplift in land values due to new rail lines, roads and other infrastructure.

Professor McNaughton said the timely introduction of ‘value-capture’ legislation would ensure governments receive a share of the uplift in property prices.

"If you don't, then almost within minutes the land value has shot up and transactions have started to take place. You have a very short window in which to place ... a charge," he said.

Federal Auditor-General Grant Hehir was scathing this week of the federal government's handling of the purchase of 12 hectares from Tony and Ron Perich's Leppington Pastoral Company for $30 million – 10 times more than the Commonwealth valued it at less than a year later. The land was acquired for Western Sydney Airport's second runway, which is not expected to be built until 2050.

Revelations about the sale comes as the federal and NSW governments push ahead with plans to build a $11 billion metro rail line between St Marys and the site of the new airport at Badgerys Creek.

Two weeks ago, the governments confirmed the exact locations of the six stations on the 23-kilometre line, which include sites at Orchard Hills, Luddenham, Badgerys Creek and Bringelly.

Liberal MP John Alexander has raised concerns that the locations have been announced before ways for taxpayers to recoup some of the huge gains in values of properties nearby.

Professor McNaughton told a federal committee last week that governments needed to put in place charges on land the moment they announced preferred sites for stations even if the money did not come in until later.

"[The land's] book value has lifted the moment you've announced you're going to build a station there," said Professor McNaughton, who advised the state government on fast rail options last year.

He said it was also vital to have charges decided when rezonings or development agreements were made, otherwise the opportunity to gain a share of a lift in property values would be missed as had occurred at Badgerys Creek.

"What you need to do ... is get the legal agreement in before you change the zoning," he said. "After you've changed the zoning, the value has already risen – you've basically lost it."

Extra funding for western Sydney Airport

Extra funding has been announced for the western Sydney Airport, which is expected to create 14,000 jobs.

The state government is yet to finalise the terms of a proposed special levy for the so-called Western Sydney Aerotropolis, which covers 11,200 hectares of land around the airport.

A spokeswoman for NSW Planning said no development and no opportunity to take contributions for infrastructure had occurred as the area had "only just been rezoned".

"The recent zoning decision includes a clause that ensures development won't occur until infrastructure contributions are resolved," she said.

She said a draft plan for special levies was expected before the end of this year, while the authority overseeing the area would consider "opportunities for value capture through discussions with landowners and developers".

The Berejiklian government is also yet to release a report completed late last year by Professor McNaughton on four potential high-speed rail routes from Sydney to Nowra, Newcastle, Canberra and Orange. It promised at the last election to start work on a fast rail network by 2023.

Transport for NSW declined to say when the report would be released, other than to say that the government was "taking the time" to get its vision for the delivery of a fast rail network right.

Death duties and land tax suggestion unconscionable

Over the last week or so there has been a renewed call for the implementation of new, or should I say old taxes.

Saul Estake a well-known economist has suggested that the State Government contemplate the reintroduction of Death Duties, a retrograde tax that was abolished many decades ago.

Coupled with this proposal was the viewpoint that the state should introduce a broad-based land tax which would include farming property, this proposal has also been advocated by other vested interests in government and the media.

This proposal has its origins in urban areas of Australia and one that does nothing for regional communities or the farming sector that surrounds them. Such a tax is by its nature an impediment to investment and tends to be inequitable in its application.

The argument usually put forward by proponents is that the introduction of this tax would lead to the abolition of the current regime of stamp duty.

What is often lost in this discussion is the reality that this tax is an annual impost on all property owners, whereas the stamp duty that is currently applied is a one off.

Proponents also fail to address the equity for those that have already paid stamp duty and would now be expected to pay a land tax in addition.

The fact that this discussion is being conducted in the current pandemic induced economic recession beggar's belief.

Instead of advocating new taxes what we should be talking about is how we stimulate investment and job creation in this state and the broader community.

To consider the implementation of retrograde taxes such as death duties and a broad-based land tax is arguably unconscionable in the current economic climate, we find ourselves in.

Let us advocate for farmers and how the government can support them into the future, an over the horizon economic look suggests strongly that 2021 and perhaps beyond will be a difficult for Tasmanian farmers.

Global commodity prices continue to suggest significant contraction and that will ultimately impact returns in the short to medium term for Tasmanian farmers.

As a sector we need to speak out and be aware that unless we do so, these taxes and other imposts will be thrust upon us.

Agriculture in Tasmania is a key economic cornerstone of our economy, it demands a better and more constructive approach than the noisy rhetoric of inner city armchair commentators.

Peter Skillern is the chief executive of the Tasmanian Farmers and Graziers Association.

Land valuations deliver financial hit to rural residents

Rural property owners say they feel powerless in a never-ending battle against a ‘grossly unfair system’.

Over the past few weeks owners have begun receiving their rate notices, with astronomical price increases coming as no surprise.

Despite yet another blow, rural community spokespeople, Castlereagh resident Mary Vella, Mario Pace from Berkshire Park and Elise Tedesco from Mt Vernon are not giving up their fight for a fairer system.

“One quarter of our rates covers a whole year’s rates for the base rates in Penrith and yet we barely have sealed roads, we don’t have kerb and guttering and we are constantly fighting for basic maintenance,” Ms Vella said.

Due to the new land valuations that were applied from July 1, all rural landholders’ rates have significantly increased, with Llandilo hit the worst.

Council announced in May it would implement the standard 2.6 per cent rate rise set by the Independent Pricing and Regulatory Tribunal, despite the pandemic.

Mayor Ross Fowler defended the increase and said if it were to not go ahead Council services would be reduced, putting projects on the back burner that were budgeted according to the rate rise.

Council did however apply twice to the NSW Government and Valuer General to have the new land valuations delayed 12 months, although this was denied.

An application was submitted to the Premier, which was referred to the Minister for Water, Property and Housing.

A formal reply has not yet been received, however a spokesperson from Penrith Council said the NSW Valuer General has indicated Council’s requests would not be adopted.

“Property owners who believe their land valuations are too high should contact the Valuer General’s office to object to their land valuation,” the spokesperson said.

Ms Vella, among other residents, applied for a valuation review, which was knocked back last week.

Now, residents will be eagerly awaiting the Office of Local Government to implement the Government’s response to the IPART rating review report, which will allow Council to vary a rate for each area.

Penrith Councillor and Llandilo resident Kevin Crameri, whose rates went up $1500, said this must be implemented before the next rate notices are issued in March next year.

“A great majority of people out here are self-funded retirees, or on the pension and bought this land when it was cheap 40 years ago,” he said.

A spokesperson from the Office of Local Government indicated they are working to implement the new system in response to the IPART report, “including legislative amendments to create additional rating categories and sub-categories”.

Tax on vacant properties waived in Victoria

Owners of vacant land in Victoria will not have to pay tax on their properties this year as part of the state government's sweeping pandemic relief measures.

Announced today by Victorian Treasurer Tim Pallas, the government will waive the Vacant Residential Land Tax for properties that are vacant in 2020.

The state government says the waiver is necessary considering travel restrictions and heavy lockdown measures which make property inspections impossible and leave many properties vacant that would otherwise be occupied.

Additionally, car park owners will have 25 per cent of this year's congestion levy waived by the state government.

Car park owners can also defer any outstanding balances until next year.

"We've listened to the sector and we've acted. These are small changes but they will make a big difference towards getting to the other side of this virus," says Treasurer Tim Pallas.

"These restrictions are keeping us all safe but they come at a devastating economic cost that's why we're providing billions of dollars in support to those who need it most."

Tasmania’s tax system is broken: here are three ways to fix it

For two decades now, meaningful tax reform has proved elusive.

At the federal level, there hasn’t been any comprehensive reform since the Howard government’s New Tax System of 2000, the one that brought in the goods and services tax.

It’s much the same for the states.

With the exception of the reforms that accompanied the introduction of the GST in 2000, state tax systems haven’t changed much since the 1970s, which began with the transfer of payroll tax from the Commonwealth to the states, and ended with the abolition of death duties.

For their part, state governments have spent most of the following four decades narrowing the bases of the few taxes over which they do have control, in order either to curry favour with important groups of voters such as small business people and home owners, or to compete with other states to attract employers.

Australia’s two largest states have become increasingly reliant on a tax uniformly condemned as a “bad tax” – stamp duty on the transfer of land.

The next two largest states have ridden booms in royalties from mining and gas which have, for the most part, allowed them to avoid the need for even thinking about reforming their taxes.

Only in the Australian Capital Territory has there been a genuine (so far successful) effort to undertake a reform that enjoys almost unanimous support among economists, the replacement of stamp duties on land transfers with a broadly-based land tax.

The fact that the ACT government is also in effect the Canberra city council has allowed it to accomplish this by raising rates rather than breaking the taboo of imposing land tax on the “family home”.

Tasmania specialises in bad taxes, and the GST

The Tasmanian government raises less from its own resources (taxes, royalties, user charges and dividends) than any other jurisdiction except the Northern Territory.

That’s largely because, as identified by the Commonwealth Grants Commission in its annual reviews, Tasmania’s revenue-raising capacity is less than that of any other state or territory, although it also partly reflects decisions by successive Tasmanian governments of both political persuasions to raise less than they could.

Perhaps because Tasmania has been able to rely on GST allocations and other grants from the Commonwealth, there have been no serious conversations about its tax system since a tri-partisan parliamentary inquiry was abruptly terminated almost nine years ago.

Since then, Tasmania's political parties have been more anxious to make commitments about what they would not do, than to outline plans for what was needed.

That complacency is likely to be challenged by the abrupt decline in revenue from the goods and services tax as a result of the current recession, as well as by its longer-term decline as a share of GDP for reasons recently identified by the Parliamentary Budget Office.

The collapse in GST revenue will hurt Tasmania's budget more than that of any other state or territory (other than the Northern Territory).

Goods and services tax revenue as a proportion of GDP

Per cent of gross domestic product. Parliamentary Budget Office

There's a way out

The report I've written for The Australia Institute published this morning entitled Reforming Tasmania's state tax system: Some options notes that Tasmania gets a higher proportion of its total state tax take from "bad taxes" (stamp duty on land transfers, and taxes on insurance premiums) than any state or territory except Victoria.

It gets a smaller proportion of its tax take from what are generally thought to be "good taxes" (payroll tax and land tax) than any state or territory except Queensland.

It proposes three reforms which can be implemented by a Tasmanian government without requiring a lead from the larger states.

None would require financial assistance from the Commonwealth (although that would be helpful, especially with transitional arrangements, if the Commonwealth is as serious about encouraging productivity-enhancing reform as the Treasurer says he is).

1. Land tax instead of stamp duty

The first is to replace existing "conveyancing duties", as stamp duties on the transfer of land are officially called in Tasmania, with a land tax whose base should include owner-occupied homes and "shacks", which are currently exempt or otherwise not taxed.

It should be levied on individual land holdings (rather than the aggregate of them) at progressive rates on the per-square-metre value of each holding.

There would need to be a transitional provision, such as a credit for stamp duty paid on recently-acquired property.

And there would need to be a deferral provision for "asset rich, income poor" homeowners such as pensioners. Both are possible.

The average residential land-owner would not have paid more in land tax under this proposal than he or she would have by way of stamp duty on the purchase of the property until he or she had lived in it for more than nine years.

By that time, as the recent Thodey Report to the NSW government points out, any reasonable interpretation of "fairness" demands owners should be paying more than they currently do.

2. Proper payroll tax

The second proposed reform is cutting the threshold for payroll tax to the average annual earnings of five Tasmanian employees from its current level, which is equivalent to the average annual earnings of 36 employees.

The extra revenue would be used to lower the rate from what is currently the second-highest in Australia to what would likely be the second-lowest, and to exempt new businesses from payroll tax altogether for the first so many years of their existence, where the number of years could be, for example, three or five.

This will produce howls of outrage from small businesses, a larger proportion of which are exempt from payroll tax in Tasmania than in any other state, and from others who (wrongly) believe that small business is the engine room of the economy.

Small businesses are anything but the engine room of the economy.

My report shows that exempting small business from payroll tax has not done anything to enhance job creation, innovation or any of the other blessings commonly claimed.

On the contrary, Bureau of Statistics figures show that over the four years to 2018-19, during which time Tasmania's economy in many respects out-performed the rest of Australia, small business was responsible for only 13% of Tasmania's net increase in private sector employment.

Big businesses (who had to pay the second-highest payroll tax in Australia) were responsible for 34%.

Medium-sized businesses, many of whom also had to pay the second-highest payroll tax in Australia, accounted for 52%.

Indeed, over the 12 years to 2018-19, employment at Tasmanian small businesses declined by 11.6% – more than double the national average – despite Tasmania having the most generous payroll tax concessions for small businesses.

Of course the fact that payroll tax is paid in the first instance by employers doesn't mean that it is a "tax on jobs" any more than is the goods and services tax, which in the first instance is paid by shoppers.

Preferencing new businesses would do far more to spur entrepreneurship and to stimulate job creation and innovation than preferencing small ones simply because they're small.

It would also cost less: which would mean the special treatment for new businesses could be more generous, if desired.

And since new businesses can't prevent themselves from becoming an old businesses, other than by going out of business, there would be no perverse incentives such as those that currently result in small businesses ceasing to grow at just below the point at which they become ineligible for preferential treatment.

3. Death duties on estates over $1 million

The third, and probably the most controversial, proposal is the reintroduction of death duties: specifically, on estates valued at over A$1 million (which would exclude 91% of the estates granted probate by Tasmania's Supreme Court over the past three years), at rates ranging from 5% on amounts between $1 million and $5 million, 10% on the next $5 million, and 20% on anything over $10 million (which in Tasmania has been just 10 estates, 0.1% of the total, over the past three years.

However, the report also proposes that people whose estates would be liable to such a tax could obtain a credit against it (a reduction) for donations to Tasmanian-based deductible gift recipients – up to the point where, if they wished, they could completely extinguish their liability.

Read more: House prices and demographics make death duties an idea whose time has come

Such an arrangement would provide a powerful incentive for philanthropy in Tasmania, as it has in the United States.

There will of course be predictable cries of outrage against such a proposal, not so much perhaps from those whose estates would be subject to the tax as from their children and others who hope to benefit the inheritances without sharing any of the windfall – a requirement a surprising number of Americans don't seem to find at all objectionable.

No doubt opponents of such a proposal will also find it convenient to ignore the stipulation that fewer than 10% of estates would be liable for the tax, or the suggestion that estates passing to surviving spouses (though not to other people) would be exempt.

This needn't mean more tax, or less tax

All or any of these proposals could be used to raise more revenue than Tasmania's present tax system.

Or they could be used to raise less revenue, by a party that wanted to argue that reducing the overall state tax burden would improve Tasmania's competitiveness.

My report doesn't take a position in favour of either option, instead it advocates for a fairer system.

The system I propose would be more efficient in the sense of doing less to distort the choices businesses and households make as to how they allocate their capital, where they live, how often they move home and how they do other things.

And it would make Tasmania's financial position less vulnerable to forces entirely beyond its control or influence.

Which is another way of saying it would represent real reform: something that has been sorely lacking, no less in Tasmania than anywhere else, for 20 years.

Sydney and Melbourne house prices feel brunt of coronavirus downturn

Australia's biggest property markets felt the brunt of the downturn from the coronavirus pandemic with Sydney and Melbourne property prices falling more than 2 per cent over the June quarter.

The only capital city to avoid a price fall was Canberra, where property values increased 0.8 per cent over the same period, quarterly data from the Australian Bureau of Statistics released on Tuesday shows.

Nationally residential prices saw a 1.8 per cent drop in the June quarter, but still increased 6.2 per cent in the year to June. All capital cities experienced annual increases except for Perth and Darwin, ABS head of prices statistics Andrew Tomadini said.

"The number of residential property transactions fell substantially in the eight capital cities during the June quarter 2020, due to the effects of COVID-19 on the property market," Mr Tomadini said.

In Sydney, house prices fell 2.6 per cent, while apartment prices fell 1.4 per cent. In Melbourne house prices dropped 2.8 per cent compared to a 1 per cent decline in apartment values.

The bureau reported the total value of the nation's housing stock dropped by $98.2 billion to $7.1 trillion during the quarter. It is now back to where it was in the September quarter of 2019.

The mean price of a residence in NSW slipped by almost $20,000 to $871,800 while in Victoria the mean price dropped by $17,500 to $736,800.

The average price of a dwelling in Western Australia dropped to $498,500, its lowest level since the bureau started collating these figures in 2011.

Minutes from the Reserve Bank board's September meeting showed members discussed the events playing out in the national property market.

They noted that while prices had fallen in Sydney and Melbourne, the cumulative fall in the national market had been less severe than the market's correction in 2018.

The rental market, however, was facing tougher headwinds.

"Rental supply had been boosted by short-term and holiday rentals being brought onto the long-term rental market, while demand had been depressed by the reduced flow of new migrants and a decline in the rate of household formation," the minutes showed.

"Rental vacancy rates had risen recently, and members noted that downward pressure on rents was unlikely to dissipate in the near term in either Sydney or Melbourne."

SQM Research data released on Monday found the vacancy rate in Melbourne increased to 3.4 per cent in August, up from 3.1 per cent the month before, with an extra 2145 homes sitting empty during stage four lockdowns in the city.

The Melbourne CBD is now at a record high vacancy rate with one in 10 homes empty, up from 8.8 per cent in July.

Sydney's vacancy rate remains the highest at 3.5 per cent, down 0.1 per cent from July. Sydney CBD has 12.9 per cent of homes vacant compared to a high of 16.2 per cent in May.

Latest monthly data from property research company CoreLogic recorded a fourth consecutive month of national house value falls in August, down 0.4 per cent, with Melbourne values dropping the most at 1.2 per cent. Sydney property prices declined 0.5 per cent over the same period.

Council rates are set to increase across Sydney

Residents in council areas across Sydney could be hit with rate rises in a year where households are already doing it tough.

The Independent Pricing and Regulatory Tribunal has given councils approval to increase rates by 2 per cent next financial year.

"We consider the costs that local governments incur to do things like maintain our footpaths and roads and the parks and community facilities we use," Liz Livingstone from the tribunal told 9News.

While it is a lower increase than previous years, residents can still expect an increase.

In Canterbury Bankstown, Blacktown and Campbelltown residents could be charged up to $25 extra, based on the average household rate.

On the Northern Beaches, in Penrith and Sutherland it will be closer to $30. In Hunters Hill, with the most expensive rates in Sydney, it will be even higher.

"We know in 2020 everybody is struggling and that's why councils understand the need to have the rate peg at this level, this year," Local Government NSW President Linda Scott told 9News.

Some areas, such as Camden, are offering a one-off rebate, but the rate increase will differ between councils.

Many local government areas have also been hit with extra costs due to bushfires, drought, floods and the pandemic.

"We'll work with the councils in respect of that - we want to put as much downward pressure as we can right now on the cost of living and rates form part of that," NSW Treasurer Dominic Perrottet said.

Council levies to jump 2 per cent for most NSW ratepayers

Council rates for most NSW homeowners will increase by 2 per cent next financial year, following a decision by the pricing regulator on Monday.

The Independent Pricing and Regulatory Tribunal said the so-called "rate peg" was smaller than the past few years but it took into account the fact that councils faced higher costs to hold local government elections next year.

Ratepayers were set to head to the polls across NSW this month, but the local government elections have been pushed back a year due to the coronavirus pandemic. The elections are scheduled for September 4.

"The rate peg for 2021-22 is lower than recent years, which is a positive outcome for NSW ratepayers," tribunal member Deborah Cope said.

But councils warned the proposed rate was not sufficient to allow local governments throughout the state to mitigate against the additional costs incurred as a result of extended drought, bushfires, floods and COVID-19.

"It’s tough right now for everyone. Of all levels of government, councils have the strongest grassroots perspective on the job losses and economic damage," Local Government NSW president Linda Scott said.

For most NSW homeowners, council rates will increase by two per cent next financial year.

"No council in NSW is looking to increase rates beyond what is necessary. Together, we are working incredibly hard to save jobs and stimulate local economies by investing in community infrastructure projects and community services."

IPART is charged with setting the maximum annual increase that councils can levy ratepayers.

Last year, the pricing regulator allowed a 2.6 per cent increase, while the rate peg for the previous two years was 2.7 per cent and 2.3 per cent. In 2017-18 the maximum increase permitted was 1.5 per cent.

Ms Cope said the decision to lift the allowable rate increase by 2 per cent in 2021-22 included an adjustment of 0.2 per cent to collect extra revenue for election costs, based on the expected costs for the average NSW council.

"The adjustment will be reversed through the 2022-23 rate peg, to ensure that ratepayers are not overcharged in subsequent, non-election years."

IPART allows councils to request the ability to levy businesses or households with higher rates than the overall "peg".

Last year, the tribunal received 13 applications for special rate variations from councils across NSW, including the metropolitan councils of North Sydney, Burwood, Hunters Hill, Ku-ring-gai, Randwick and Sutherland Shire.

The tribunal approved all the applications from the Sydney councils, which were variously requested to pay for environmental works and programs, to build and maintain infrastructure or to improve financial sustainability.

Cr Scott, a City of Sydney councillor, welcomed the recognition of the rising costs for holding local government elections. She is pushing for reforms to create a more flexible ratings system.

"The 2021-22 rate peg is more than half-a-percentage point down on this year, and will certainly go some way to helping local government continue to provide the services and maintain the infrastructure so critical to our communities right now."

IPART said it would not set a limit on percentage variations for annual domestic waste charges levied by local councils in 2021-22. Instead, the tribunal is seeking public feedback as part of a review of those charges.

Rate of property price falls slowing across Australia, except in Melbourne: CoreLogic figures

Australian property prices are continuing their downward slide, but new figures show the pace of price falls is slowing, with values even rising across some capital cities.

National home values fell 0.4 per cent in August to a median of $552,689, according to the latest CoreLogic Home Value Index released on Tuesday, marking the fourth month of price declines amid the coronavirus pandemic.

Melbourne, in the midst of a tough stage four lockdown, recorded the biggest drop in dwelling values, falling 1.2 per cent – for the second month in a row – to a median of $667,520.

However, the rate of decline eased elsewhere, with five of the eight capital cities recording steady or rising values over the month.

Melbourne housing values, which have now fallen 4.6 per cent since the pandemic began, were the main drag on the national result, said CoreLogic’s head of research Tim Lawless.

"It's not surprising to see Melbourne as the weakest housing market considering the extent of the virus outbreak, and subsequent restrictions, which have weakened the economic performance of Victoria," he said.

Index results as at August 31, 2020

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	-0.5%	-2.1%	9.8%	12.9%	$860,182
Melbourne	-1.2%	-3.5%	5.9%	9.5%	$667,520
Brisbane	-0.1%	-0.9%	3.5%	7.3%	$503,128
Adelaide	0.0%	-0.1%	2.7%	6.9%	$444,021
Perth	0.0%	-1.6%	-2.0%	2.1%	$443,777
Hobart	0.1%	0.3%	5.5%	11.0%	$490,743
Darwin	1.0%	1.0%	0.0%	6.7%	$393,386
Canberra	0.5%	1.3%	6.9%	12.0%	$636,324
Combined capitals	-0.5%	-2.1%	6.3%	9.8%	$633,745
Combined regional	0.0%	-0.2%	4.0%	8.8%	$395,761
National	-0.4%	-1.7%	5.8%	9.6%	$552,689

Mr Lawless said the performance of housing markets was intrinsically linked with the extent of social distancing policies and border closures, which also had a direct effect on labour market conditions and sentiment. He added that demand for property in Melbourne had also been harder hit by the stall in overseas migration.

Sydney and Brisbane were the only other capitals to see prices fall in August, with their medians down 0.5 per cent and 0.1 per cent respectively. Even still, their declines were more subdued than their falls of 0.9 per cent and 0.4 per cent the previous month.

Hobart and Darwin returned to price growth with values up 0.1 per cent and 1 per cent, and Canberra continued to see prices rise, with values climbing a further 0.5 per cent in August.

Domain senior research analyst Nicola Powell said the high level of secure public sector employment in the ACT had enabled stability and price growth in the capital's housing market, truly creating a "Canberra bubble" throughout the pandemic.

She said the Darwin market could be benefiting from increased demand amid the pandemic as fewer locals left the region to work in other capitals.

Elsewhere, prices remained flat in both Adelaide and Perth, and also held steady across regional Australia with a median of $395,761.

"Unlike their capital city counterparts, which usually receive 85 per cent of net overseas migration, most regional markets have avoided the drop in demand caused by the pause in migration," Mr Lawless said.

The rise of remote working, along with lower price points and lower population density, could also be driving demand and supporting prices in regional areas, he added.

Lower listing volumes had been a key factor in preventing significant prices falls across Australia overall, Dr Powell said.

CoreLogic figures show the number of new listings fell 11.5 per cent over August, after rebounding in previous months, with sales also trending slightly lower.

Consumer sentiment also took another hit with the Westpac-Melbourne Institue index falling 9.5 per cent in August, which Dr Powell attributed to the second wave of the coronavirus crisis and tougher restrictions in Melbourne.

“For consumers, it was a stark reminder that any of us could go into lockdown again … it showed how vulnerable the situation is,” Dr Powell said.

“Consumers are thinking that prices are going to fall further, but I think more consumers are also thinking now is a good time to buy … because of that increased affordability.”

Nationwide, more affordable segments of the market – supported by increased first-home buyer demand – continued to hold their value better than the top end of town.

The difference was starkest in Melbourne and Sydney, where prices in the upper quartile have fallen 7 per cent and 3.3 per cent during the pandemic, while the lower quartiles dropped 2 per cent and 0.7 per cent respectively.

More affordable properties have held their value better than the top end of town. Photo: iStock
However, this sector of the market also recorded lower price growth in the lead-up to the pandemic, with the upper end of the market typically leading both upswings and downturns.

Mr Lawless added that had been no evidence to date of a spike in urgent or distress listings, but warned this could change as fiscal support starts to taper at the end of September – with JobKeeper and JobSeeker rates to be reduced – and distressed borrowers who took a repayment holiday reached their six-month check-in.

“The timing of these two events could be the catalyst for a gradual rise in distressed listings, which will be an important trend to monitor,” Mr Lawless said.

“If we do see active listing numbers rising to be higher than previous years, it could signal that vendors will need to offer up greater discounts in order to sell their home.”

Looking forward, he expected to see diverse results for housing markets across Australia, determined by how well the virus was contained and a region’s exposure to other factors such as reliance on overseas migration as a source of housing demand.