

REIV Budget Submission

Victorian Government
State Budget 2019



REIV

MAY 2019

REIV VICTORIAN BUDGET SUBMISSION 2019

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 Victoria's competitive advantage and economic growth.

Property has underpinned our economic activity over the past decade and we need a sound legislative, policy, infrastructure and funding base around that 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 are:

- Smart industry: promoting education and employment opportunities
- Retaining and enhancing liveability
- Growing regional Victoria
- Keeping Victoria competitive – property taxes
- Reducing business costs – payroll tax
- Review the regulatory approach to real estate
- Removing legislative impediments to provide a secure investment environment
- Protecting the livelihood and reputation of our members

SMART INDUSTRY: PROMOTING EDUCATION AND EMPLOYMENT OPPORTUNITIES IN THE REAL ESTATE INDUSTRY

The REIV members play a vital role in our community across all facets of the real estate industry including residential leasing and sales, commercial and industrial leasing and sales, auctions, business broking, buyer's agency, property management, owners' corporations and valuations.

While it is a regulated and competitive industry, our members value education and training opportunities and the ongoing improvement of the industry. Over the last two years, REIV has provided further education and training to more than 2000 real estate professionals. Our members are seeking more opportunities for further education.

A successful real estate and property industry is reliant on a vocational education and training system (VET) and tertiary education system that deliver quality and relevant skills and training. Similarly, it is critical that training and ongoing professional development keeps up with an increasingly complex, highly regulated and changing environment in which the real estate industry operates.

The REIV welcomes measures designed to improve training quality, strong performance assessments of training providers and targeted funding to address barriers to training.

The REIV believes the Victorian Government should commit to building capacity by investing in the education and skills of the real estate industry. This includes strategies such as promoting the value of traineeships, particularly for new entrants in regional areas, increasing the number of real estate agents who go on to further qualifications and develop a mandatory continuous professional development course that is run by the REIV.

The REIV believes these are critical platforms in order to maintain operational proficiency and to increase knowledge in an ever-changing regulatory environment. Maintaining currency of knowledge is of paramount importance and such a program would provide a level of confidence to the community at large as well as to the various regulatory agencies. The program should draw from the expertise of the industry to ensure that the learning is real, relevant and consistently delivered.

The REIV supports the endorsement of the revised qualifications and units of competency for the real estate sector as proposed in the National Property Services Training Package. While recognising the challenges that might exist in structuring a licensing system around the revised qualifications, the REIV strongly supports the remaking of the Estate Agents (Education) Regulations 2008 to deliver qualifications and units of competency that meets those needs.

RETAINING AND ENHANCING LIVEABILITY

We are the fastest growing city in Australia and 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 projects such as the proposed suburban rail loop and Melbourne airport link as well as the Melbourne Metro Rail Project will 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 Government works in partnership with peak bodies, developers and councils to formulate precinct plans that incorporate housing, jobs and soft infrastructure along transport corridors.

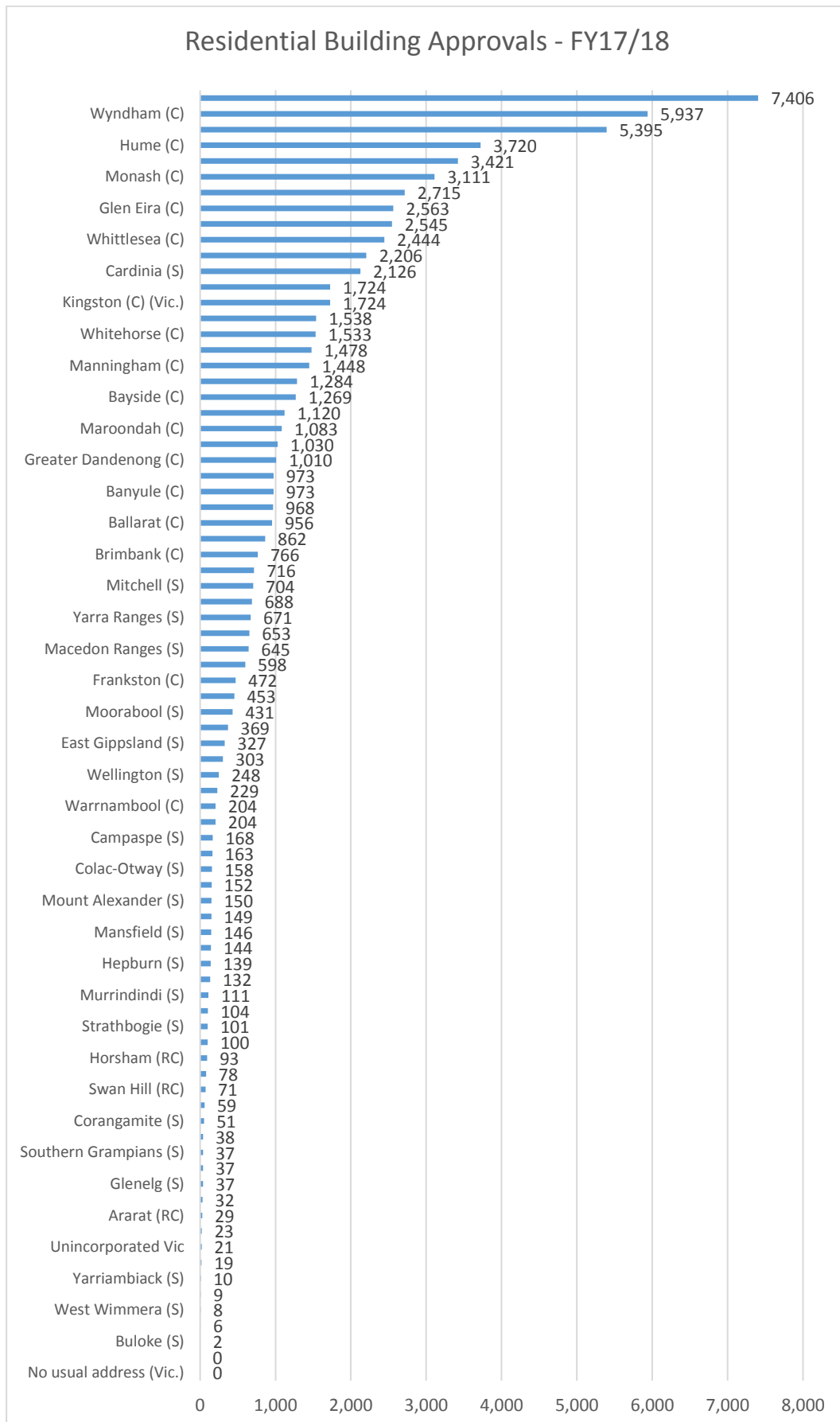
However, the current planning system does not facilitate delivery of the required housing close to existing transport and community infrastructure.

REIV supports a review of the relevant planning schemes to prioritise development along transport corridors. The graph below is a stark depiction of the uneven residential development particularly in some inner and middle suburbs of Metropolitan Melbourne.

The REIV, in partnership with other peak bodies, advocates the benefits of increasing housing variety and supply at the suburban and regional level not only in terms of housing the increasing population but also because that growth and vibrancy attracts business and employment.

REIV supports changes to zoning to address impediments in Metropolitan Melbourne that stifle innovation and suppress the opportunities for densification. This may require support from the Andrews Government for councils to employ experienced planners and other technical experts that can facilitate increased density.





KEEPING VICTORIA COMPETITIVE: TAXATION

Taxation on property represents a significant slice of revenue raised by the State Government; around 47 per cent of Victoria's tax income is derived from property.

Victoria's taxation regime is fundamental to our productivity, the ability to attract and retain business and investment and therefore our competitive advantage.

Property is the biggest source of revenue for the Victorian Government with 14 new property taxes introduced in the last three years.

The new taxes include Vacant residential land tax, absentee owner surcharge, removal of off the plan stamp duty concessions and foreign owner stamp duty additional levy.

Absentee owner surcharges and additional duties payable by foreign owners have the potential of making Victoria less welcoming to foreign investment.

Land tax and stamp duty are forecast to continue increasing at rates well above CPI. The tax thresholds have not been adjusted since 2008-09 when property prices were much lower. Revenue from these taxes has been driven by a combination of increasing property prices, bracket creep and increased activity.

The REIV urges the Andrews Government to reduce its reliance on these property taxes, particularly land tax. One of the issues with the current tax thresholds and tax rates is that property prices have soared but yields have not increased at commensurate levels, which places a significant burden on landholders. This is particularly true of land tax.

Victoria must have a competitive property tax regime to encourage investment and jobs.

A more efficient tax system will have positive flow-on effects for our economy; it will make housing more affordable, ensure Victoria attracts foreign investment, unlock productivity, create jobs and provide a fairer revenue base for Government.

The REIV asks the Victorian Government to commit to increasing the payroll tax threshold from \$650,000 to \$850,000. The savings for business can be redirected to fund business expansion and therefore job creation.

Real estate agencies are often significant employers in smaller regional towns and regional centres where employment levels, particularly for younger people, are at their lowest, which has major flow-on effects for these communities.

REVIEW THE REGULATORY APPROACH TO REAL ESTATE

REIV does not support the regulation and licensing of any property related professions by Consumer Affairs Victoria (CAV). The enormous contribution that the property sector makes to the financial health of this state is at risk when the regulator's primary focus is the protection of consumers rather than the effective regulation of and legislative requirements for the sector.

It is imperative that any regulator for the property sector be able to balance the best interests of the industry/profession with consumer protection. CAV, by its very nature, is not able to do this as its first priority is consumer protection. CAV's title reinforces that it is unbalanced against the profession in favour of the consumer.

The REIV advocates for the creation of a Property Services Commissioner overseeing all aspects of the property market including land development, building and construction and the sale and rental of real estate.

PROTECTING THE LIVELIHOOD AND REPUTATION OF OUR MEMBERS

The REIV believes the major political parties should commit to repealing Section 55 (4) (b) of the Estate Agents Act 1980 which prohibits an estate agent from selling a property to associated parties. This is unworkable particularly in country towns and significantly affects small businesses by restricting their capacity to receive a fair commission for the work carried out.

Real estate agents in country towns are important linchpins in the community – they are employers, they are sponsors and raise funds for various local projects. The REIV believes a fairer approach is to amend the legislation allowing real estate agents and vendors to sign prescribed approval forms at the outset of the engagement consenting to the arrangement.

The REIV has recognised the unpalatable situation where members and non-members alike are at risk of losing their commission based on a technicality in section 49A of the Estate Agents Act such as was the case with the rebate statement issue. It is imperative that action is taken to repeal that part of the Act that puts agents acting in good faith from having their livelihood at risk through some administrative technicality.

Secondly, a more agile approach to resolving identified issues regarding the issue of 'underquoting' is needed. Issues identified 12 months ago and reported to government have not yet been addressed. Approaching two years into the new legislation there is still much confusion about the administrative and practical elements of the legislation.

REMOVING LEGISLATIVE IMPEDIMENTS TO PROVIDE A SECURE INVESTMENT ENVIRONMENT

There has been a suite of proposed legislative and regulatory change governing the real estate industry over the past three years.

It is important to note that the rental market in Victoria is worth some \$519 billion. This is significant to the Victorian economy and it must be protected. REIV remains concerned about the impact of the legislation on that rental market in terms of length of lease terms which are likely to be shorter rather than longer; potential for increased rents to cover any risks associated with the legislation and the likely removal of rental properties from the market.

The REIV is committed to working with the Victorian Government on a regulatory impact statement and Regulations that will sit alongside the Residential Tenancies Bill 2018 to ensure they are workable. The further period of public consultation on the Bill that could take up to two years is welcomed. It is imperative that there is a comprehensive review of the possible impacts of the regulations on the property industry.

REIV is committed to finding a solution to proposed changes to the Sales of Lands Act in relation to early release of deposits. REIV is committed to protecting the interests of people who sell their properties and purchase a new one in a short space of time. Buyers should not be subject to increasing costs associated with bridging finance. That is particularly unfair for older, downsizing Victorians who should not be subjected to mortgage finance and bridging loans.

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