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# Australian property still world's most expensive despite sharp falls

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Sydney and Melbourne's median property prices are still about 60 per cent less affordable than booming Seattle and New York, [despite nearly 18 months of sharp price falls in Australian markets](#), according to global investment bank Morgan Stanley.

Australia's two most populous cities continue to be in the world's top five most expensive. Hong Kong retains the top spot, where The Peak recently reclaimed the title as the planet's most expensive land.





A \$1.5 million budget could secure an apartment on Central Park, Manhattan. It's also tax deductible and local interest rates are cheaper. **Supplied**

But a nine-bedroom 13th century chateau set in more than 7000 square metres of parkland in eastern France is cheaper than a two-bedroom apartment in Sydney, according to Domain.

The cost of [borrowing money to buy a property is also much more expensive](#) in Australia than other global property hotspots such as America, Canada and Hong Kong, [despite the cash rate being at a record low 1.5 per cent for 33 months](#).

Australia's standard variable interest rate of about 4.91 per cent is between 20 per cent and 60 per cent higher than in the US, Canada and Hong Kong, according to analysis by Finder.com.au, which monitors rates and fees.

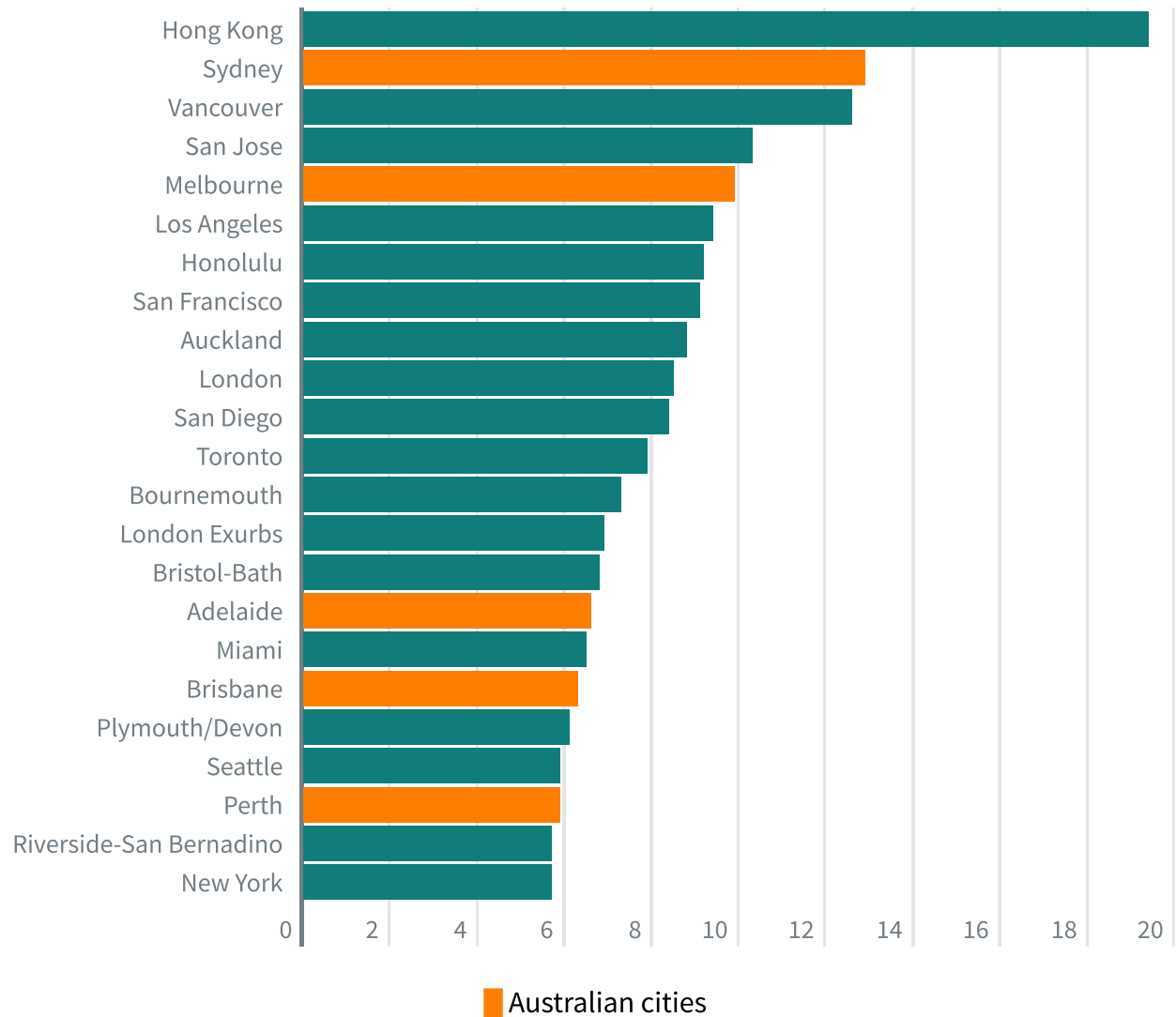
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Morgan Stanley analysis of global property prices is based on a comparison of property prices to income.

### Median dwelling price to household income ratio (x)



SOURCE: MORGAN STANLEY

Many overseas destinations also have much more generous tax concessions for buying residential real estate than Australia. For example, Hong Kong's income tax rate is 15 per cent and there's no capital gains, while in the United States residential mortgage repayments are tax-deductible.

Potential risks of buying overseas include currency volatility, unforeseen economic and social changes, tax or interest rate increases, different legal systems, the possibility of crackdowns on foreign buyers, language problems and lack of local knowledge about best suburbs.

Every minute and 49 seconds an Australian leaves the country to live overseas as an expat, which typically means to work for about 3.5 years, often in lower taxation countries, such as Singapore, Hong Kong, or Dubai, says Brett Evans, managing director of Atlas Wealth Management, a specialist in expat financial advice.

## Expatriation opportunity

“Expats can get drunk on a lifestyle of higher pay and lower tax and boomerang back to Australia a few years later with little financial gain to show for their adventures,” says Evans.

Alternatively, they can invest in a property, build capital and have an asset that can be sold or leveraged when they return to Australia.

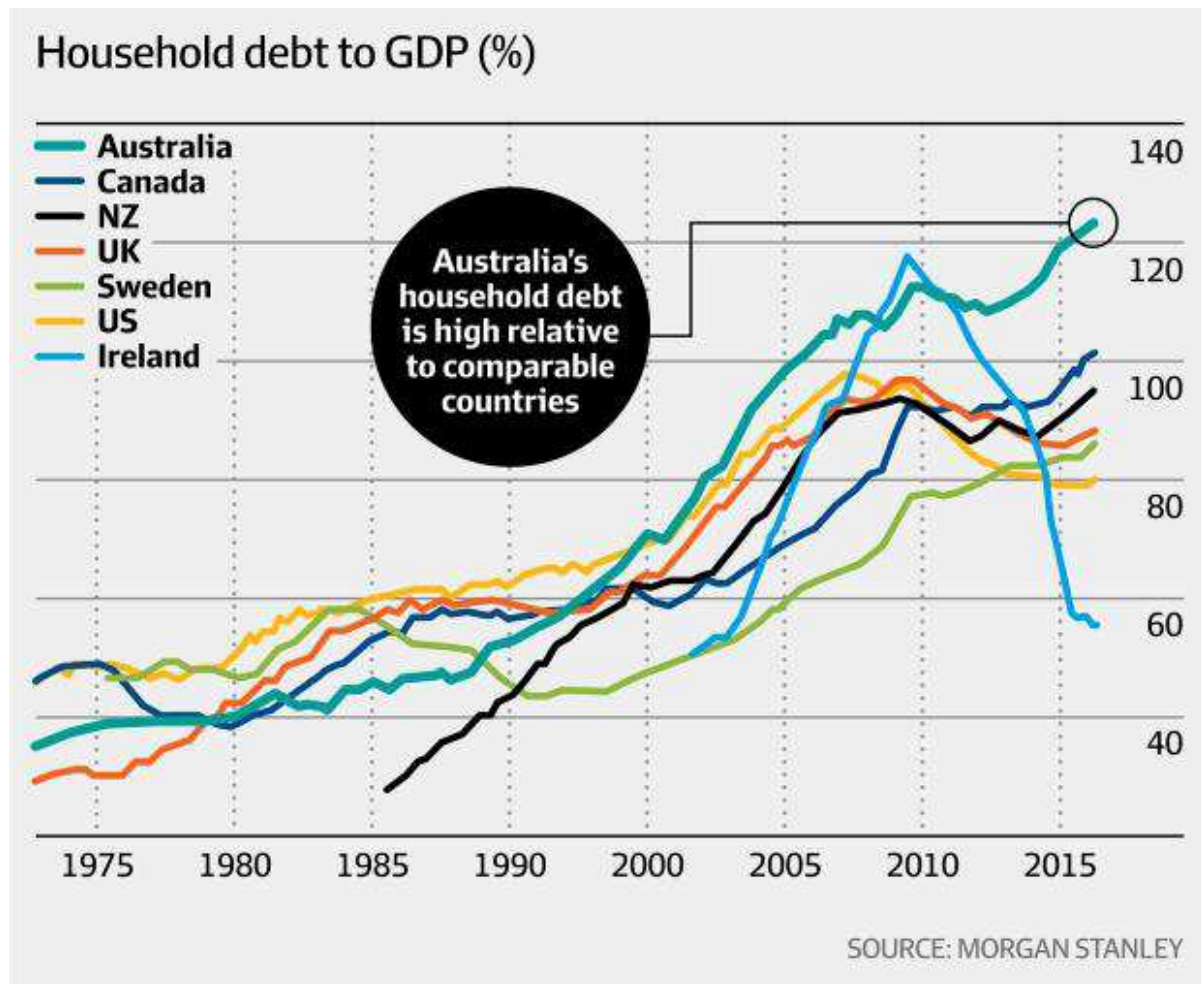
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Others, like Steve Birtwistle, from Sydney, invest in residential properties in the US while continuing to live in Australia.

Birtwistle has bought two repossessed properties in Miami during the past 10 years, which he rents out. He bought his first – a single-bedroom, fourth-floor apartment – in 2010 for about \$35,000, which is about what a Victorian pays in stamp duty to the state government for a median-priced house of about \$775,000.

Five years later he upgraded to a two-bedroom apartment for \$60,000.

“I didn’t have much of an investment strategy,” he says about his US bargain hunting. “It is more impulse buying.”



## What \$1.5m buys

Australia's world-beating property inflation during the past decade means a local buyer could realistically consider buying into most of the world's most coveted postcodes with a budget of \$1.5 million, which is the asking price for a two-bedroom, two-bathroom apartment in Sydney.

It would buy a renovated one-bedroom, two-bathroom, 96 square metre, eighth-floor apartment on Central Park South, one of Manhattan's most prestigious locations, a short walk from former Australian prime minister Malcolm Turnbull's condo.

In addition, the US variable rate is about 4 per cent and average loan size about \$480,000, which compares with about \$450,000 in Sydney, according to Finder.

Manhattan is New York's most expensive borough with property prices usually much cheaper in Brooklyn, Queens, the Bronx and Staten Island.

Property price rises in London have slowed as the country dithers over Brexit.

Apartments in Television Centre, a redevelopment of the iconic BBC studios in White City, about 8 kilometres north-west of central London, are selling for about \$1.5 million, according to Savills Real Estate.

Alternatively, a one-bedroom apartment in fashionable Clapham, about 18 kilometres from central London, is comfortably within budget, says Savills.

Borrowers prepared to navigate the UK's nightmarish conveyancing system, which allows buyers to be gazumped right up to the moment of exchanging contracts, will be rewarded with a variable rate of 3.35 per cent.

On the other side of the English Channel, the budget will cover the purchase of a 55 square metre luxury fifth-floor, one-bedroom apartment in the prestigious 8th district of Paris, which is best known for two famous landmarks, the Arc de Triomphe and the Avenue des Champs-Élysées.

## 13th century chateau

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Those willing to buy on the eastern border of France, in Ain, can snap up a renovated 13th century chateau with 7500 square meters of parkland for about \$1.2 million. The main house includes 450 square metre of modernised living areas, nine bedrooms and a 400 square metre vaulted cellar.

A 13th century tower offers an additional three levels, spiral stairs and original fire place.

In Hong Kong, where property prices are an obsession, \$1.5 million will buy you a 450 square metre apartment in a 10-tower midrise apartment complex in Shatin, which is a popular residential area in the New Territories. Variable interest rates in Hong Kong are 2.38 per cent, according to Finder.

Another increasingly popular high-rise mecca for expats is Dubai, one of the United Arab Emirates situated on the Persian Gulf. Two-bedroom, three-bathroom apartments are being advertised from about \$1.4 million.



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