UDIA VICTORIA PRE-BUDGET SUBMISSION 2025-26

Urban Development Institute of Australia
VICTORIA

About UDIA

The Urban Development Institute of Australia, Victoria (UDIA) 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.

UDIA 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.

UDIA is a signatory to the State Government's *Affordability Partnership*, whose focus is on meeting the objectives of *Victoria's Housing Statement*: building 800,000 new homes by 2034 – 80,000 homes per year over the next decade.

In 2025, UDIA is focused on establishing the right policy, regulatory and taxation settings to enable the residential development industry to do what it does best: build great housing for the growing number of people who choose to call Victoria home.

We apply a rigorous, research and evidence-based approach to developing policy advice for decision-makers, at all levels of government. UDIA research tracks market trends, construction costs, regulatory changes, and prevailing economic conditions, providing a comprehensive picture of Victoria's development industry. Our detailed research has informed this submission.

From UDIA CEO, Linda Allison and President, Tom Trevaskis

Victoria's housing crisis is at a tipping point. The Government's ambitious target of 800,000 new homes in the next decade is at risk unless urgent action is taken to remove the barriers limiting housing supply.

The development industry stands ready to deliver, but excessive taxes, regulatory roadblocks, and planning delays are making it harder than ever to get homes built. Housing approvals have plummeted, investor confidence has collapsed, and the rental market is in crisis. Rather than enabling supply, government policies are driving up costs, deterring investment, and slowing much-needed projects.

This budget is a defining moment: will Victoria invest in housing supply, economic growth, and job creation, or will it continue down a path of declining affordability and missed opportunities? The property sector is one of the state's largest employers and revenue generators - supporting it is essential to securing Victoria's economic future.

UDIA Victoria urges the Government to deliver a budget that removes barriers to investment, accelerates planning reform, and prioritises enabling infrastructure. Without these measures, housing affordability will worsen, and Victoria will fall further behind.

The time for bold action is now. The development industry is ready to do its part - we are calling on the Government to respond with decisive and urgent action."

Linda Allison	**Tom Trevaskis**
Chief Executive Officer	President, Board of Directors
UDIA	UDIA

Background

The urban development industry is one of the biggest contributors to the state's economy. In FY2023-24, property sector taxation made up 46.2 per cent of the Victorian Government's entire taxation revenue.[1] Meanwhile, property-related industries collectively account for approximately 22 per cent of Victoria's workforce, as noted in the May 2023 Victorian Labour Market Report. This figure does not encompass the full extent of property-related employment, omitting roles across finance, government, utilities, and other essential services that underpin the sector's broad impact. A strong property sector underpins a strong Victorian economy.

The 2025-26 State Budget will be the Victorian Labor Government's eleventh and will be the first budget following a series of significant announcements in late 2024 aimed at tackling the state's worsening housing affordability crisis. Despite the government's reliance on the property industry, the sector has faced significant challenges in recent years. UDIA welcomes the government's efforts to improve housing supply in Victoria, however, more needs to be done to support the industry responsible for delivering against its targets. This budget presents a pivotal opportunity to build on these commitments by ensuring sufficient funding and resources are allocated to realise the government's stated housing objectives and strengthen the State's flagging economy.

In 2023-24, the General Government Sector (GGS) recorded a fiscal cash deficit of $14.4 billion. The state has not achieved a fiscal cash surplus for the past eight years, and this trend is expected to continue for the next four years. This extended period of fiscal cash deficits highlights the state's heavy reliance on borrowings to fund capital needs, posing a challenge to its financial sustainability.

As such, Victoria faces significant fiscal challenges, with the State Budget's expected operating deficit of $2.2 billion in 2024–25. By June 2024, Victoria's net debt had reached $133.2 billion, representing 21.9 per cent of Gross State Product (GSP) - the highest debt-to-GSP ratio of any Australian state. Victoria's debt in outright dollar terms is expected to surpass that of New South Wales. This would make Victoria the state with the highest debt in Australia, despite its population being approximately ~25 per cent smaller than New South Wales.

In September 2024, Moody's issued a caution regarding potential downgrades to Victoria's credit rating if the government fails to control its debt trajectory, with estimates suggesting net debt could rise to $188 billion by 2028.[2] The Auditor-General's projections indicate General Government Sector (GGS) gross debt is expected to grow to $228.2 billion by 30 June 2028. [3]

The interest burden on this debt is set to rise significantly over the next four financial years. In 2023-24, 6.1 per cent of GGS operating revenue, or $5.6 billion, was allocated to servicing debt costs, compared to 3.4 per cent, or $2.3 billion, in 2019-20. Over the four financial years covered by the 2024-25 budget, the annual interest required to service Victoria's existing debt will increase from $6.3 billion to $9.3 billion. The shift from a low-interest rate environment to a higher one, post COVID-19, will continue to elevate borrowing costs, resulting in a larger proportion of interest expenses from new and refinanced debt. Although the government aims to stabilise the ratio of interest expenses to revenue in the medium term, it has not established a specific and measurable target, nor the year it expects to achieve this goal. As the government allocates more funds to interest payments, there will be less money available for public services.

[1] Victorian State Budget Papers 2023–24, Budget Paper No. 5: Statement of Finances

[2] Shannon Deery and Carly Douglas, 'Second Global Ratings Agency Warns Victoria is on Track for Credit Downgrade', Herald Sun (online, 14 September 2024) https://www.heraldsun.com.au/news/victoria/second-global-ratings-agency-warns-victoria-is-on-track-for-credit-downgrade/news-story/aabc04f062d9a773ee42eb000c57ed84.

[3] Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2023–24

The government states their fiscal strategy is to return to a surplus, with budget estimates forecasting an *operating* surplus of $1.5 billion by 2025–26. However, an operating surplus does not support record levels of government spending. A *cash* surplus is essential as it indicates that the state's cash inflows from operations surpass both recurrent and capital expenditures. Without achieving a cash surplus, the state will continue to rely on borrowings to fund its capital needs, posing a significant challenge to its financial sustainability.

Government is yet to publicly state a goal of achieving a cash surplus, and little detail has been provided of how they will achieve an operating surplus. Since 2014, the Victorian Labor Government has introduced new taxes, levies or increased existing ones 56 times, at a rate of more than five a year over the last decade to pay down its mounting debt, including a ‘temporary’ 10-year levy on businesses and landowners. The property industry, already facing significant headwinds in an environment of weakening financial viability, is concerned this trend will continue.

Meanwhile, housing and rental affordability have become urgent national issues. Affordability has steadily declined over the past 30 years, which disproportionately affects vulnerable Victorians. Inadequate housing access now poses risks to the economic and social fabric of the state, impacting productivity, stability, and overall prosperity.

In late 2023, the Victorian Government released its highly anticipated Housing Statement, targeting the delivery of up to 800,000 new homes by the next decade. This aligns with National Cabinet’s ambitious pledge of 1.2 million new homes by July 2029. The UDIA welcomed these commitments and were a signatory to the Housing Statement. Addressing housing supply is essential to addressing the affordability crisis. Yet, industry conditions remain among the most challenging seen in decades, underscoring the critical need for collaborative action to overcome barriers and achieve these transformative goals.

The urban development industry's role in Victoria's economy

In 2024, the State Government recognised the critical role of the urban development industry in addressing the state's worsening housing and economic challenges.

A close and constructive partnership between Government and industry is essential to achieve the ambitious housing targets set out in the government *Housing Statement* and combat rising affordability pressures. However, a slowdown in construction has resulted in reduced productivity, decreased economic activity, and limited employment growth within the sector. Research conducted by Urbis for UDIA highlights the significant impacts facing the development and construction industries:

- Approximately 27 per cent of Australia's 200 largest construction companies are operating at a loss, primarily due to escalating costs and limited project commencements.
- An estimated 1,800 construction businesses faced insolvency by mid-2024, exacerbating employment uncertainty within Victoria's development industry.

The urban development industry is one of the biggest contributors to the state's economy and one of its largest employers.

In 2014, property taxes were responsible for less than 18 per cent of all state government tax revenue. Over the past decade, this has risen to over half of the state's tax revenue and is forecast to remain higher than 40 per cent over the next 4 years.

Property taxes as a percentage of total State taxation revenue have grown steadily since 2014:

- Over $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;
- More than $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.

Residential development and the construction industry kept the lights on during the COVID-19 pandemic and it remains one of the biggest contributors to the state's economy. Residential development generated almost $14 billion in tax receipts last year and provided around 333,165 Victorian jobs – we play an important role in Victoria's prosperity and will play a leading role in meeting the State's housing targets.

UDIA research shows that combined taxes and charges on greenfield developments now average $2.5 million per hectare, accounting for 44 per cent of the median lot price. In urban areas, these costs are approximately $180,000 per dwelling, or about 30 per cent of the average dwelling price.

This high cost of taxes and charges discourages development and adds significantly to the cost of housing. A marked reduction in development activity leads to a decreased supply of housing, exacerbating the existing housing crisis. With fewer homes being built, the market struggles to meet the demand, driving prices even higher and further limiting affordability, whilst reducing tax revenue charged on the development and sale of new properties.

Importantly, increased rates of property-related taxation risks undermining the very industry that supports the state's economic stability. To address these issues, it is imperative that the government reviews and reduces the existing taxes and charges on property development. By doing so, it can support the property industry, increase housing supply, and improve housing affordability for all Victorians.

State of the market

Victoria's population growth remains robust, with projections indicating a rise to 11.2 million by 2056 and Melbourne's population reaching 9 million by 2050.[4] This growth is primarily driven by overseas and interstate migration, attracted by the state's renowned liveability. While historically beneficial to Victoria's economic prosperity, the escalating challenge of housing the expanding population poses significant risks to the state's competitiveness and prosperity.

The demand for housing is increasingly outstripping supply, leading to unaffordable house prices and a strained rental market. Rising cost-of-living pressures have eroded consumer confidence, leaving more Victorians unable to enter the housing market and intensifying competition in the rental sector.

The rapid return to post-pandemic population growth, coupled with persistent supply shortages, has exacerbated the state's housing crisis. The Reserve Bank of Australia's series of cash rate hikes, aimed at curbing inflation, have significantly impacted consumer borrowing capacity. UDIA research indicates a substantial reduction in borrowing power for the average Victorian couple, while median home prices in Melbourne have reached nearly $1 million. Consequently, more Victorians are forced to remain in an increasingly competitive rental market, which has seen a 14 per cent increase in 2024.

The financial feasibility of homeownership in Melbourne has become increasingly challenging. The latest Australian Bureau of Statistics data indicates the median weekly earnings for employees in Australia is $1,396, equating to approximately $72,592 per annum before tax.[1] For single parents, who are more likely to work part-time, the median annual income is approximately $65,000 before tax.

CoreLogic's February 2025 data indicates the median Melbourne apartment is $602,602. A 20 per cent deposit for a median-priced unit would be $120,520. For a single parent earning $65,000 per year, saving this amount requires saving 20 per cent of their post-tax income annually, while covering essential living costs. At that rate, it would take approximately 9 to 10 years to accumulate the necessary deposit. Whilst their salary may increase over this period, it does not account for the likely property price and living expense increases during that period.

Australian lenders typically allow individuals or householders to borrow up to 5 to 6 times their gross annual income, depending on various factors including existing debts and living expenses. For a single parent with an annual income of $65,000, this would translate to a maximum mortgage limit of approximately $325,000 to $390,000. This amount falls well short of the $482,082 needed to purchase a median-priced unit in Melbourne, indicating that even saving for a decade to raise a 20 per cent deposit is no longer sufficient to secure a mortgage.

For a couple with two children, where the parents collectively earn a median pre-tax household income of approximately $145,184 per annum, the financial feasibility of homeownership remains increasingly out of reach. Australian lenders typically allow individuals or households to borrow up to 5 to 6 times their gross annual income, depending on various factors including existing debts and living expenses, meaning this couple could expect to secure a mortgage ranging between approximately $725,920 and $871,104, subject to their existing liabilities and living expenses.

However, with the median house price in metropolitan Melbourne reaching $917,132 in February 2025, their maximum borrowing capacity falls nearly $50,000 short. Assuming the household is able to save 20 per cent of their post-tax income annually, they would be able to set aside approximately $21,800 per year. At this rate, it would take more than eight years to accumulate the necessary $183,426 minimum 20 per

[4] Department of Environment, Land, Water and Planning, Victoria in Future 2019 (Report, 2019) https://www.parliament.vic.gov.au/4af7a1/contentassets/1e833e26d6a4491f9b7488a2ef553b28/vpa-further-info-victoria_in_future_2019.pdf.

cent deposit and then a further near three years to raise the shortfall, not accounting for potential property price increases, inflation, or unexpected financial burdens that may arise during this period.

Even if this couple were to purchase a home at the median Melbourne house price from back in the March 2024 quarter, which was $853,000, amounts that outer suburbs are rapidly approaching, a 20 per cent deposit would amount to $170,600, leaving a remaining loan balance of $682,400. Under a standard 30-year loan term with a 6.1 per cent per annum interest rate, monthly repayments would be approximately $4,100. After tax, the couple's net household income would be approximately $109,000 per annum or around $9,083 per month. This means mortgage repayments alone would still consume roughly 45 per cent of their post-tax income, far exceeding the commonly accepted threshold for mortgage stress, which is defined as spending more than 30 per cent of household income on housing costs.

Meanwhile, research for UDIA by Urbis highlights a significant decline in the apartment pipeline within developed areas of Melbourne – a result of significant economic headwinds and a challenging tax and regulatory landscape.[5] Between 2016 and 2021, an average of 4,400 apartments were created annually; however, projections for 2022 to 2027 estimate an average of just 2,000 apartments per year. This dramatic reduction in supply, combined with a surge in overseas migration, is expected to worsen the existing housing shortage and increase housing stress among Victorians.

Additionally, a shortage of zoned land in the state's designated growth areas, resulting from prolonged strategic and statutory planning delays, is anticipated to impact dwelling supply in traditionally strong market sectors. Research indicates that underlying demand (27.5 years zoned and unzoned) far exceeds incoming supply (13 years), underscoring the urgent need for strategic interventions to address these challenges.

The housing affordability crisis in Victoria has intensified through 2024, prompting strong calls from industry, government, and community stakeholders for intervention. UDIA continues to identify key areas driving the housing crisis: rising construction costs, weakened consumer confidence, and declining investor sentiment.

- **Escalating construction costs**
  The confluence of global supply chain issues and an elevated infrastructure pipeline in Victoria has continued to drive up construction costs. Material and labour shortages remain acute, with prices showing no sign of abatement. The Urbis 2024 report highlights that only half of Melbourne's apartment pipeline is active, with approximately 35,000 units approved but not yet moving forward due to financial viability concerns. Higher costs are a significant barrier, as increasing interest rates compound expenses for developers and potential buyers alike.

- **Consumer confidence under pressure**
  High interest rates, inflationary living costs, and reduced borrowing power are curbing housing accessibility for many Victorians. The Reserve Bank of Australia's rapid rate hikes have sharply reduced purchasing power. Reports show that borrowing capacity has decreased by approximately $300,000 for the average Victorian couple, diminishing the prospect of home ownership for middle-income households. Urbis also notes a pronounced shortage of diverse housing options, contributing to reduced buyer confidence and placing additional strain on the rental market.

- **Investor sentiment and market feasibility**
  This year, industry sentiment within Victoria has plunged to unprecedented lows since the pandemic, remaining negative for three straight quarters and lagging behind all other states.[6] Staffing expectations have plummeted to zero, in stark contrast to scores of eight in NSW and 14.3

[5] Urbis Pty Ltd, UDIA Apartment Research: July 2024 Update (Report, Urban Development Institute of Australia, July 2024)

[6] Survey shows low building expectation amid rising challenges for property industry - Property Council Australia

in Queensland. This sustained negative outlook has prompted developers, builders, and investors to seek opportunities elsewhere. Given the capital commitments and staffing requirements, it is difficult to bring capital back once it has gone elsewhere. The commencement of apartments and townhouses has dropped by 80 per cent since 2016, and home approvals are below 52,000 in the 12 months leading up to September 2024, marking the lowest figure for a financial year in over a decade.

Investor sentiment in Victoria has been dampened by a complex tax landscape, including stamp duty surcharges and property taxes on foreign buyers. The Urbis data indicates that policy changes in recent years have resulted in a reduction of foreign investment by over 70 per cent, contributing to fewer project launches and reduced supply. This tax regime has diminished Victoria's competitive edge, causing some developers to shift focus interstate where the investment climate is more favourable.

Considering these challenges, UDIA is advocating for decisive government action. Proposed measures include tax relief initiatives, re-evaluation of property-related levies, and targeted policies to incentivise new construction at scale. These initiatives are essential to restoring affordability, boosting investor and consumer confidence, and supporting the state's ability to meet its housing targets in the face of unprecedented demand.

UDIA's Pre-Budget Submission 2025-26

UDIA's Pre-Budget Submission 2025-26 is presented against a backdrop of urgent challenges impacting the development industry and housing affordability. Despite ongoing efforts to improve housing supply, the rate of new dwellings under construction has slowed, with lower levels of completions occurring in 2024 than in previous years.

Rising construction costs, combined with a complex taxation environment, have made residential development increasingly unviable, especially compared to other states. The State Government's current focus on budget repair follows unprecedented infrastructure spending, pandemic-related expenditure, and associated project cost escalations, all of which have driven state debt to record levels.

In light of these conditions, our submission aims to offer balanced and targeted recommendations that support the government's core priorities: boosting economic productivity, increasing housing supply to address demand pressures, reducing housing costs, and creating employment opportunities for Victorians. Our proposed measures are grounded in current market realities and are designed to be actionable within the state's fiscal constraints.

We encourage the Allan Labor Government to consider these recommendations on their merit. UDIA and its members are committed to working with Government to achieve outcomes that benefit the entire community. We look forward to collaborating with the State Government to foster more housing opportunities and employment growth for Victorians in 2025-26.

Key Recommendations

1 **Abolish or review Windfall Gains Tax (WGT) and introduce a rate cap**. The extremely high potential rates of WGT and the mechanism's inherent uncertainty is disincentivising development of established suburbs, urban regeneration areas and the regions.

2 **Review the existing stamp duty regime**, including **consideration of a transition to a broad-based levy**; and **review existing duty rates and corresponding concession thresholds**, to account for bracket creep and runaway house prices.

3 **Remove the Foreign Purchaser Additional Duty (FPAD) for new builds**. This duty is restricting investment in Victoria's residential development sector, limiting the delivery of new housing, reduces revenues going back to the government.

4 **Extend the off-the-plan concessions** to support the build-to-sell apartment pipeline and address the housing supply shortage.

5 **Prioritise funding and delivery of planned infrastructure that unlocks the delivery of new housing supply**, supports existing growth area communities, and delivers a strong return on investment for the State.

6 **Adopt the recommendations of Infrastructure Victoria's *Fast, Frequent, Fair: How Buses Can Better Connect Melbourne*, 2023, report** into improving metropolitan Melbourne's bus network, and improve connections to Melbourne's burgeoning growth area suburbs.

7 **Adequately resource the state's strategic and statutory planning authorities to meet Victoria's record housing delivery targets** and ensure accountability to these delivery targets. It is implausible to meet the Government's aspirational objectives without adequate resourcing of the Victorian Planning Authority (VPA) and other relevant authorities.

8 **Ensure regional councils are adequately resourced in line with updated population projections** to support planning approvals, infrastructure and service delivery.

9 **Address the skills shortages in planning, engineering and similar fields that support development. Streamline pathways to qualification, enhance training accessibility and provide targeted funding.** Strategic investment into education and credentialing would significantly mitigate workforce bottlenecks, expedite housing development, create jobs and support economic growth.

10 Work with industry to research and **develop a suitable data centre policy that aligns with the Housing Statement and Climate Change Strategy** to ensure Victoria's capitalisation on this economic and innovative opportunity doesn't come at the expense of residential access to basic utilities.

1

Abolish or review Windfall Gains Tax (WGT) and introduce a rate cap. The extremely high potential rates of WGT and the mechanism's inherent uncertainty is disincentivising development of established suburbs, urban regeneration areas and the regions.

Notwithstanding the UDIA's overarching opposition to the WGT, we implore the government to review the tax urgently and work with industry to address its significant impact on housing delivery, including address issues previously raised by industry relating to calculating the rate and the timing of collection of WGT.

A major consequence of WGT is its impact on development in urban renewal areas and regional Victoria.

The WGT officially came into effect on 1 July 2023 and is applicable in Victoria where there is no Growth Area Infrastructure Contribution (GAIC). As GAIC does not currently apply in Regional Victoria, WGT is therefore applicable to the regions on any land rezoned.

The WGT has the potential to be levied at a much higher rate of tax on a per-hectare basis than GAIC. The tax has no defined cap or upper limit and is negatively impacting regional development. Victoria's regional centres offer affordability and lifestyle options that for many, are not attainable in greater Melbourne at present. Regional Victoria will play a key role in accommodating future population growth.

The regional development sector also plays a significant role in providing employment for regional Victoria. A straightforward solution to give certainty to the regional development sector would be to impose a cap on the WGT liabilities to ensure they are no higher than a GAIC equivalent. This creates parity across markets and gives the regional development industry certainty on their future tax liability.

The current situation creates significant risk and may jeopardise project viability, stymying future development. The current WGT settings in regional Victoria are further exacerbating supply issues and placing upward pressure on house prices. Placing a cap on the WGT equivalent to GAIC would be a straightforward reform that would be welcomed by industry. At present, it is possible that in some locations the WGT liability could be up to four times higher than if GAIC were applied.

WGT liability, and uncertainty associated with its valuation, is impacting the feasibility of projects in brownfield settings. Analysis by UDIA members indicates that the uplift tax on a hypothetical 20-hectare site in regional Victoria will equate to a tax rate of approximately $250,000 per hectare. This is more than double the GAIC levy. We agree that land subject to GAIC should be exempt from the application of the tax, although as a matter of equity, a failure to cap the rezoning tax at the GAIC rate will place many development sites at a competitive disadvantage to Melbourne's growth corridors.

WGT also acts as an impediment to urban renewal as it is an unpredictable and costly liability for developers. Feasibility of projects are under immense pressure owing to multiple cost pressures, and as a result many projects across Melbourne have been deferred, stalled or put into administration.

The Government has ambitious targets for increasing housing in existing areas, particularly Melbourne's 'missing middle' suburbs. The success of the Housing Statement is reliant on the development industry to build new homes, and quickly. WGT has a detrimental impact to project feasibility.

2

Review the existing stamp duty regime, including consideration of a transition to a broad-based levy; and review existing duty rates and corresponding concession thresholds, to account for bracket creep and runaway house prices.

Victoria's housing affordability crisis is compounded by a taxation system heavily reliant on property transactions, specifically land transfer duty (stamp duty). In the 2024-25 State Budget, stamp duty revenue is forecasted at $8.5 billion, a figure reflecting the volatility inherent to a tax tied to transaction volumes. Market fluctuations due to interest rate changes and property sentiment have a direct impact on revenue. Additionally, the nature of stamp duty is also a significant impediment to primarily first-time home buyers, who must find additional tens of thousands of dollars to cover the duty to purchase their first home. These issues underscore the need for stamp duty reform, to a more stable and predictable model for Victoria to support both fiscal stability and housing affordability.

UDIA recommends the following measures:

- Transitioning to a broad-based property tax regime – British Columbia's model offers an effective precedent, where a broad-based annual property tax is used alongside a modified transfer tax, creating a stable revenue stream for government, whilst reducing barriers for homebuyers who avoid the significant upfront lump sum. This model has helped maintain housing affordability by shifting tax burdens from large upfront costs to more manageable annual payments in perpetuity, allowing for increased housing mobility and reliable and predictable revenue for the government.
- Implementing targeted, temporary relief measures – Providing short-term relief could stimulate new residential construction and bolster the housing supply, supporting the Victorian economy and workforce in the sector.
- Revising concession thresholds for stamp duty relief – Adjusting thresholds to reflect current property values would address bracket creep and reduce the cost burden for moderate-income and first-home buyers, alleviating affordability pressures. It would also incentivise downsizers to free up larger homes.

Victoria's reliance on stamp duty has historically made the state's budget vulnerable to shifts in property market activity. A gradual shift toward a broad-based property tax would not only improve revenue consistency but also promote greater mobility in the housing market by lowering entry barriers, particularly benefiting first-home buyers and those needing to downsize.

Adopting a broad-based levy system, as evidenced by British Columbia's approach, could foster a more predictable revenue stream while aligning with the Victorian Government's objectives of increasing housing affordability and supply. This reform would make home ownership more attainable by distributing tax obligations over time, encouraging economic activity through higher transaction volumes, and contributing positively to the state's fiscal stability.

Transitioning from the existing regressive transfer duty to a broad-based system

Housing Australia, formerly the National Housing Finance and Investment Corporation (NHFIC), recently called for the removal of stamp duty, as it directly impacts housing mobility, and its removal would optimise the use of existing national housing stock.

Grattan Institute research shows that transitioning to **a broad-based property tax could make Victoria between $4 billion and $5 billion better off and be more reliably accounted for than the existing stamp duty model**. UDIA's submission to the Legislative Council's Inquiry into Land Transfer Duties, tabled in Parliament in 2023, illustrated the detrimental impact of stamp duty on housing affordability and the state's economy.

Compared to every other state and territory across Australia, Victoria is the most reliant on stamp duty, with well over 30 per cent of total tax revenue attributable to the tax. The State Government's overreliance on tax revenue from urban development, including through stamp duty, is limiting the state's economic productivity and impacting the sector's ability to address Victoria's housing supply shortage. Additionally, changes to market conditions, including to price and volume of transactions, make stamp duty revenue uniquely volatile. This is especially the case with significant market events – as we are experiencing now.

Stamp duties have led to under-investment in the property sector and the insufficient distribution of property among the population. Removing stamp duty will incentivise sector investment through increased transaction volume and provide much-needed economic stimulus.

The Economic Impact of Stamp Duty

Three Reform Options, a Deloitte Access Economics report, also found that the removal of stamp duty would result in the creation of an additional 5000 construction jobs by stimulating demand. The additional cost of stamp duty and other government charges continue to be a defining consideration for potential purchasers. The cost of housing, including the added cost of land transfer duties, partnered with a historic lack of supply, has pushed first-homebuyers out of the housing market and back into the rental market. This has meant critical rental stock that would have otherwise become available as this cohort transitions to homeownership, remains unavailable.

A strong return to international migration is adding even greater pressure to the housing and rental markets. Land transfer duties not only impact the homeowner market but also affect Victoria's rental availability and cost.

Review existing land transfer duty rates and corresponding concession thresholds to account for bracket creep and runaway house prices

Stamp duty rates have failed to keep pace with runaway house prices, exacerbating the overall cost of purchasing a new home. Since stamp duty is a considerable upfront cost, it is a significant barrier to entry for first-time homebuyers and those looking to right-size.

UDIA calls on the State Government to review existing stamp duty brackets to redress decades of unchecked stamp duty bracket creep, and institute indexation in line with inflation in the housing market. With Metropolitan Melbourne's median house price currently around $933,500, stamp duty rates are having a crushing effect on homebuyers in Melbourne. The story is the same in regional Victoria, where the median house price is $610,000.

The Planning and Environment Act defines a moderate-income couple, with no dependants, as earning between $71,451 to $107,170 per annum. The impact of stamp duty on housing affordability for new homeowners is sobering – a median property ($933,500) results in a Stamp Duty fee of $51,080. A couple with no dependents, on a moderate income (defined in the Planning and Environment Act as between $71,451 to $107,170 per annum), cannot feasibly purchase a median property in Metropolitan Melbourne. Importantly, the median annual income for many essential services workers is within the defined moderate-income bracket. With the prevailing reduction in buyer capacity, a couple at their upper annual earning threshold of $107,170 would have a borrowing capacity of $497,310 with a 10 per cent deposit – well below the $933,500 needed for a median home.

According to research conducted by Westpac, only 23 per cent of 25-34-year-olds (the traditional first home buyer age bracket) have up to $15,233 saved towards buying a home. In a dual-income household, this would equate to $30,466 – a third of the total deposit ($97,500) required for a median house in Metropolitan Melbourne. In addition, UDIA considers it necessary to update corresponding thresholds for existing concession measures, including but not limited to: First-home Buyer Exemption or Concession from stamp duty for properties valued under $600,000 or an adjusted reduction for properties between $600,001 - $750,000. The Victorian Government temporarily increased the land transfer duty concession threshold in 2020, to under $1 million, between 25 November 2020 and 1 July 2021. This temporary measure, implemented to stimulate the market and support Victoria's post-pandemic economic recovery, acknowledges the impacts of the existing stamp duty regime.

Principal Place of Residence (PPR) Concessions are currently available for properties valued at up to $550,000 that are intended to be the resident's intended primary place of residence. Pensioner Concession, a one-off duty exemption or concession for a new or established home valued up to $750,000. The State Government should also consider removing the one-off limitation to this concession to encourage right-sizing, particularly for older Victorians as their housing needs change over time.

Housing Australia, formerly the National Housing Finance and Investment Corporation (NHFIC), has previously called for the removal of stamp duty, as it directly impacts housing mobility, and its removal would optimise use of existing national housing stock. Grattan Institute research shows that **transitioning to a broad-based property tax could make Victoria between $4 billion and $5 billion better off** and be more reliably accounted for than the existing stamp duty model.

UDIA's submission to the Legislative Council's Inquiry into Land Transfer Duties, tabled in Parliament in 2023, illustrated the detrimental impact of stamp duty on housing affordability and the State's economy. Compared to every other state and territory across Australia, **Victoria is the most reliant on stamp duty, with well over 30 per cent of total tax revenue attributable to the tax**.

The State Government's overreliance on tax revenue from urban development, including through stamp duty, is limiting the State's economic productivity, and impacting the sector's ability to address Victoria's housing supply shortage.

Additionally, changes to market conditions, including to price and volume of transactions make stamp duty revenue uniquely volatile. This is especially the case with significant market events – as we are experiencing now.

Stamp duties have led to under-investment in the property sector and the insufficient distribution of property among the population. Removing stamp duty will incentivise sector investment through increased transaction volume and provide much needed economic stimulus.

The Economic Impact of Stamp Duty: Three Reform Options, a Deloitte Access Economics report, also found that **the removal of stamp duty would result in the creation of an additional 5000 construction jobs** by stimulating demand.

The cost of housing, including the added cost of land transfer duties, partnered with a historic lack of supply, has pushed first-homebuyers out of the housing market and back into the rental market. This has meant critical rental stock that would have otherwise become available as this cohort transitions to homeownership, remains unavailable.

A strong return to international migration is adding even greater pressure to the housing and rental markets. Land transfer duties not only impact the homeowner market but also affect Victoria's rental availability and cost.

In addition, UDIA considers it necessary to update corresponding thresholds for existing concession measures, including but not limited to:

- **First-home Buyer Exemption or Concession**
  This should apply to stamp duty for properties valued under $600,000 or an adjusted reduction for properties between $600,001 - $750,000. The Victorian Government temporarily increased the land transfer duty concession threshold in 2020, to under $1 million, between 25 November 2020 and 1 July 2021. This temporary measure, implemented to stimulate the market and support Victoria's post-pandemic economic recovery, acknowledges the impacts of the existing stamp duty regime.

- **Principal Place of Residence (PPR)**
  The PPR Concession is currently available for properties valued at up to $550,000 that are

intended to be the resident's intended primary place of residence. UDIA research shows a significant reduction in buyer capacity of up to $300,000 for the average Victorian couple, and a rise in the median house price in Melbourne to nearly $1 million.[7] This misalignment between market realities and the concession cap needs to be addressed if the PPR concession is to serve its intended purpose of increasing property ownership.

- **Pensioner Concession**
  This should apply as a one-off duty exemption or concession for a new or established home valued up to $750,000. The State Government should also consider removing the one-off limitation to this concession to encourage right sizing, particularly for older Victorians as their housing needs change over time.

3

Remove or provide temporary relief from the Foreign Purchaser Additional Duty (FPAD) for foreign investor off-the-plan purchases

The Victorian Government should remove or provide temporary relief from the Foreign Purchaser Additional Duty (FPAD) specifically for foreign investor off-the-plan purchases. This targeted approach aims to stimulate investment in the residential development sector, enhance housing supply, and alleviate rental market pressures in developed areas with an approach that avoids Victorians missing out on buying established homes to foreign buyers.

In addition to a lack of homes for purchase, Victoria is experiencing a severe housing shortage in rental markets that have reached unprecedented levels. Data from Victoria's Department of Families, Fairness and Housing reveals that active rental bonds declined by more than 21,000 properties in the 12 months to June 2024. This is the first recorded annual decline since records began in 1999, underscoring the urgency of addressing constraints on housing supply. Foreign investment in residential property has historically contributed significantly to new housing supply, particularly in the off-the-plan market, which provides critical stock for the rental sector.

The Urbis Melbourne Apartment Market Conditions Report 2024 prepared for the UDIA highlights the FPAD has restricted the state's ability to deliver much-needed housing supply by having a detrimental impact on development feasibility, pushed up rental prices and reduced economic growth. FPAD imposes an 8 per cent surcharge on foreign investors, discouraging capital inflow into Victoria's residential market. This surcharge has played a direct role in reducing pre-sales and diminishing the viability of new residential developments, ultimately limiting housing supply and exacerbating affordability issues.

During the peak of Melbourne's off-the-plan market in 2015-16, foreign buyers accounted for a significant portion of pre-sales, facilitating the delivery of thousands of new dwellings. These buyers played a critical role in securing the pre-sales required for construction financing. However, following the introduction of FPAD, foreign purchaser investment approvals for new dwellings plummeted by 84 per cent, from $6.87 billion in 2016 to just $1.1 billion in 2019, before the COVID-19 pandemic further impacted market activity.

The market has essentially flatlined since 2019. Without sufficient pre-sales, development feasibility is significantly impaired, leading to project cancellations or delays. This, in turn, reduces the supply of rental properties, driving up rents. Victoria's median weekly rents have surged since FPAD was introduced, exacerbating challenges for renters and prospective homebuyers alike.

[7] Melbourne's Affordability Challenge, UDIA Victoria, 2024

The feasibility of off-the-plan development is often linked to securing adequate pre-sales, which are essential for obtaining construction financing. Developers typically rely on a certain threshold of pre-sold units to satisfy financial institutions' requirements, ensuring that projects are financially viable before construction commences. However, the domestic market alone often falls short in providing sufficient demand for off-the-plan purchases. Our members report that many Australians prefer to rent during early adulthood and transition to purchasing homes or townhouses when starting families. This cultural preference results in limited domestic demand for pre-construction purchases of apartments, thereby constraining the pre-sales necessary for project viability. Foreign investors purchasing off-the-plan properties play a crucial role in bridging this demand gap. By purchasing units before construction, these investors enable developers to meet pre-sale targets, which in turn secures finance allowing them to proceed with construction. Once completed, these properties provide jobs, additional rental stock and properties for domestic purchase.

FPAD has not only limited housing supply but has also had broader economic repercussions. Urbis estimates that foreign investor withdrawal has resulted in thousands of foregone dwellings, leading to job losses in the construction sector and reduced economic activity in associated industries. The loss of investment due to FPAD's imposition has directly impacted state revenue and undermined the government's efforts to address the housing crisis.

Further, removing or suspending FPAD could boost foreign investor participation, generating increased stamp duty revenue and catalysing greater economic activity. The Urbis report finds that if foreign off-the-plan sales were to increase by approximately 160 per cent from current levels, this would achieve revenue neutrality for the State Revenue Office (SRO) while reinvigorating the supply pipeline. Despite this, foreign investment would still remain well below 2016 levels, indicating substantial scope for further growth without distorting market dynamics.

Removing or providing temporary relief from FPAD for foreign investor off-the-plan purchases would signal that Victoria is open for business and committed to addressing its housing challenges. Encouraging foreign investment in this sector would not only facilitate the construction of new developments but also increase the supply of rental properties, thereby helping to stabilise or potentially reduce rental prices. This approach aligns with broader economic objectives by stimulating construction activity, creating jobs, and enhancing housing affordability for Victorians.

4

Extend off-the-plan concessions to support the build-to-sell apartment pipeline and address the housing supply shortage.

The expansion in October 2024 of the off-the-plan (OTP) concessions by the Victorian Government is a clear recognition of the critical role that lower taxes play in stimulating property development, particularly in the buy-to-sell market. These concessions have already shown their potential to reactivate sales and support the build-to-sell apartment pipeline, which is essential for addressing the housing supply shortage. By reducing the financial burden on developers and investors, the government has acknowledged that lower taxes can incentivise new projects, thereby increasing the volume of available housing. This is particularly important in a market where affordability pressures are driving demand towards more cost-effective housing options, such as apartments and units.

Extending the OTP concessions beyond the initial 12-month period is crucial for maximising their impact. The current timeframe is insufficient for developers to initiate new projects, which means the full benefits of the concessions cannot be realised. Extending the concession would provide the stability and certainty needed for developers to plan and execute new developments. This would not only help to increase the supply of apartments, units, and townhouses but also support the broader economic growth of the region by creating jobs and stimulating investment. Additionally, including completed but unsold properties in the eligibility criteria would further minimise market distortions and ensure that the concessions have a comprehensive and desirable impact on the housing market. UDIA Victoria notes that there are currently parallel OTP concessions running (the existing concessions and the temporary concessions announced in 2024). In extending the temporary concessions, it would be more efficient to harmonise the two OTP concession rules.

5

Prioritise funding and delivery of planned infrastructure that unlocks the delivery of new housing supply, supports existing growth area communities, and delivers a strong return on investment for the state.

Victoria's population is set to reach 11.2 million by 2056, with **Melbourne on track to becoming a city of 9 million by 2050**. In the last decade, half of Melbourne's population growth has occurred in Melbourne's growth areas. To meet the State Government's policy target, around 24,000 additional homes will need to be built in Melbourne's growth suburbs, each year, over the next decade.

Despite the strong need to increase development density in our established areas, greenfield development will play a pivotal role in housing Victoria's growing population and providing affordable housing. Infrastructure Victoria's *Our Home Choices* report, 2023, acknowledges this important role – noting that many households would choose to live in our growth areas, even if established areas were more affordable. The report notes **that four out of five households surveyed would not trade a detached home in a new suburb for a townhouse or apartment of a comparable price, closer to a city centre**.

Long-term underinvestment in the provision of critical infrastructure and amenities, including schools, healthcare centres, community hubs, recreation facilities, public open space and transport connections is a major issue for existing growth area communities. These communities are at risk of experiencing entrenched disadvantage as a result of lagging delivery of population-serving infrastructure.

In addition, infrastructure staging and delivery is a major issue for residential development. Without timely State Government investment in enabling infrastructure, hundreds-of-thousands of new homes and jobs will fail to be delivered over the next decade.

We encourage the State Government to establish a publicly available pipeline of priority state infrastructure investments, which:

- Identifies all state infrastructure required to service Melbourne's growth areas over a 10-year period;
- Is based on an objective cost-benefit analysis with a focus on infrastructure that will enable the greatest development of housing and jobs in growing suburbs;
- Allows consideration for early funding of projects if savings can be delivered; and
- Maximises the affordable delivery of new homes to support the State's housing targets.

6

Adopt the recommendations of Infrastructure Victoria's *Fast, Frequent, Fair: How Buses Can Better Connect Melbourne*, report into improving metropolitan Melbourne's bus network, and improve connections to Melbourne's burgeoning growth area suburbs.

Infrastructure Victoria's *Fast, Frequent, Fair: How Buses Can Better Connect Melbourne* report outlines how upgrading Melbourne's metropolitan bus network will significantly improve connectivity for all Melburnians, particularly for new communities in the growth areas.[8]

UDIA urges the Government to adopt the ten recommendations:

- Increase the frequency of bus services, starting with outer and growth area suburbs;
- Optimise the existing bus network through fast and direct routes;
- Extend operating hours to match passenger demand and improve timetable integration;
- Strengthen the role of community transport. A similar investment by the NSW Government provided $96 million to collectively fund the Home and Community Care Program and Community Transport Program in the 2022-2023 budget;
- Speed up buses through on-road priority and smarter technology;
- Plan and deliver bus rapid transit across Melbourne;
- Improve the bus stop and interchange experience;
- Substantially reduce bus fares relative to other modes;
- Update the Principal Public Transport Network; and
- Provide funding certainty for growth area buses.

This will not only enhance connectivity to Melbourne's growth areas but also **cut congestion by reducing the number of private vehicle trips by up to 63,000 per day, reduce greenhouse gas emissions by 78,000 tonnes annually**, and generate significant returns on investment through social, economic, and productivity uplifts.

Importantly, implementing the recommendations in full is feasible within a constrained budgetary position. Compared to the relatively high costs associated with constructing new tram or train lines, optimising the bus network will deliver high returns for a fraction of the investment. The report finds that targeted investment in high-frequency bus services across Melbourne would **generate up to $2.4 to $3.3 billion worth of travel time-saving benefits** to public transport users over 20 years. That's a potential return of up to $3.3 for every $1 spent.

7

Adequately resource the state's strategic and statutory planning authorities to meet Victoria's record housing delivery targets and ensure accountability to these delivery targets. It is implausible to meet the Government's aspirational objectives without adequate resourcing of the Victorian Planning Authority (VPA) and other relevant authorities.

Victoria is Australia's fastest-growing state, with a projected population of almost 9 million by 2050 – with Melbourne already overtaking Sydney as Australia's largest city. However, a lack of funding, resources and skilled labour are causing extensive planning delays and constraining housing supply, with the rate of home construction continuing to decline. Addressing this requires an increase in housing supply and careful planning to manage the state's long-term population growth.

The State Government has announced the Big Housing Build target of over 12,000 new homes by 2026, along with supporting planning for 60,000 additional homes in 10 activity centres across Melbourne and

[8] Fast, frequent, fair: how buses can better connect Melbourne

the goal of delivering 800,000 homes by 2034 outlined in the Housing Statement. Limited supply continues to be a significant issue impeding access to housing across Victoria, particularly in designated growth areas. **Timely release of developable land is essential to ensuring Victoria's housing market can meet the demand of its growing population** – the Victorian Planning Authority (VPA) and local government planning bodies will be central to these government initiatives being executed.

The VPA had their operating budget slashed in 2023-24 by more than 40 per cent. We recommend the State Government recommits additional funding each year to better resource the VPA, relevant planning and approval authorities and local government planning departments, to enable the delivery of much-needed housing supply across Melbourne and regional Victoria. Importantly, we also implore the government to hold its planning authorities to account with their proposed targets and encourage transparent, public reporting against these targets to ensure they are met.

Following the Greenfields 10-year plan announcement by the Victorian State Government in October 2024, it is crucial to ensure that the VPA, in its new location within the Department of Transport and Planning, is sufficiently resourced to achieve the ambitious goals of the plan.

8

Ensure appropriate resourcing of regional councils to support infrastructure and service delivery in line with updated population projections.

Victoria's regional councils are facing significant challenges in planning and delivering for their expected population growth. For instance, draft Housing Targets, released in 2024, show the City of Greater Bendigo is now required to plan for a population of 172,239 by 2046, an increase of ~48,000 residents from its current population.[9] The City of Greater Geelong is to plan for 400,000 residents by 2040,[10] with a current population of 282,809 and the City of Ballarat needs to plan for a population of 200,000 which will require new land provisions of around 40,000 new lots. This rapid growth requires substantial investment in infrastructure such as roads, schools, healthcare facilities, and public transport to accommodate the additional residents.

From July to December 2024, the Greater Bendigo Council received 355 property-related planning applications for approval and completed 335 applications in the same period. Greater Geelong Council received 574 applications and completed 573, and Greater Ballarat Council received 278 applications and completed 283.[11] The housing and infrastructure required to accommodate the projected population growth will demand a significant increase in resourcing to assess and approve the higher volume of planning decisions. It is critically important that priority is given to ensuring these councils grow their capacity in line with significant increases in applications.

The Victorian Government has recognised the importance of investing in regional areas. The 2024-25 Victorian Budget allocated over $2 billion to support infrastructure, services, and projects that matter to regional Victorians. This includes significant investments in healthcare, education, and transport infrastructure, which are crucial for supporting growing communities. To address the clear need for town planners in the regions, the Victorian Government announced it would contribute $500,000 towards a Regional Planner Cadetship Program. The program aims to support new planners to enter the rural and regional local government workforce, directly addressing a state shortage of planners that is slowing planning processes, which in turn slows down the development of new homes. There are 48 regional and rural councils in Victoria. This equates to an allocation of $10,416 per council.

The program acknowledges the pending skills shortage; however, it is not yet clear how this distribution will work in practice or how it will prevent regional growth plans from being derailed due to a lack of

[9] Rural and regional Victoria | Victorian Budget 24/25; Australian Bureau of Statistics' official 2023 population figure for all Local Government Areas

[10] Geelong Major Events Strategy 2024-29, The City of Greater Geelong

[11] Planning permit activity reporting

planning resources. Without adequate funding, councils will struggle to hire and retain the skilled staff necessary to manage the growing demand.

9

Address the skills shortages in planning, engineering and similar fields that support development. Streamline pathways to qualification, enhance training accessibility and provide targeted funding. Strategic investment into education and credentialing would significantly mitigate workforce bottlenecks, expedite housing development, create jobs and support economic growth.

Victoria faces significant workforce shortages across key planning and development roles, including Cultural Heritage Management Plan (CHMP) heritage advisers, civil engineers specialising in water, building surveyors and renewable energy construction workers. These shortages delay essential infrastructure projects, limit housing supply, and increase development costs due to extended project timelines.

A strategic investment in education and credentialing can mitigate these workforce bottlenecks, expediting housing development, create jobs, and generate economic benefits. This is not an issue unique to Victoria, and there are numerous global precedents. Germany's dual education model for example, comprises of several TAFE courses combining academic learning with practical on-site training, effectively bridging workforce shortages. The UK has reduced training times in the construction sector through competency-based credentialing. Victoria could consider implementing similar streamlined credentialing and licensing processes to help professionals transition into high-demand areas quickly.

Targeted investment in education and streamlined credentialing would help address workforce shortages, accelerating housing development, job creation, and economic growth.

10

Work with industry to develop a coherent data centre policy that aligns with the Housing Statement and Climate Change Strategy

The global need for data centres has proven to be a significant driver of economic growth, jobs and digital innovation. They are vital strategic infrastructure in an increasingly digital economy, supporting industries from finance to healthcare and underpinning advancements in artificial intelligence, cloud computing, and e-commerce. Additionally, data centres facilitate substantial employment opportunities, including roles in construction, electrical and mechanical engineering, IT infrastructure management, cybersecurity, and ongoing maintenance. Due to the large footprint they are built on, they also represent significant anchors for major employment hubs in the growth areas. These economic benefits extend to local suppliers and ancillary services, bolstering regional economies and increasing state revenue.

However, the state is yet to announce a clear strategy for the pending rapid expansion of data centres demands in Victoria. The development of this infrastructure in Victoria is currently hindered by reports of escalating competition for energy resources with residential areas, delays linked to strategic and statutory planning hurdles—a recurring issue faced by broader urban development in the state. There has been rising global pushback by communities concerned by the fact data centres are among the most energy-intensive facilities, creating tension between housing and data centres for access to energy. It is for this reason the UDIA is particularly concerned with Victoria learning from global precedents to avoid these issues.

Their growth therefore must be carefully managed to align with both Victoria's ambitious net zero emissions targets and the Housing Statement's property growth initiatives. To leverage the economic benefits of data centres, while mitigating their environmental and urban planning challenges, the Victorian Government must develop a coherent policy framework. This policy should integrate data centre development with broader state objectives, including an energy plan that ensures data centres are developed with balancing their demands with those of the growing need for housing.

This policy must recognise the dual imperatives of driving economic growth while delivering on the government's housing and sustainability commitments. Drawing on successful international models, Victoria can lead the nation in balancing industrial growth, net zero energy goals and ensure energy additionality to avoid depleting energy availability for residential and commercial properties. International precedents worth observing include:

- Ireland's designation of data centres as strategic infrastructure has allowed for streamlined planning approvals, attracting billions in foreign direct investment. There is a preference for data centres to be situated near renewable energy facilities or to incorporate advanced energy storage solutions. This proximity facilitates direct utilisation of green energy and enhances grid efficiency. Data centre developments are also expected to demonstrate the additionality of their renewable energy use. Corporate Power Purchase Agreements (CPPAs) are pivotal in Ireland's strategy to align data centre operations with renewable energy goals, rather than reallocating existing resources.[12]
- Singapore has aligned its data centre growth with renewable energy usage and efficiency targets, ensuring economic expansion without compromising sustainability. Singapore's designation of data centres as critical infrastructure has facilitated streamlined planning approvals, attracting significant foreign direct investment.[13] The country mandates that data centres align with renewable energy usage and efficiency targets, ensuring economic expansion without compromising sustainability. Data centres are encouraged to be located near renewable energy sources or to incorporate advanced energy storage solutions, enabling direct use of green energy and enhancing grid efficiency. Developments must demonstrate the additionality of their renewable energy use, and CPPAs play a crucial role in aligning data centre operations with renewable energy goals, rather than reallocating existing resources.
- Victoria must also leverage the economic potential of its regional areas. Encouraging data centre development in regional hubs with existing or planned renewable energy capacity will not only reduce strain on metropolitan infrastructure but also deliver significant economic uplift to local communities. This approach mirrors Sweden's successful strategy of decentralising data centre growth, supporting regional economies through targeted tax reductions and infrastructure investment.

[12] Government Statement on the Role of Data Centres in Ireland's Enterprise Strategy, Irish Government, July 2022

[13] Singapore Sustainable Development Green Plan

Next steps

UDIA thanks the Allan Government for their consideration of the recommendations as part of this Pre-Budget Submission. This is not an exhaustive list of initiatives, and we will continue to advocate for improved industry and community outcomes on a range of important issues relating to housing.

We look forward to continuing to work closely with Government, through the *Affordability Partnership*, and in various other capacities. In this, the 50th anniversary of UDIA Victoria, UDIA and its members have a long history of working with all levels of government to deliver improved outcomes and there has never been a more important time to continue this approach. Housing supply and affordability are national priorities, and the residential development industry will play a pivotal role in addressing these twin challenges.