



# A New Plan for Victoria

28 AUGUST 2024

## Acknowledgment of Country

The Real Estate Institute of Victoria (REIV) acknowledges the Traditional Owners of Country throughout Australia. We pay our respect to them, their culture and their leaders, past, present and emerging.

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# EXECUTIVE SUMMARY

The Department of Transport and Planning's **A New Plan for Victoria** aims to create a conceptual framework for Victoria's planning regime for the decades to come. With significant impacts on local community housing across the state, the Real Estate Institute of Victoria (REIV), in consultation with its 7,000 members, has thoroughly reviewed the Victorian Government's planning blueprint to ensure the viability of ideas put forward. Following extensive consultation, the REIV has defined two key areas for government consideration:

**1. Victoria must consider its population's diverse housing needs in the planning stage.**

The REIV urges the Victorian Government to consider the varying needs of Victorians when planning new residential housing and ensure it delivers a suitable and sufficient range of housing options. Victoria has a diverse population with differences in living arrangements, demographics, cultural backgrounds, lifestyles, budgets and preferences. Catering to disparate living preferences will be crucial for creating a thriving community. Following member consultation, the REIV has outlined five key cohorts below, demonstrating how living preferences can change with life stage.

**2. Victoria must be innovative to attract capital to finance the delivery of its planning initiatives.**

The long-term provision of housing supply will require sustained capital investment from private markets. To entice more private investors into the Victorian market, the Victorian Government must consider new incentives, taxation reform, as well as initiatives to reduce regulatory red tape. Current residential property taxes in Victoria serve as a disincentive to investors and the REIV recommends reconfiguring the state's property taxation regime with initiatives such as a comprehensive review of stamp duty, the retention of negative gearing and roll back of land tax increases. Increased regulations around housing, such as the introduction of new minimum rental standards, also have potential to act as a deterrent to investors. Balancing the benefits of taxation revenue with the likely impact on investors in the Victorian property market is essential.

**The REIV welcomes the Victorian Government's intent to plan for the state's future during a crucial period of transition and growth. However, it is critical that at the planning stage due consideration is given to the diverse housing needs of Victorians and the sources of funding, given current taxation and regulatory challenges in Victoria.**

# INTRODUCTION

The Real Estate Institute of Victoria Ltd. (**the REIV**) is the peak body for real estate professionals across metropolitan and regional Victoria. The REIV interacts with stakeholders across residential, commercial, industrial, and rural property sectors, including real estate professionals, rental providers, owner-occupiers, renters, buyers, government and regulators. As such, we can provide insights to the Victorian Government on its planning priorities and policies before design and implementation.

REIV members work in the various specialised areas of real estate, including residential, rural, commercial and industrial leasing and sales, auctions, business broking, buyers agency, property management, owners corporations, and valuations. The REIV represents over 80 per cent of businesses registered to carry out these services. According to [Jobs and Skills Australia data from May 2024](#), real estate businesses employ more than 25,000 people in Victoria. The real estate market handles around \$76 billion in transactions annually, totalling 20 per cent of Gross State Product. Further, through property taxation, [the real estate sector contributed almost \\$17 billion to the Victorian Government's tax income, accounting for nearly 39% of the state's total tax revenue](#).

The REIV welcomes the opportunity to provide insights to the Victorian Government from the real estate industry. This knowledge can inform policy decision-making around the housing sector and benefit all industry participants. Victoria is in a crucial period of transition and growth, and the REIV looks forward to supporting the Victorian Government in realising its planning and property sector initiatives.

# THE REIV'S POSITION

A **New Plan for Victoria** provides a blueprint for the state's planning and development in the coming decades. Following the collation of extensive feedback from diverse stakeholders, Victorians have identified that the state prioritises:

- 1. leafy green streets with trees, parks, and open space,**
- 2. better public transport, walking and cycling connectivity,**
- 3. affordable homes for everyone,**
- 4. protecting the valuable land where our food is grown *and***
- 5. vibrant and social places for people to connect and thrive.**

Considering this, the REIV has gathered feedback from its members and combined the insights with industry research to form its position. The REIV is appealing to the Victorian Government to consider the two recommendations outlined below at this preliminary planning stage.

**Victoria must consider its population's diverse housing needs in the planning stage**

**Victoria must be innovative to attract capital to finance the delivery of its planning initiatives.**

If these two considerations are overlooked, the state will be guaranteed to face mounting challenges that will be substantially difficult to remedy later. The REIV welcomes the ambitious planning vision of the Victorian Government and looks forward to working collaboratively with its stakeholder groups and agencies to achieve their objectives.

# RECOMMENDATIONS

## RECOMMENDATION 1 – Victoria must consider its population's diverse housing needs in the planning stage

The Victorian Government's planning objectives must reflect Victoria's increasingly diverse needs and priorities across its demographics. The REIV consulted its membership extensively to identify the priorities of the key cohorts they interact with, including:

1. **renters,**
2. **rental providers,**
3. **first-home buyers,**
4. **growing families, and**
5. **downsizers**

The feedback below reflects one way of identifying and grouping preferences based on the daily dialogue the sector undertakes with Victorians. Input from REIV membership indicates that living preferences often adjust with the life stage of the cohort and their specific household configuration. The REIV sought consultation with its membership by asking them to rank the priorities of each cohort. The REIV's membership reflected on much the cohorts they interact with prioritise:

1. **access to essential services such as schools and hospitals,**
2. **jobs and opportunities,**
3. **local amenities such as cafes and restaurants,**
4. **proximity to family and friends,**
5. **public transport, and**
6. **trees and open green spaces such as parks**

The REIV sought to identify what these cohorts would prioritise in the areas they aspire to live or invest in if significant planning changes were introduced. REIV members are at the coalface of the property market and have first-hand insights into Victorians' living and working arrangements. If the Victorian Government is to implement its planning policies successfully, it must understand that Victorians' priorities in their living preferences are not uniform. Victoria is home to demographics from diverse backgrounds, lifestyles, and preferences, and our living options must reflect that. Further, beyond the rankings provided, the membership of the REIV provided anecdotal feedback for each cohort and how they choose where to live or invest.

With the government seeking feedback from the Victorian community to develop planning policies that will reflect the components of its Big Ideas, our **first recommendation** is to ensure diversity in the housing options to cater to disparate living preferences.

## RENTERS

### Renters' Priorities

- Renters prioritise their proximity to **jobs and opportunities**.
- Their second preference is **access to public transport**.

Renters have noted that the proximity of their home to work is vital. Feedback from our membership points to the cost of rent being the other central determining factor in choosing a place to live. Convenient access to renters' place of work is an essential measure in determining the desirability of their rental. This is closely linked to the rental providers' priorities of investing in areas with high rental demand to ensure their properties are leased.

A comprehensive understanding of renter demographics would assist in identifying priorities for choosing an area to live in. Renters' life stages and circumstances can also vary significantly, impacting their choice of housing, with groups within the renter cohort ranging from university students to migrant families or people moving for work.



## RENTAL PROVIDERS

### Rental Provider Priorities

- Rental providers prioritise the provision of **essential services** and local **public transport** near their investment properties.
- **Jobs and opportunities** are next in line when they are looking to invest

Unlike other cohorts, rental providers' priorities reflected their investment decisions and their priorities are based on long-term value drivers. Rental providers emphasise their investments' growth in value and their capacity to maintain continuous and dependable tenancies, ultimately resulting in stable returns.

To ensure this, their renters must have access to stable incomes to support their rent obligations. [As reported by the Parliament of Victoria, private rental providers account for 90% of the homes on the rental market and are vital to the stability of the rental ecosystem.](#) Investors seek certainty about the ongoing rental provider-renter relationship. Investor confidence ensures capital flow into the property market, an undertaking that will support the planning and housing objectives of the Victorian Government. This must be reflected in the planning legislation and mutual contractual obligations determining the relationship between rental providers and renters.

Rental providers have found that regulatory red tape and increasing prohibitive property taxation measures have left them with little assurance or guidance around their future obligations to their renters or the Victorian Government. This has driven investment withdrawals from the market as rental providers have found their investment properties too costly or challenging to maintain. While not seeking to detract from the efforts of the Victorian Government to lift the living standards of renters, the challenges imposed by repeated rental legislative changes accompanied by increasingly complex compliance measures have proven to be a sizeable deterrent for investment.

## FIRST-HOME BUYERS'

### First-Home Buyers' Priorities

- **Jobs and employment opportunities** nearby is the number one priority for first-home buyers.
- This is followed closely by an equal split emphasising their **access to public transport, essential services** and **proximity to friends and family**.

For first-home buyers, living close to the right jobs and employment opportunities ranks as their highest priority. This is closely followed by access to essential services, public transport, and proximity to their friends and family. Though this has spatial limitations, the Victorian Government must consider the importance of providing reliable infrastructural links to support these expectations from first-home buyers.

The purchasing sentiment of first-home buyers has fluctuated, and the cohort is facing significant challenges in the market. These challenges include saving for their initial deposit, securing loans due to stringent conditions from banks with climbing interest rates in play, limited stock, and ongoing uncertainty around the imposts of servicing a mortgage. Stamp duty is a continuing obstruction for first-home buyers. Despite these obstacles, first-home buyers have proved resilient. [ABS data has demonstrated that in June 2024](#), first-home buyer loans rose 6.5% and accounted for 36.4% of new loans amongst owner-occupiers, making up a significant portion of those purchasing property.

Members reported first-home buyers' concerns about the current turbulent economic conditions, the impact on upfront costs and ongoing financial obligations. The most pressing concern for first-home buyers is often the immediate purchase costs, including stamp duty.

These costs do not occur in a vacuum and relate to other unanticipated and frequently pronounced costs. The Victorian Government must work with the relevant parties, including those in Canberra, to ensure that first-home buyers have a realistic entry point into the housing market.

## GROWING FAMILIES

### Growing Families' Priorities

- Growing families prioritise their proximity to **essential services**, including **hospitals** and **schools**.
- This is followed closely by an equal split between **jobs and employment opportunities** and their **proximity to friends and family**.

As families emerge as a significant cohort living in an area, town planners and councils must focus on their needs at pivotal intervals when essential educational services are key to their living circumstances. This includes access to childcare centres, schools, and healthcare services.

Further, REIV members indicated that families prioritise a property's overall land size, including private backyards and parking garages. Due to increasingly challenging space constraints, these attributes may not always be readily available. Therefore, the appropriate zoning of public parkland and convenient access to parking should be prioritised in family-orientated areas.

## DOWNSIZERS

### Downsizers' Priorities

- Downsizers prioritise proximity to **essential services**.
- Following this, downsizers place emphasis on the **local amenities** of an area, such as its **cafes, supermarkets, and restaurants**, in addition to their **proximity to friends and family**

For downsizers, typically parents at or near their retirement age with adult children who have moved out of the family home, emphasised a need for access to cafes, supermarkets, and similar lifestyle amenities close to where they live.

Ensuring this cohort is not isolated from essential services as they become less mobile and more susceptible to poor health outcomes will be crucial. Ensuring a comprehensive support network around pragmatic planning for Victoria's vulnerable aging population will also assist this cohort downsize, freeing up underutilised larger property for growing families. In line with these considerations,

having low-maintenance homes and reducing any excessive surrounding land are critical components in maintaining downsizers' ongoing comfort where they live.

## COMMENTARY

As the state continues to grow, Victorians' needs will diversify. Whether seeking affordable housing, investment opportunities, long-term leases, or other aspirations around their living and investment arrangements, government planning and support must reflect the material differences amongst stakeholder groups. With recent announcements around [the Victorian Government's plans to double housing across several councils](#) despite not a single Melbourne council coming close to its current targets. It would be advisable to look where consultation and planning have been insufficient in the past, such as the [Docklands precinct](#). State government objectives must closely reflect those of their varied stakeholders.

As admirable as the Victorian Government's efforts are within its [Housing Statement](#) in committing to [70 per cent of new housing in established areas and 30 per cent in growth areas](#), on-the-ground circumstances must reflect the preferences and pursuits of residents, local governments, and other stakeholders. Urban sprawl is an immutable component of the rapid population growth across our state, and appropriate responsive action is necessary to mitigate its impact. As [recently reported in the Age](#), increased migration to Victoria will necessitate housing expansion on Melbourne's urban fringe. As this is an unavoidable outcome of the state population growth trajectory, it is critical that the Victorian Government continues to provide the infrastructural framework it has planned and established for Melbourne's inner- and middle-ring and that it reflects the needs of all Victorians for the decades to come.

In Melbourne's inner and middle suburbs that have been earmarked for [ambitious new housing targets](#), alongside the rest of the state, the Victorian Government must encourage partnerships between the public and private sector. Private investment will be crucial to ensure the feasibility of these targets. The Victorian Government's [recently announced Small Sites Pilot](#) to develop on government land is a meritorious start, and similar initiatives should be expanded. Furthermore, *Build-to-rent* is an innovative solution, though it is only one part of the rental provision puzzle. It is not a panacea for the broader woes impacting rental availability and affordability, and existing retail investors, including the crucial mum-and-dad investors, need to receive equal priority and engagement as institutional investors.

**Fundamentally, the Victorian Government must consider the mixed needs and varying priorities of its constituents' living arrangements. Furthermore, planning ambitions must be adaptable as demographics shift over time.**

## RECOMMENDATION 2 – Victoria must be innovative to attract capital to finance the delivery of its planning initiatives.

The two central drivers to promote investment will be reforming the state's property taxation settings and ensuring that Victoria's regulatory environment is configured to attract investors. Victoria must contend for capital injection in a challenging market, with other jurisdictions in Australia and attractive international markets.

The Victorian Government must continuously review and modernise its taxation settings and regulatory environment to attract capital to Victoria. Incentivising investor activity and reducing regulatory imposts upon those providing capital would establish confidence in the Victorian market and encourage financial interest in the state.

Further, the necessary supports must be in place for all stakeholders that buttress the housing sector, from planning to construction to investment. If planning goals are to be realised, all participants involved in financing the housing sector must have their interests adequately represented and supported by the Victorian Government.

## COMPREHENSIVE TAX REFORM

### STAMP DUTY

Stamp duty deters [retirees from downsizing](#), [acts as a tax on divorce](#), and [is regressive in its impacts on lower-income households](#). The Treasury has been vocal in supporting the abolishment of stamp duty, citing government data demonstrating that [a transition from the current stamp duty settings to a broad-based land tax would generate long-run gains of about 1.3 per cent in economic activity](#). The REIV has a sustained agenda to reform stamp duty, either through its reduction or abolishment entirely, to foster investment growth and encourage Victorians to live in a home that is the correct size for their needs.

Tasmania has [already expanded its threshold for its stamp duty exemption](#) for eligible first-home buyers from \$600,000 to \$750,000. Comparatively, [Victoria's stamp duty exemption](#) for first-home buyers only applies up to \$600,000, with limited stamp duty concessions up to \$750,000. [ABC News has reported](#) that Hobart's median house price is \$692,000, and its median unit price is \$528,625, whilst Melbourne's median house price is \$941,698 and its median unit price is \$613,023. It is demonstrable that the Tasmanian Government is including most first-home buyers under its exemption scheme.

## COVID DEBT LEVY

The [COVID Debt Levy land tax](#) is another form of financial penalisation for property owners. By introducing an additional property tax on top of their existing land tax obligations, the Victorian Government is reducing investors' willingness to participate in the property market. Though the Victorian Government must repay its debt incurred through the lockdowns and other measures to combat COVID-19, it should not deter investors to the point that they withdraw from the rental market altogether. Without their involvement, properties will continue to leave the rental ecosystem without any guarantee of their return.

[The Property Tribune has indicated that investors are already leaving the market](#) due to the incursion of land tax, including the COVID Debt Levy. Abolishing this tax would help attract some investors back into the market.

## VACANT RESIDENTIAL LAND TAX

Though the Vacant Residential Land Tax (VRLT) has admirable intentions, it may have unintended consequences for housing provision. It is worth considering the [detrimental impacts of the VRLT](#), including the withdrawal of investor activity through the tax's application. The Victorian Government must introduce incentives and support those with vacant properties to return them to the market rather than penalise them through further property taxation.

## REDUCE REGULATORY BURDEN

### BALANCING MAINTENANCE COSTS AND COMPLIANCE FEASIBILITY

The REIV recently submitted feedback on the Victorian Government's [proposed minimum energy efficiency and safety standards](#). Whilst the REIV welcomes the improvement of living conditions for tenants alongside the Victorian Government's commitment to mitigating climate change, it expressed concern in its [submission](#) over the short timeframes for implementation and the lack of financial assistance for rental providers to upgrade their property. The Victorian Government must align its objectives with the capacity of rental providers to afford changes and the feasibility of the compliance being implemented.

## FINANCIAL CONCESSIONS

Rental providers are experiencing financial and regulatory stress due to the introduction of burdensome legislation for their rental properties. This is causing [trepidation and withdrawal from the investor market](#) in an ecosystem already experiencing fragility as a high volume of property investors seek leave the state. The Victorian should consider land tax concessions on a dollar-for-dollar basis to support the introduction of new regulation such as the proposed energy efficiency minimum standards. This would entail a reduction of land tax relative to the amount a rental provider spends on implementing or upgrading energy efficiency standards in a rental property. For example, if a rental

provider were to pay \$500 for upgrading insulation within a rental property, a \$500 reduction off their land tax liability would be applied. Though this would lose state government revenue in the short term, it would accelerate the introduction of standards, lifting renters' quality of living while encouraging rental providers to retain their investment in the Victorian rental market.

The [build-to-rent initiative receives land tax concessions from the state to build and maintain properties](#), extending such incentives to individual investors could assist in attracting private capital to Victoria.

## EDUCATIONAL SUPPORT FOR INVESTORS

It would be pragmatic to provide education services to assist investors in navigating the complex regulatory environment whilst maximising their investment returns. By implementing this, Victoria can foster a more supportive environment for retail investors, stimulating economic growth whilst addressing housing supply issues. It would bolster stability and confidence in the rental market if the Victorian Government offered resources and programs to educate potential investors about market opportunities, and the regulatory framework.

## COMMENTARY

At the very least, the Victorian Government **must not** introduce further property taxes. [An Australian Financial Review article from 2023 noted that over the nine years prior, 44 new or increased taxes had been introduced in Victoria.](#) Overreach in property taxation severely impairs the critical investor activity required to realise the Victorian Government's ambitions around housing and planning. Whilst taxation revenue may have short-term gains for the Victorian Government, the departure of crucial investor activity offsets these benefits. [ABS data demonstrates that investor loans dropped by 0.7% in June 2024](#), indicating investor withdrawal from the market, a problematic outcome for the property sector.

Additional tax reform measures, even on a case-by-case basis, must be considered if they have the capacity for wholesale productivity in the housing sector. For the 2023 – 2024 financial year, [the real estate sector contributed almost \\$17 billion to the Victorian Government's tax income through property taxation](#), accounting for nearly 39% of the state's total tax revenue. The REIV recognises the crucial income stream provided through property taxation and the necessity of taxation more broadly to provide the essential services that the Victorian Government administers. Significantly, with [reports on the effects of taxation, rates, compliance, interest rates, and body corporate fees and how they are causing investors to leave the Melbourne rental market](#), the Victorian Government must contemplate the long-term ramifications of excessive taxation and overregulation whilst considering what it can do to proactively attract investment into Victoria.

**Taxation reform and reducing regulatory burdens are critical changes required to entice more private investment to Victoria. Both must be in place to fund the Victorian Government's housing ambitions in the long term. The Victorian Government must consider its taxation settings and regulatory agenda around housing and assess whether they are adversarial to the interests of the investors that the state must attract.**

**Beyond those, the appropriate support and financial guidance for key stakeholders will prove pivotal to fostering an amenable investment environment for all involved parties. Maintaining a dynamic but balanced ecosystem within the property market is vital for attracting and sustaining investment.**



# THE REIV'S RESPONSE TO THE BIG IDEAS

The **Big Ideas** are conceptually sound but lack real-world implementation detail in their current configuration. The REIV would appreciate the opportunity to provide further guidance on the Big Ideas and welcomes engagement to discuss these further before being realised as their policy configurations.

## CONCLUDING STATEMENT

The Victorian Government is employing impressive planning ambition as it looks to the state's future for the coming decades. The REIV urges the Victorian Government to consider its two recommendations while progressing with its planning determinations to ensure the best possible planning outcomes for Victorians and the state. The REIV can advise on the recommendations prescribed for **A New Plan for Victoria** and looks forward to further engagement with the Victorian Government.