

Media Release

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SRL Value Capture will cause the most unaffordable new homes in Victoria

The Urban Development Institute of Australia - Victoria (UDIA) strongly opposes the Victorian Government's proposed Value Capture framework to fund the Suburban Rail Loop, saying the framework will ultimately result in fewer homes being built in middle Melbourne suburbs.

UDIA Chief Executive Office Linda Allison said that the funding model could render housing development in Suburban Rail Loop precincts unviable for decades.

"The Suburban Rail Loop precincts will include the highest taxed property in the state. At a time when apartment development is already unaffordable for developers and buyers alike, these precincts need to be incentivised, not punished with new taxes," said Ms Allison.

Data from Urbis shows the pipeline for 2024-27 is projected at just 6,780 apartments a year, roughly half the 12,265 we were delivering between 2016 and 2021. That leaves an annual shortfall of about 7,340 apartments against the state's housing targets.

The precincts will be subject to a new developer contribution levy that will increase. UDIA questions why only new development will be contributing to the cost of Suburban Rail Loop East, when the benefits will be more widespread.

"This announcement will only compound the housing affordability crisis. The government has consistently ignored industry's pleas to provide meaningful property tax reform to help achieve government's own housing targets.

"Victoria is at a cross-roads; we know that global and local investors are avoiding Victoria in favour of other states because the tax settings are just too high. Projects don't stack up, and supply is not improving," said Ms Allison.

UDIA is calling on the Government to genuinely consult with industry on a framework for successful transport-oriented development, and to stop clipping the ticket on the very industry it relies on to successfully meet its housing target objectives.

"The Government is sending confusing messages about the Suburban Rail Loop: if it's a transport project, then fund it fairly. If it's a housing project, work with the housing industry to set it up for success. Today's announcement does neither," said Ms Allison.

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