

REIV Budget Submission

Federal Government
Budget 2019/20

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REIV

REIV FEDERAL BUDGET SUBMISSION

The Real Estate Institute of Victoria (REIV) is the peak professional association for the real estate industry in Victoria.

Our members specialise in all facets of real estate, including residential leasing and sales, commercial and industrial leasing and sales, auctions, business broking, buyers' agency, property management, owners' corporations and valuations.

REIV represents more than 2300 real estate agencies and almost 5000 individual members throughout Victoria.

These businesses employ more than 15,000 people in Victoria in a market that handles around \$76 billion in transactions totalling 20 per cent of GSP.

MESSAGE FROM THE PRESIDENT

The REIV is committed to supporting Australia's competitive advantage and economic growth.

Property has underpinned our economic activity over the past decade and we need a sound legislative, policy and infrastructure base if we want this to continue.

Strong economic outcomes do not occur in a vacuum. Therefore, the REIV will continue to lobby all sides of politics to influence a healthy regulatory environment to support our industry.

In addition to our traditional focus on planning, infrastructure and sustainable development, the REIV will lobby political parties to address member concerns about accessing capital, the burden of increasing taxation, cutting red tape and investing in skills and training for our members.

Our priorities from a national perspective are:

- Keeping Australia competitive – Negative Gearing and Capital Gains Tax
- Retaining and enhancing liveability through Capital City Deals
- Removing legislative impediments to provide a secure investment environment such as Build to Rent

KEEPING AUSTRALIA COMPETITIVE: NEGATIVE GEARING AND CAPITAL GAINS TAX

There is evidence that the property market, along with the domestic economy more generally, is slowing.

Commentators are in agreement that uncertainty about the direction of the global economy combined with domestic headwinds such as falling residential property prices, a constrained credit outlook, high household indebtedness are affecting investor confidence.

The REIV believes that now is not the time to alter negative gearing and capital gains tax arrangements as this will create further uncertainty in the property market as evidenced by the recent report commissioned by the Property Council of Australia.

Negative gearing supports the supply of rental housing. This is a significant issue in Melbourne and Victoria where rental vacancy rates are at record lows (Melbourne sits at 2.2 per cent and Regional Victoria at 1.2 percent).

RETAINING AND ENHANCING LIVEABILITY: CAPITAL CITY DEALS

Melbourne is the fastest growing city in Australia. We should be embracing the opportunities that growth presents.

Melbourne's reputation as one of the most liveable, multicultural, educational and elite cities in the world has driven this growth. We have become a magnet for people, business, investment, economic and cultural activity.

Transport, road and other infrastructure projects open the opportunity for the densification of inner and middle ring suburbs. Similar opportunities exist for parts of regional Victoria. This will help accommodate the significant population growth Melbourne and Victoria are experiencing.

The true value of these projects will only be realised if Governments works in partnership with peak bodies, developers and councils to develop precinct plans that incorporate housing, jobs and soft infrastructure along transport corridors.

However, the current planning system does not facilitate delivery of the required housing close to existing transport and community infrastructure.

Real estate plays a pivotal role and can help to address a city's future path. Major urban transformation projects can significantly change a city's trajectory.

Within City of Melbourne alone, some 440ha of land is in the process of renewal and redevelopment.

These investments have real estate projects at their core and need to be characterised by a people centered approach containing green and smart buildings that enhance community well-being.

That is why capital city deals are critical because they will enable sound long term planning and ensure the key stakeholders are involved to facilitate creativity, collaboration, innovation and entrepreneurship.

The REIV will advocate for a Capital City Deal for Metropolitan Melbourne capital city deal akin to the recently announced deal in Hobart. Similar deals should be commenced quickly for larger Victorian regional centres such as Ballarat, Bendigo, Shepparton and Mildura.

As a corollary to this, Sydney and Melbourne contain Australia's largest commercial office market with Melbourne tipped to become the nation's largest. A total of \$32.8 billion in commercial property changed hands in Australia in 2018.

Commercial office vacancy rates are sitting at historic lows. A key contributor to this is the amount of commercial office in the Melbourne and Sydney CBDs which is repurposed for residential only or residential and hotel accommodation.

In City of Melbourne, commercial building owners can "as-of-right" repurpose their buildings for residential accommodation.

A future Melbourne capital city deal must examine the demand for commercial office in the Melbourne CBD ensuring it remains a vibrant central business district with an adequate supply of commercial office to meet jobs growth demands.

REMOVING LEGISLATIVE IMPEDIMENTS TO PROVIDE A SECURE INVESTMENT ENVIRONMENT: BUILD TO RENT

A recent report by JLL 'New Frontiers: Capital's shift into alternative real estate in Australia' predicts the movement and strong appetite among institutional investors into alternative real estate assets such as retirement living, private hospitals, self-storage, data centres, renewables and Build to Rent.

Greater urban density and population growth is the biggest driver influencing the rise of these real estate alternatives along with an aging population, housing affordability and technology.

These investments are critical to our national competitiveness.

The REIV supports removing barriers to these investments which requires leaving current capital gains tax arrangements in situ and ensuring that taxation arrangements for these new asset classes are consistent with other forms of institutional real estate.

REIV supports calls from the industry on the Federal Government to remove financial impediments that discourage older Australians from downsizing. Aged pensioners in particular should not be penalised when selling a family home to move into a retirement village by having the excess proceeds of that sale (after purchasing a retirement home) included in the age pension assets test. In addition to advantaging older Australians, this will unlock additional housing stock.

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