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Landslide!

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According to psychologists and counsellors there are five stages of grief. Denial, anger, bargaining, depression and acceptance. Since the evening of Saturday 3rd May 2025, and much to the managing director's annoyance, I have been experiencing the emotional roller coaster that grief provides. I have discovered that denial is not actually the first emotional hurdle when a confronting event impacts one's life. No, shock comes first. Then you skip denial and move straight to anger. Not anger with the punters and the winners. No, anger that the conservative side of politics managed to drop the ball so spectacularly that a bunch of political hacks have another 3 years to further erode our economic prosperity, sow disharmony, and run up the national debt to breathtaking levels.

Bargaining. A bit late for that and to what end? Better to move on to depression and hope for some small mercy that might bring a ray of sunshine into the gloom. The MD had suggested that if the gloom doesn't pass soon, I will most certainly be experiencing a ray of something, and it's unlikely to be sunshine.

I was ready to move to acceptance when a miracle sent me straight to happiness. The leader of The Greens had lost his seat. I could scarcely believe it. The Greens votes had seemingly transferred to Labour and the LNP's principled stand to preference them last had an impact. The stages of grief were dispatched, and a lightness of mood prevailed. Just in time, as it turned out, as the MD's web browser history suggested research into the effects of a pillow held firmly to a sleeping face. Never use a down-filled pillow as an autopsy may find traces of duck feathers!

Given the truly frightening prospect of a Labour / Greens minority government it is the case that things could be worse. That said, I expect the next 3 years will not be great, albeit if you take one look at The Greens housing policy, I suspect you will conclude that we've dodged a bullet.

So, what of Labour policy as it may affect property markets, interest rates and housing more broadly. Well, maybe nothing if the past 3 years is anything to go by. In its first term Labour promised to preside over the construction of 1.2 million homes over 5 years. At the end of their first term, they were looking to be about 400,000 short. Current estimates suggest we can't build much more capacity than previous years given labour constraints (no pun intended), appalling productivity standards, and massive input cost increases.

My feeling is that new construction will simply fail to keep up with demand and that demand will be turbo charged by immigration and the first homeowners policy settings due to come into effect in January 2026. It is in the collision of increasing first homeowner demand, diminishing supply, and favourable government and lender policy, that I see potential for challenges. We have already seen politicians suggesting that lenders relax credit standards for first home buyers. Oh, what short memories they have. Banking commission, what banking commission?

From January 1, the First Home Guarantee Program is due to take effect. That's a 5% deposit scheme backed by a government guarantee. With circa 130,000 first home buyers in the market at any given moment the numbers are not inconsequential. Research suggests that these buyers will be hunting in the $500K to $1M space and it gets better. The government has signalled that it intends to allow the banks to ignore student debt when assessing first home loan applications. This is on top of a 20% discount to be applied to HECS related student loans. I'll bet all your older degree holders out there who worked three jobs, scraped and saved and lived on Spam sandwiches are feeling really good about all this, but I digress.

As you can see, we have a possible property firestorm brewing, driven by restrained supply and increasing demand. That demand will be supported by government policy and I expect, to use a fire investigators jargon, we are about to see an accelerant introduced. Today's RBA cash rate is 4.1%. The NAB predict the rate will be 2.85% when the First Home Owners Guarantee kicks in on January 1 and will fall to 2.6% soon after. Other lenders and economists have a variety of predictions, but they are all reflecting falling interest rates. It's worth pointing out here that while low interest rates are helpful to a point, they can also be a sign of a stalling economy so be careful what you wish for.

All of this points to pressure on home and unit prices after January 1. If you are in the market for a purchase I reckon get in now. If you are a seller maybe cool your heals until January 2.

There are a few other sleepers lurking within the housing policy landscape that are worth keeping an eye on. None are conducive to property investment as an attractive option. The first is creeping tenant rights legislation, which appears to be focused on making the tenant more powerful than the landlord. For a glimpse into the truly nutty end of this spectrum, I urge you to visit the aforementioned Greens housing policy. I'm all for tenants having rights but when those rights marginalise the property owner the whole investment becomes less appealing. God help the property managers who have to deal with this dynamic.

Secondly, I expect to see tax policy associated with property investment to be "reviewed" by the legislators. Opportunities to tinker with negative gearing and capital gains tax concessions will be hard for the politicians to ignore, with any changes almost certain to disincentivise investors.

And last but most certainly not least is a piece of tax policy the likes of which we have never seen in Australia. The federal government is contemplating legislation to tax unrealised capital gains within superannuation funds. Sure, there are benchmarks, and the tax would only apply to fund values over a set value ceiling, but the whole concept is just plain scary. This is a proposed tax on money you don't have and have not earned. If you invest wisely in your SMSF and the assets within the fund grow in value it is the case that you may need to sell assets to pay a tax bill predicated on what the tax man says they are worth. As most SMSFs have property assets you can see where this might end. Oh, and the value ceiling is not to be indexed, so as asset values grow more and more, people saving for their retirement will be impacted. How long before this insidious scheme escapes the superannuation environment and is applied to all investments and maybe one day, the family home.

Let's circle back to where I'm trying to head with all this. Owner occupation in permanent management rights schemes is already a clear and present threat to the stability of letting pools. It ain't gonna get any easier after January 1.

In closing, I note the more hysterical in the press are calling the recent federal election result a landslide. Labour picked up 34.7% of the primary vote and the LNP landed at 32.2%. In North Korea the ruling party holds 87% of the seats with aligned minor parties holding the rest. That's a landslide.

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