

THE HOMEOWNER STATE: A PLAN FOR VICTORIA'S FUTURE

ELECTION PLATFORM 2022

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FOREWORD

The urban development industry has been central to Victoria's resilience since the onset of the COVID-19 pandemic and has shown itself to be essential to Victoria's fortunes, in every sense of the word. Throughout several lockdowns, the urban development industry kept Victoria's economic pilot light on.

The industry takes enormous risk and contributes significant sums to deliver Victoria's homes and put a roof over the head of tens of thousands of families each year, to deliver thriving and liveable communities and to create hundreds of thousands of jobs.

In 2020/21, the urban development industry alone contributed 5 per cent of the State's total economic output. Since 2016, residential construction has contributed over \$125 billion to the Victorian economy. The broader urban development industry is a fundamental plank of the Victorian economy, employing over 300,000 Victorians, with approximately 200,000 of those jobs in residential construction.

Despite this, our industry is taxed more than any other and contributes 52 per cent of all state taxation revenue.

With a clear link between development taxes and home prices, affordability is threatened. Victoria has lost its competitive advantage and cannot accept the status quo.

The strength of the Victorian economy fundamentally relies on the strength of the development sector as a job creator, enabler of economic activity and by delivering new homes for Victorian families.

As we seek a return to surplus and to repay State debt, it is critical to the State's economic fortunes that the urban development industry is provided with the best chance to deliver new homes at an affordable price by reducing red tape, unlocking land supply and reducing the tax burden on Victorian home buyers.

UDIA Victoria's election platform sets out five steps to cement Victoria as the **Homeowner State**:

1. **Unlock supply** to address the root issue of housing affordability
2. Genuine **tax reform** to reduce the burden on Victorian home buyers
3. Take **urgent action to address the critical cost pressures** that are threatening the industry and home buyers
4. Ensure **appropriate and timely investment in social and economic infrastructure** to support our growing communities
5. Promote Victoria as a **destination of choice for talent and capital**

UDIA Victoria commends these steps to all parties. We are committed to working closely with all members of the 60th Victorian Parliament to achieve these outcomes in the interests of every Victorian.



Matthew Kandelaars
CEO
UDIA Victoria



Tom Trevaskis
President
UDIA Victoria



SUMMARY OF RECOMMENDATIONS



Unlock **supply** to address the root issue of housing affordability



Genuine **tax reform** to reduce the burden on Victorian home buyers



Take **urgent action to address the critical cost pressures** that are threatening the industry and home buyers



Ensure **appropriate and timely investment in social and economic infrastructure** to support our growing communities



Promote Victoria as a **destination of choice for talent and capital**

INDUSTRY CONTRIBUTION

The urban development
industry's contribution to
the **VICTORIAN ECONOMY**

52.8% of State 
Taxation Revenue

Created Over 
65,000
New Homes
In 2020-21

\$125  Billion
Since 2016

 Supports 
200,000
Jobs Annually



A photograph of a modern residential street. On the left is a multi-story building with a mix of wood and brick siding. A large tree with vibrant orange and red autumn leaves stands in the foreground. A paved sidewalk runs alongside the building, and a road with a white crosswalk is visible. A car is parked on the street, and a playground with colorful equipment is in the background under a clear blue sky.

UNLOCK SUPPLY TO ADDRESS THE ROOT ISSUE OF HOUSING AFFORDABILITY

CONTEXT

Whether Victorians own a home or rent, things have never been more challenging. Cost of living pressures are immense and more Victorians are left without affordable options.

The urban development industry is proud of its record in supporting affordable housing across Victoria and while the Government is primarily responsible for the funding and delivery of social housing, the private sector plays a critical role in the affordable housing continuum.

In the 2020-2021 financial year, approximately 33,700 new homes delivered across Victoria by the private sector met the statutory definition of “affordable housing” – in fact, over 90 per cent of conventional “house and land” packages met this definition, and over 70 per cent of new apartments.

The private sector is pulling its weight and delivering far more than it’s given credit for, but its efforts are being stymied by Government taxes and red tape that constrain supply. The latest NHFIC report reveals that between 2025 to 2032, Australia will find itself 163,400 homes short of expected demand. The result is obvious, with average lot






prices in Melbourne increasing to \$370,000, and in Geelong to \$376,000, in May 2022.

While initiatives announced by both major parties during the 2022 Federal election focussed on demand-side stimulus, supply is the major driver of housing affordability and the levers rest with state governments.

Through a variety of factors, supply is being constrained. The windfall gains tax will commence in 2023 and is already adding uncertainty and causing transactions to slow or stall completely, with a disproportionately negative impact on regional Victoria and infill urban regeneration sites across Melbourne’s suburbs. Likewise, policies are locking up land in marginal seats based on political, not sound planning, reasons.

Leaving aside deliberate fiscal and planning initiatives, Victoria’s planning system is no longer fit for purpose. The situation is now critical and wholesale reform of the planning system is needed to unlock over \$7 billion in economic efficiencies over the next ten years.

What Victorians need

-  **Recommit to a public objective of no less than 15 years zoned and development-ready land supply across greater Melbourne and disclosure of measured land supply across each of Melbourne’s individual growth corridors.**
-  **Unlock brownfield strategic development sites across greater Melbourne to accelerate the supply of land for new homes across the inner and middle-rings, and to provide greater housing choice and diversity.**
-  **Recommence urgently needed planning system reform and introduce legislation to achieve this within 100 days of the election.**
-  **Ensure that the Victorian Planning Authority has clear authority and co-ordination powers above other government agencies, and is given powers to manage growth across regional Victorian cities.**
-  **Overhaul the permit referral process to ensure that statutory time frames are adhered to.**
-  **Urgent funding and support for local government planning and engineering departments, especially across Melbourne’s growth areas and growing regional cities, which are critically under-resourced and unable to support the necessary approvals to bring land to market and support active land supply and housing affordability.**
-  **Address the relentless growth of development contributions, fees and charges – which rose by 54 per cent between 2010 and 2020 – and re-commence the review instigated by the State Government in 2020 as a matter of urgency.**
-  **Investigate a community-wide broad-based contribution, without reference to any single industry, to support a stable, secure and long-term funding stream for much needed social and affordable housing.**



Since 2014

\$57.1 Billion

Property related
stamp duties

\$27.1 Billion

Land tax

GENUINE TAX REFORM TO REDUCE THE BURDEN ON VICTORIAN HOME BUYERS

CONTEXT

At a time when housing affordability has never been further from reach for the average Victorian, taxes on new homes is at an all-time high.

In 2021/22, property taxes contributed 52.8 per cent of all State taxation revenue. Since 2014:

- A total of \$57.1 billion in property related stamp duties have been collected;
- Annual property related stamp duty receipts have increased by over \$6 billion, or more than 140 per cent;
- A total of \$27.1 billion in land tax has been collected; and
- Annual land tax receipts have increased by over \$2.5 billion, or more than 250 per cent.

Just 10 years ago, in 2012, property taxes were responsible for less than 18 per cent of all state government tax income. Over the past decade, this has risen relentlessly to over half of the State's tax revenue and is forecast to remain in the high 40 per cent range for the next four years, showing a broken system.

Research shows that 42 per cent of the cost of a new home is made up of taxes, fees and charges. On an average Melbourne home, over \$420,000 that goes to various levels of government. There is no doubting a direct link between development taxes and charges and house prices.

Victorian families are forced to borrow to pay these charges, meaning 42 per cent of every mortgage repayment goes to paying the government – money that could otherwise be spent supporting local businesses and creating jobs.

Until the over-reliance on property taxes is genuinely addressed, housing affordability will remain at risk and the dream of owning a home will remain out of reach for the average Victorian family.

The current reliance on property taxes also places Victoria's economic recovery at risk. As inflationary pressures surface, and with the RBA's sharpest increase in the official cash rate since 1994, property prices are under pressure, while the State's budget and spending program is built heavily on bricks and mortar and land release taxes.

The evidence is clear: tax reform to reduce the burden on Victorian home buyers will support housing affordability and de-risk the State's economic recovery.

What Victorians need

📍 **Commit to no new or increased property taxes, or taxes on home buyers, across the next term of Government.**

📍 **Commence a public review of all property taxes and report back within 24 months of the election with a mandate to reduce the burden on home buyers and a focus on:**

- Increasing stamp duty thresholds to keep pace with underlying price growth and address the bracket creep;
- Remove foreign purchaser taxes;
- Reduce land tax; and
- Streamline development charges.

📍 **Commit to maintaining property taxes at a rate of no greater than 35% of state taxation revenue across the next term of government.**





**TAKE URGENT ACTION TO
ADDRESS THE CRITICAL
COST PRESSURES THAT ARE
THREATENING THE INDUSTRY
AND HOME BUYERS**

CONTEXT

Incentives to support the industry throughout COVID-19 – such as the Commonwealth’s HomeBuilder scheme and State Government stamp duty concessions – had the desired effect and helped the industry to continue to deliver new homes and communities in the face of a global pandemic. Not only did these incentives generate billions of dollars in economic activity, they helped save thousands of businesses and jobs.


However, supply chain constraints both globally and locally, are now having critical impacts on the Victorian economy. The cost of trades and materials have increased significantly and, with the use of fixed-price building contracts, this is putting extreme pressure on the industry.

Despite record low rates of unemployment, at 31 December 2021 there were over 400,000 job vacancies reported in the construction industry – a 56 per cent increase year on year. Building material costs are now increasing at their fastest rate since 1980. In the first quarter of 2022, prices have increased by 4.2 per cent. Over the last 12 months alone the cost of reinforcing steel has increased by 43.5 per cent, steel beams by 41.5 per cent and structural timber by 39.2 per cent.

Although we acknowledge that there is no simple solution, urgent action is needed to address issues that remain within our control.

What Victorians need

 **Targeted action to address the critical skills shortage affecting every aspect of the urban development industry – including the aggressive targeting of key labour from interstate and overseas through the provision of grants.**

 **Review current and future regulatory costs to consider whether they remain viable in light of the pressures facing the development industry. Although there are many, examples include:**

- **The requirement for all new dwellings to meet the Silver standard of the Liveable Housing Design Guidelines - especially to ensure that these requirements do not conflict with the VPA’s revised PSP Guidelines and the delivery of a range of housing products that promote choice and affordability; and**
- **The Better Apartment Design Standards, especially the requirement for landscaped communal open space for developments of less than 40 apartments which adds approximately \$18,000 to the cost of each apartment.**



ENSURE APPROPRIATE AND TIMELY INVESTMENT IN SOCIAL AND ECONOMIC INFRASTRUCTURE TO SUPPORT OUR GROWING COMMUNITIES



CONTEXT



The COVID-19 pandemic has resulted in major shifts in how, when, and where people work, including a greater number working from home more often. This has allowed workers to re-assess their need to live close to the workplace, and many are now choosing to live in outer suburban and regional areas. As much as these choices have historically been based on affordability, more so than ever they are now based on lifestyle decisions.

Recent research carried out by UDIA Victoria and Urbis is consistent with this trend, revealing that 35 per cent of survey respondents are considering moving to Melbourne's growth areas and the regional cities of Geelong, Bendigo and Ballarat.

Lot sales data shows that in the twelve months to December 2021, Melbourne recorded more than 33,700 residential greenfield lot sales. This is a new record; the average annual residential lot sales of the five years prior is 19,790. Recent sales data for regional areas including Geelong, Ballarat and Bendigo demonstrate that people are buying residential land in these areas at double or triple the rate of sales pre-COVID.

We expect this additional pressure on greenfield locations, regions and coastal areas to continue, noting that social and economic infrastructure delivery must keep pace so that these locations do not suffer growing pains.

Without the upfront delivery of this infrastructure, Melbourne's growing communities will be disadvantaged through a lack of walkability, public transport and access to health and education services.


The development industry often bears the brunt of a local community's disappointment flowing from a lack of timely and appropriate infrastructure, however it already directly contributes a total of \$6.4 billion annually through various contributions. No new taxes or charges are required, but a future Government must ensure a clear plan, and funding, for the delivery of catalytic infrastructure in Melbourne's growth corridors and regional centres to ensure their liveability.

What Victorians need

 Ensure that GAIC is providing value for local communities through the establishment of a publicly-available pipeline of priority state infrastructure so that projects of value to new communities are prioritised. Priorities should:

- Identify all state infrastructure required to service Melbourne's growth areas over a 30-year period;
- Be based on an objective cost-benefit analysis with a focus on infrastructure that will enable the further development of housing and jobs in growing suburbs;

- Allow consideration for early funding of projects if savings can be delivered; and
- Maximise the affordability of the delivery of new homes to support housing affordability.

 Harness the 2026 Commonwealth Games to Victoria's long-term advantage, and ensure that social and economic infrastructure – including housing – are planned and funded with a focus on the needs of a growing regional Victoria across the next 30 years.

PROMOTE VICTORIA AS A DESTINATION OF CHOICE FOR TALENT AND CAPITAL



CONTEXT

Victoria's economic strength, and the speed at which our economy will rebound to deliver consistent budget surpluses, is reliant on Victoria re-establishing itself as a destination of choice for talent and capital.

Until the COVID-19 pandemic, Victoria's economic performance had been driven for decades by strong migration. Melbourne was renowned as one of the world's most liveable cities and we rolled out the red carpet to global capital and investment.

Rather than expect things to return to the way they were, Victoria needs to be hungry and actively strive to attract the best and brightest students, entrepreneurs and skilled workers. We need to promote our advanced manufacturing, technology and financial services capabilities, but we also need to ensure transparency and integrity in our decision making to promote Victoria as a place to live and do business.



What Victorians need

- 📍 Short, medium and long-term targets for the restoration of net migration (overseas and interstate) and population growth, coupled with a clear and immediate plan to welcome the return of international students to pre-pandemic levels.
- 📍 Maintain quarantine facilities and the local manufacture of vaccines, to ensure that Victoria is well placed to deal with future COVID variants without border closures.
- 📍 Ease the burden of rapidly rising costs of labour by promoting targeted incentives, including business grants to support set up costs and visa support for key employees and their families.
- 📍 Ensure Victoria's tax and investment settings are globally competitive and do not act to deter investment into Victoria, including the removal of both the Foreign Purchaser Additional Duty and the Absentee Owner Surcharge on residential and commercial property.



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