

Media Release

15 August 2024

IMMEDIATE RELEASE THURSDAY 15.08.2024



New research shows that without tax reform, Victoria's apartment pipeline is in jeopardy

Improving the property tax conditions in Victoria could help boost both apartment supply and state revenue, according to a new report released by UDIA Victoria.

New research by URBIS for UDIA Victoria, *Melbourne Apartment Market Conditions*, forecasts that without major policy interventions such as reducing the Foreign Purchaser Additional Duty (FPAD) or expanding off the plan concessions, apartment supply in inner- and middle-Melbourne is set to halve compared to 2016-2021.

UDIA Victoria CEO Linda Allison says the projected apartment pipeline for Melbourne is a red flag for industry and government alike.

"In the five years to 2021, approximately 12,265 new apartments were built in the inner and middle ring annually – from 2022-2027, almost half that rate, just 6,780 new apartments are expected to be built per year. This is deeply concerning for industry and threatens the government's aspirations to increase density in Melbourne," said Ms Allison.

The report shows that Victoria's apartment pipeline has fallen off a cliff with new taxes and other policy changes over the last decade. Halving the FPAD rate could boost supply and in turn be the catalyst for an additional \$294 million in state revenue.

UDIA Victoria is calling for a commitment from the Victorian Government to address the state's crippling tax regime.

"It is extremely challenging to deliver affordable apartments to market in Victoria, and the State's high rate of taxation is partly to blame, said Ms Allison.

As a signatory to the Government's Affordability Partnership, UDIA Victoria is calling on the government to work more closely with industry to find solutions to the housing crisis.

"The Government says it is pulling every lever available to improve housing affordability. Yet almost 12 months from the release of the Housing Statement, there have been more property taxes, not fewer. This report shows that reforming property tax could boost apartment supply and even deliver more tax revenue back to the state," said Ms Allison.

The report highlights that there are around 35,000 live apartment permits that are not moving to the delivery phase.

"The evidence is clear – we need urgent tax relief to improve supply. The State's housing crisis demands a crisis response and the time to act is now", said Ms Allison.

ENDS

1/2

Media Release

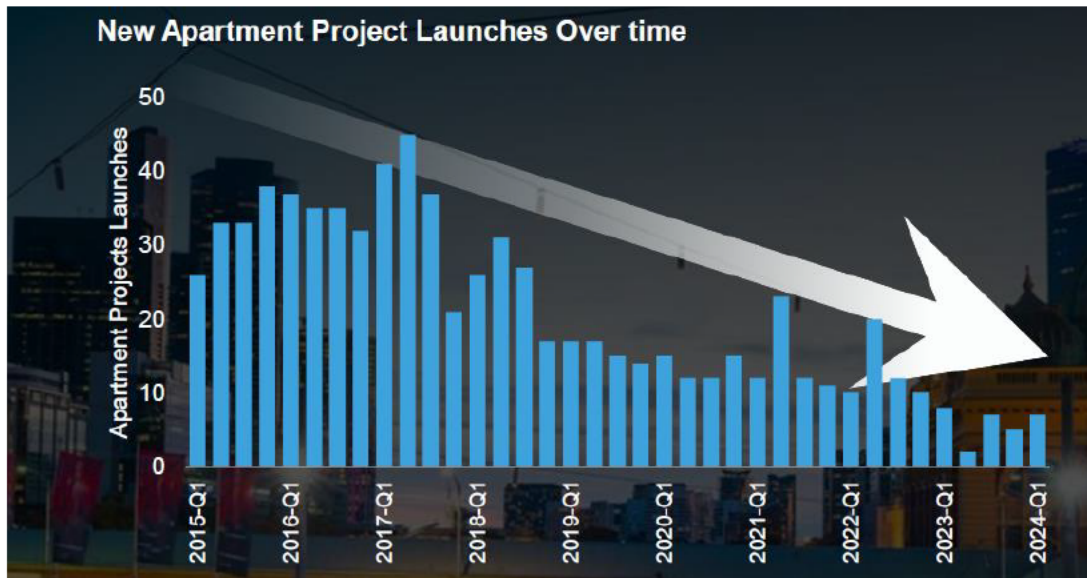
15 August 2024

FOR IMMEDIATE RELEASE 15.08.2024



About the *Melbourne Apartment Market Conditions* report

The *Melbourne Apartment Market Conditions* report reveals that new and increased property-related taxes, and a reduction in off-the-plan concessions (among other changes) have suppressed investor and consumer confidence, adversely affecting apartment supply.



The report finds that changing the existing taxation regimes has the potential to generate more tax revenue. There are approximately 35,000 apartments currently approved but not being built as a result of existing barriers. Just halving existing duties could double the sector's output and catalyse approximately \$641 million in tax revenue.

A tightening of off-the-plan stamp duty concessions in 2017 saw a 33 per cent decrease in apartment sales and a \$924 million reduction to State revenue in the following year.

About Urban Development Institute of Australia, Victoria (UDIA Victoria)

The Urban Development Industry of Australia, Victoria (UDIA Victoria) is a not-for-profit research, advocacy and educational organisation supported by a membership of land use and property development entities, across the private sector and Victoria's public service. We represent some 300 member companies and more than 7,500 individuals.

UDIA Victoria is committed to working closely with industry, local, state and commonwealth government, key housing sector stakeholders, and the community to improve access to diverse, high-quality and affordable housing in Victoria.

MEDIA CONTACT AND INTERVIEW REQUESTS:

Linda Allison,
Chief Executive Officer

Email: ceo@udiavic.com.au

Callum Wilkinson,
Policy & Communications Officer

Email: callum@udiavic.com.au