



# 2019/20 STATE BUDGET SUBMISSION

PRIORITISING THE HEALTH OF THE PROPERTY MARKET IN  
WESTERN AUSTRALIA

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# A WORD FROM THE PRESIDENT

As a result of the broader economic downturn in Western Australia and the impact that has had on consumer confidence, the property market has suffered a protracted downturn spanning several years.

While we have been encouraged by recent signs that the market is stabilising and we have seen the emergence of more positive activity in the market, the recent findings from the banking royal commission and tighter lending conditions, have dampened the recovery to an extent.

It is now more important than ever, that state government policy and budget priorities reflect the importance of supporting the property market recovery for the the benefit of the broader economy and the people of Western Australia.

Despite recent reductions in average housing prices, it is critical to understand that housing affordability also remains a significant issue for many, particularly those on lower incomes.

We need to ensure that we are providing housing choice in every suburb for a range of different buyers and renters needs.



As we outline in this submission, there are actions that the government can take in the state budget that will further assist our goal in ensuring that Perth's current and emerging communities have the right level of housing choice, infrastructure and employment opportunities to prosper.

I trust that our balanced and achievable recommendations will be given due consideration.

A handwritten signature in black ink, appearing to read 'N. Allingame', written in a cursive style.

**NICK ALLINGAME**  
PRESIDENT  
UDIA WA

WA'S DEVELOPMENT INDUSTRY:  
ECONOMIC IMPACT TO THE STATE

**\$13.8B**

IN INCOMES ARE DIRECTLY  
DERIVED FROM JOBS IN THE  
PROPERTY SECTOR IN WA

**\$3B**

IN PROPERTY TAXES  
CONTRIBUTED TO STATE  
GOVERNMENT REVENUE IN  
2016-17

**\$21B**

CONTRIBUTED BY THE  
PROPERTY SECTOR TO GSP IN  
2017-18

**1.3X**

THE EMPLOYMENT OF THE  
MINING INDUSTRY AND 1.6X THE  
EMPLOYMENT OF THE  
MANUFACTURING INDUSTRY IN  
WA

# STATE BASED PROPERTY TAXES

## BROAD BASED LAND TAX

As we recommended in our state budget submission last year, UDIA strongly advises that the Government undertake a comprehensive review of State based taxes and gives consideration to the establishment of a broad based land tax system which distributes taxes more equitably than the current stamp duty regime.

As well as being an impairment to housing affordability, stamp duty is a significant barrier which prevents households from transition between dwelling typologies, restricting retirees from 'downsizing' and families 'upsizing' as their circumstances and housing needs change. As a result, our housing stock is not being used efficiently nor does it align appropriately to households needs. In order to avoid future stamp duty costs, first home buyers are encouraged to purchase larger homes that are capable of fulfilling their maximum potential housing needs, rather than satisfying actual housing needs.

Meanwhile, any equity released from older households seeking to 'down size' is lost to stamp duty, diminishing the value proposition offered.

This is hampering Government efforts elsewhere to increase housing choice and providing greater diversity in our housing stock to support the emerging needs of WA communities.

In addition to these problems, the inconsistent application of stamp duty is creating a barrier which prevents the uptake of multi-unit housing options by owner occupiers. For new built form developments, such as apartments and medium density housing, stamp duty is currently applied to the combined value of the land and built form. This contrasts with 'house and land packages', where stamp duty is calculated on the value of land only. The inconsistent application of stamp duty therefore jeopardises other State Government initiatives, such as the development of the METRONET precincts and increased infill development targets, by restricting the uptake of more contemporary housing options.

Not only will this measure encourage households into more appropriate housing, it would also distribute tax more efficiently, equitably and more consistently over the term of government.

### STAMP DUTY CONCESSION FOR DOWNSIZERS

While replacing stamp duty with a broad scale land tax would be the most effective option for broadly addressing housing affordability issues, the introduction of a stamp duty concession for seniors moving into 'liveable homes' is a recommended shorter term action.

WA is facing a significant aging of the population and our current housing stock is poorly equipped to manage the needs of our future communities. The introduction of stamp duty concession for seniors will remove one of the most significant barriers that prevents these people from moving to more appropriate homes for their needs and will encourage the development of supply of homes that better suits our evolving housing needs.

*"...our current housing stock is poorly equipped to manage the needs of our future communities."*

Liveable homes are defined as those with universal access; that are easy to 'move around in' and to use; that are open-plan; and that are designed to maximise space in key areas of the home.

By removing the equity loss to stamp duty that prevents seniors from moving, it will help seniors overcome the burden of maintaining unsuitable dwellings whilst the equity released will place more money into pockets of seniors and therefore reduce demand for government services and resources. Further, releasing larger homes back to the market for families and larger households will help ensure that our housing stock is used efficiently.

This measure will also assist in ensuring new communities, such as METRONET precincts, have a more diverse range of housing stock. The measure will assist in supporting local jobs in the development industry through the current trough and ensure that we retain the necessary skills to be able respond efficiently in times of greater demand.

REIWA modelling of a similar election commitment by the previous Liberal Government to remove stamp duty for seniors buying an established home up to the value of \$440,000 and \$15,000 concession for homes up to \$750,000 showed that the policy would release 21,000 homes into the market and generate up to \$393 million in revenue.

## STATE BASED PROPERTY TAXES

### NO INCREASES TO TAXATION LEVELS

UDIA acknowledges the need for the state government to remain fiscally conservative and continue with the budget repair agenda. However, property taxes appear to be disproportionately targeted with increased land tax rates revisions to thresholds.

Industry was also extremely disappointed with the decision to introduce a Foreign Buyers Surcharge in last year's budget given the fragile state of the market and the need to attract overseas investment to the state.

Increasing the rate of tax has a significant impact on the property market and often contrary to its objectives, results reduced government revenues as a consequence of reduced levels of investment.

Strong evidence is emerging that the decreasing rental vacancy rate is being driven by investor property sales. In turn this is likely to lead to increased rental costs and decreased housing choice for those renting.

UDIA calls on the government to refrain from further increases or changes and maintain current land tax rates and thresholds.



### **INCREASE KEYSTART THRESHOLD BY 25%**

As mentioned in earlier points, housing affordability remains a critical challenge for many people across WA despite recent average house and land price reductions.

According to recent Housing Authority data, very low or low income households account for 43% of all households within Perth. However, only 8% of established dwelling sales between 2013 and 2015 were affordable to these income groups.

Coupled with affordability challenges, socio-demographic changes are resulting in declining levels of home ownership.

As a result, an increasing number of households are likely to be in rental accommodation as they enter into retirement. This will place additional strain on the state's resources if not adequately addressed.

While UDIA welcomed the Minister for Housing's announcement late last year that the government would extend the Keystart loan book to allow more new home buyers

access to finance through the service, UDIA requests that consideration is given to expanding the eligibility criteria associated with accessing Keystart loans so that more people can benefit from the service given the constraints on lending capacity by the retail banking sector.

*"This will place additional strain on the state's resources if not adequately addressed."*

It is imperative that the State takes action to address declining home ownership, therefore the Institute is calling on the State Government to expand the eligibility and threshold criteria for Keystart loans by 25%.

We believe this is a strong, initial measure that can be taken to address this issue proactively.



## PROJECT FUNDING

### STRATEGIC ASSESSMENT OF PERTH & PEEL

UDIA has actively supported the State Government's initiation of an independent review of the SAPPB given the limited consultation that had been undertaken with concerns that its scope had increased and the cost of implementation remained unknown.

UDIA still supports the original intent of the SAPPB – to streamline Environmental Protection and Biodiversity Conservation Act approvals – however we want to see it continued in a more transparent, achievable and logical form, hence our support for the current review process.

While the review period has been extended to mid-year, UDIA believes that it will be critical to have some funding allocated in the forward estimates to begin implementation of the review findings.

The development industry is willing to contribute its fair share to conserve Perth's environmental values, but shouldn't have to foot the entire bill.

We're hopeful that a revised SAPPB will deliver clarity, certainty and efficiencies in processing that will offset any new costs for industry, so that housing affordability isn't adversely impacted.



## PROJECT FUNDING

### INFRASTRUCTURE

A strategic, long term approach to infrastructure planning and provision is essential to ensuring that Perth and the regions can effectively accommodate future population growth.

This is relevant to both new and existing communities where essential services and facilities are required to be established or upgraded to service the growing population.

#### INFRASTRUCTURE WA

UDIA has supported the establishment of Infrastructure WA to act as an independent body to oversee WA's infrastructure needs.

We request that the first objective to develop a 20 year infrastructure strategy for WA is undertaken as a matter of priority and appropriate funding is provided to support the delivery of this strategy.

#### METRONET

UDIA is supportive of the state government's METRONET program and believe that an appropriate level of funding for the planning and development of METRONET precincts is required to ensure that these projects can commence quickly. These projects have the capacity to boost the property industry, construction activity and improve housing diversity in Perth.

#### DEVELOPER CONTRIBUTIONS

UDIA recommends that the state government takes a leadership role in unlocking the extensive funds held by local government in development contributions. This funding should be put toward community infrastructure and would take pressure off state government resources to provide this type of infrastructure.





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