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POLICY FACT SHEET:  
**TRANSFER DUTY  
EXEMPTIONS FOR  
"RIGHT SIZING"**

2017 STATE ELECTION

## THE ISSUE:

Seniors are trapped in unsuitable housing options as the current transfer duty rates prohibit many from “right sizing”.

## WHY:

High transaction costs such as transfer duty deters seniors from moving from their existing dwelling, which are usually larger sized houses, to “right sizing” into more suitable dwellings to meet their changing needs.

Most households do not have the transfer duty costs saved upfront. This is even more of an issue for seniors as often they are on limited incomes, such as the aged pension.

## FACTS:

- Seniors represent 19 per cent of WA’s population.<sup>1</sup>
- Stamp duty on a median house price of \$520,000 is \$18,715 and is almost equivalent to the entire annual standard aged pension of \$20,745.<sup>2</sup>
- 79 per cent of listings for sale are for dwellings with three or more bedrooms.<sup>3</sup>
- Perth is expected to grow to 3.5 million people by 2050. According to the intergenerational report, seniors aged between 65 and 84 years of age will represent 18 per cent of the national population by 2050.
- Total transfer duty revenue collected by the WA State Government was estimated in the 2016-17 Budget Papers at \$1,356 million.

## PROPOSED REFORM:

An exemption of transfer duty to over 60 year olds on their primary residence (not investment properties) to enable “right sizing”.

## ANALYSIS:

It is assumed that seniors seek to “right size” when aged between 60 and 74, as this is the age bracket when most people approach retirement and transition their lifestyles.

According to the ABS, as at June 2016 there are estimated to be 341,553 seniors of this age group residing in Western Australia.<sup>4</sup>

Although many seniors may reside as couples or singles, the average household size across Australia is 2.6 persons per household. This was used to determine that there are approximately 130,000 senior households in WA.

REIWA data shows that of all current listings for sale (houses and units combined) in the Perth Metropolitan Region, 79 per cent are for dwellings with three or more bedrooms. It can be argued that dwellings (houses and units) of this size are too large for seniors and do not meet their lifestyle needs or wants. Using the 79 per cent, it can be suggested that 100,000 senior households reside in unsuitable housing and may seek to consider “right sizing”.

The 2011 Census stated 69.4 per cent of the population own their own homes either outright or with a mortgage. Therefore, it is assumed that 70,000 out of the 100,000 seniors’ households may seek to “right size” from their larger homes.

Even if only 30 per cent of senior households decided to “right size” with an incentive that exempt them from transfer duty, this would release approximately 21,000 larger dwellings onto the market.

When this new stock is released onto the residential market, it would attract trade-up buyers. A transfer duty fee of \$18,715 would be payable by the trade-up buyers on the current median price of \$520,000. The aggregate revenue the State would receive from these transactions amounts to approximately \$393 million.

As the 21,000 seniors “right size” into two bedroom dwellings at a median price of \$430,000, the State Government would forgo collecting \$303 million in stamp duty as a result of the exemption.

Whilst the exemption would cost the State Government \$303 million from the 21,000 seniors households “right sizing”, the resulting trade-up activity would generate additional stamp duty revenue in the order of \$393 million, leaving a net surplus of \$90 million.

Total transfer duty revenue collected by the State Government was estimated in the 2016-17 Budget Papers at \$1,356 million. This included revenue from both commercial and residential transactions.

## ACTION:

REIWA calls on political leaders to commit to legislating an exemption to transfer duty for seniors, aged over 60, when “right sizing” from their primary residence.

## APPENDIX – SCENARIO ANALYSIS

Table 1: Scenario analysis for dwelling with three or more bedrooms.

Number of senior households in WA	130,000		
Proportion of seniors’ households in unsuitable housing	50%	60%	70%
Number of households in unsuitable housing	65,000	78,000	91,000
Number of households who own homes either outright or with a mortgage (applied 70 per cent)	45,000	54,000	63,000
Proportion of seniors’ households who downsize	30%		
Number of senior’s households who downsize	13,500	16,000	19,000
Stamp duty payable on median dwelling <sup>5</sup> with three or more bedrooms in Perth Metro Region	\$18,715 on the median price of \$520,000 for a three or more bedroom dwelling		
Additional stamp duty revenue generated from trade-up buyers	\$252 million	\$299 million	\$356 million
Stamp duty foregone on two bedroom dwelling (\$430,000)	\$14,440		
Stamp duty loss from exemption	\$194 million	\$231 million	\$274 million
Net revenue to the State	\$58 million	\$68 million	\$82 million

Table 2: Scenario analysis for dwelling with three bedrooms.

Number of senior households in WA	130,000		
Proportion of seniors’ households in unsuitable housing	50%	60%	70%
Number of households in unsuitable housing	65,000	78,000	91,000
Number of households who own homes either outright or with a mortgage (applied 70 per cent)	45,000	54,000	63,000
Proportion of seniors’ households who downsize	30%		
Number of seniors’ households who downsize	13,500	16,000	19,000
Stamp duty payable on median dwelling <sup>6</sup> with three bedrooms in Perth Metro Region	\$16,815 on the median price of \$480,000 for a three bedroom dwelling		
Additional stamp duty revenue generated from trade-up buyers	\$227 million	\$269 million	\$319 million
Stamp duty foregone on two bedroom dwelling (\$430,000)	\$14,440		
Stamp duty loss from exemption	\$194 million	\$231 million	\$274 million
Net revenue to the State	\$33 million	\$38 million	\$45 million

<sup>1</sup> Seniors are defined as residents aged 60 and above.  
<sup>2</sup> (<http://guides.dss.gov.au/guide-social-security-law/5/2/2/10#2>).  
<sup>3</sup> ReIwa.com  
<sup>4</sup> (ABS Cat. 3101).  
<sup>5</sup> Dwelling refers to a house and unit combined median.  
<sup>6</sup> As above