PROPERTY COUNCIL of Australia

South Australia

2017-18 Budget Submission

March 2017

PROSPERITY | JOBS | STRONG COMMUNITIES

PROPERTY TOUCHES THE **LIVES OF ALL AUSTRALIANS**

SOUTH AUSTRALIA'S BIGGEST INDUSTRY

ACCOUNTING FOR 10.8% OF THE STATE'S ECONOMIC ACTIVITY

THE STATE'S SECOND LARGEST EMPLOYER

73,000 JOBS
PROPERTY INDUSTRY

60,000 JOBS
MANUFACTURING

7,000 JOBS
MINING

$4.4 BILLION IN WAGES

1 IN 6 PEOPLE

IN SOUTH AUSTRALIA DERIVE THEIR WAGE FROM THE PROPERTY INDUSTRY

$3.6 BILLION IN TAXES

PROPERTY IS THE LARGEST SINGLE INDUSTRY CONTRIBUTOR PAYING 56.6% OF SOUTH AUSTRALIA'S TAXES, LOCAL GOVERNMENT RATES, FEES AND CHARGES

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Foreword

Dear Treasurer,

It is my great pleasure to present to you the Property Council of Australia's pre-budget submission.

As the biggest private sector employer in South Australia, the property industry plays a vital role in driving our State, strengthening the economy, and creating rewarding and sustainable jobs.

The Property Council – as the property industry's peak body - hears daily about the stresses and roadblocks to success that present themselves for the sector. Through our 11 professional industry committees, we have sought advice and input from those on the front line in preparing this submission for your consideration.

The message from the sector is loud and clear: **we need drastic tax reform to boost the profitability and competitiveness of the property industry in South Australia and we need it now.**

Recent research by Deloitte has shown that land tax continues to be the most contentious tax for property owners, developers, employers and the sector more generally. South Australia is the most expensive place in Australia to own commercial property due to anti-competitive land tax rates and aggregation. We do not have the luxury of a property sector teaming with institutional investors like Sydney or Melbourne, and are subsequently taxing a very narrow base of predominantly small-private owners. This is a disincentive for investment and growth, and one that simply must be reduced.

Research conducted by the Property Council has shown that stamp duty concessions have boosted confidence in the industry and will lead to an upturn in commercial property sales. However, we believe that the full concession should be brought forward one year to from July 2018 to July 2017, to ensure that the full economic benefits are delivered as quickly as possible to a market hungry for transactional activity.

The Property Council has also spent much of the last 18 months working with industry to combat negative stereotypes and culture surrounding the role of women in a sector that is still widely considered a pretty 'blokey' place. As a major employer, it is important that the sector can attract and retain female staff, not only to boost productivity and diversify skills, but also to keep more young South Australians in their home state. We are asking for the government to partner with us in initiatives to make it easier for young women to develop rewarding careers in the property industry.

If you would like to discuss any of the issues raised in this document, please don't hesitate to contact me.

Kind regards,

Daniel Gannon
SA Executive Director

Tax reform

Commercial stamp duty abolition:

The Property Council is encouraging the State Government to bring forward the complete abolition of non-residential stamp duty to drive immediate sales in the commercial sector.

In February 2017, we surveyed building owners and managers to gauge their thoughts on stamp duty concessions, their impact on the industry, and how stamp duty operates as a tax more generally. Survey respondents have a combined building portfolio value of $1.7 billion in South Australia.

Key findings of the survey include:

- 68 per cent of respondents *plan* on delaying new commercial purchases until 1 July 2018 to take advantage of stamp duty concessions;
- 52.63 per cent *have* delayed purchasing a commercial property in South Australia in the last 18 months to take advantage of complete abolition in July 2018;
- 100 per cent of respondents believe that the decision to abolish stamp duty on commercial property transfers has had a positive impact on the industry;
- 94.4 per cent believe the acceleration of stamp duty abolition would encourage more transactions;
- 78 per cent would reinvest savings from an accelerated stamp duty abolition into further transactions and economic development opportunities;
- 70 per cent believe that high stamp duty costs discourage investment from larger international or interstate buyers;
- Respondents were split down the middle on whether stamp duty savings offset the higher holding costs of ESL and Land Tax.

Given these results clearly identify that property owners and developers are delaying commercial purchases until July 2018 to take advantage of the full abolition of stamp duty, the Property Council recommends that the State Government accelerates the abolition timeframe for F2018.

Property owners and investors with ‘skin in the game’ need the State Government to immediately remove the hand brake on transactional activity, rather than waiting until July 2018. With the highest vacancy rates in commercial office property in the CBD in 18 years, we need to empower property owners and developers to start turning over and redeveloping stock now.

Bringing forward the complete abolition of stamp duty concessions would ignite the industry, encourage investor confidence that has been shaken by the power crisis in South Australia, and provide a courageous national competitive advantage

The Property Council encourages the State Government to bring forward the full abolition of stamp duty in July 2017 as a means of immediately encouraging growth within the industry.

Residential stamp duty:

The Property Council would also like to see the axing of residential stamp duty to restructure the South Australian economy. Stamp duty as a transactional tax is a volatile source of revenue in that it is dependent upon property and business transactions taking place in the economy, which makes South Australia’s credit rating vulnerable to international economic conditions. Inefficient taxes act as a handbrake on the economy – impeding transactions, stifling activity, inhibiting job growth and constricting productivity. Replacing inefficient taxes, such as stamp duty, with more stable and efficient revenue sources is a crucial step toward improving the economic wealth of the nation.

Stamp duty on residential property transfers has increased by almost 550% since 1995, which has hindered the ability for new home owners to enter the market, discouraged older South Australians from down-sizing and contributing to placing upward pressure on housing affordability.

Respondents to the Property Council's survey on South Australian taxes – as referenced – overwhelmingly agreed that stamp duty concessions should be implemented for residential transactions, with more than 77 per cent of those surveyed stating this would drive sales.

Recently, the Andrews Government in Victoria made the decision to cut stamp duty for first home owners buying a property valued at less than $600,000. This is a significant step in addressing disparity in housing affordability, and will help first home owners enter the property market.

The Property Council encourages the State Government to examine options to cut residential stamp duty in South Australia. This would be a significant reform that would drive transactions, make housing in South Australia more affordable and provide a courageous national competitive advantage.

Recommendations

- Bring forward the complete abolition of non-residential stamp duty.
- Continue to blaze the trail for reform and abolish residential stamp duty, which is a handbrake on the economy and an impediment to affordable housing.

Relevant State Government economic priorities

- ✓ South Australia – the best place to do business.
- ✓ South Australia's small businesses have access to capital and global markets.

Land tax reform

South Australia has some of the highest land tax rates in the nation, which unfairly punishes commercial property owners in our state. At a time when the unemployment rate is high and investor confidence is low, it's important that the State Government provides attractive incentives for businesses to invest and do business in South Australia.

Land tax, with its narrow base and high rate, ensures that certain property investments are relatively less attractive than other types of investments. Other jurisdictions have relatively low land tax rates in comparison to South Australia, making it hard for us to compete with more attractive interstate investment options. This has a detrimental impact on investors seeking competitive jurisdictions in which to invest in property.

In South Australia, land tax is currently paid by only 22% of taxable properties with the remainder falling below the tax-free threshold.[1] Including those that fall below the tax-free threshold, the top 2% of ownerships by value account for 80% of total land tax paid while the top 10% of ownerships by value account for more than 95% of total land tax revenue.[2] South Australia also has by far the highest marginal land tax rate across states, meaning that the current system is having a disproportionate impact on investment by large property holders.[3]

Furthermore, aggregation is a serious disincentive to investment as it penalises multiple investments by property owners and increases liabilities of owners who own more than one property, as demonstrated by the following case study:

Case Study – two different buyers, two different tax rates

Consider a situation where there is a parcel of land worth $500,000 for sale, with two prospective buyers. The first buyer owns no land, while the second already owns $1.5 million in land.

Should the first buyer purchase the land, they would pay $840 in land tax each year. If the second buyer were to purchase the land, they would pay an additional $18,500 in land tax.

This means that the second buyer would have to pay $17,660 more in land tax than the first buyer due to the anti-competitive aggregation mechanism. If the tax is paid annually in perpetuity with a 7% discount rate, the net present value of the additional tax is around $252,300.

In this case, even if the second buyer were to value the land more than the first buyer, they may not purchase the land if they do not value it at least $252,000 more than the first buyer.

This suggests that if the aggregation mechanism deters the second prospective buyer from buying the property, there may be lost economic value due to allocative efficiency of between $0 and $252,300.

Source: Deloitte Access Economics (2017) *Towards a best practice land tax model*

Aggregation means land tax is higher for larger landholders, leading to a bias favouring smaller investors in the property market. This distorts the market, as large-scale long-term investors who may be better suited to providing dwellings for private tenants over a long period are dis-incentivised from investing in such a way.

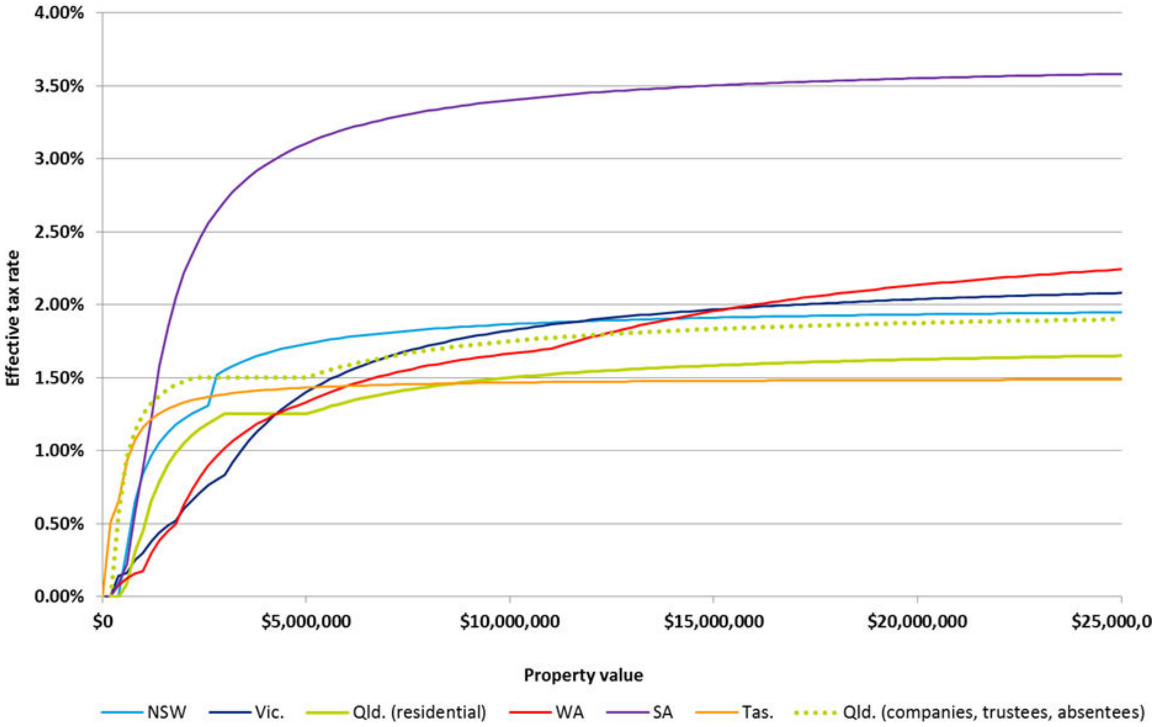
[1] South Australia Government (2015) State Tax Review Discussion Paper.

[2] ibid

[3] Deloitte Access Economics (2017) Towards a best practice land tax model

Land tax research recently commissioned by the Property Council and conducted by Deloitte Access Economics clearly presents the land tax rate disparity between South Australia and other jurisdictions (Figure 1) as well as the tax paid on aggregation (Table 1).

Figure 1: Effective land tax rate for various property values, $0 - $25 million



Source: Deloitte Access Economics; NSW Office of State Revenue (2016), Victoria State Revenue Office (2016), Queensland Government (2016a; 2016b), Western Australia Department of Finance (2016), South Australia Department of Treasury and Finance (2016), Tasmania Department of Treasury and Finance (2016).
Note: ACT is not depicted due to high effective tax rates for low property values.

Table 1: Examples of aggregation for a property with a taxable value of $2,000,000

Jurisdiction	Tax paid with aggregation ($14 million total portfolio)	Tax paid without aggregation	Additional tax paid under aggregation
NSW (general rate)	$40,000	$24,388	$15,612
Vic (general rate)	$45,000	$11,975	$33,025
Qld (residential)	$35,000	$21,000	$14,000
Qld (companies, trustees, absentees)	$40,000	$29,500	$10,500
WA (general rate, non-metro region)	$53,400	$12,550	$40,850
SA (general rate)	**$74,000**	**$44,288**	**$29,713**
Tas (general rate)	$30,000	$26,588	$3,413

Source: Deloitte Access Economics.

Owners of property and land in South Australia also report significant deficiencies in the valuation methodologies employed to calculate land tax – this impacts on the 'efficiency' of the taxation regime. It also results in property and landholders often having to challenge valuation determinations, which results in wasted time and expense on their part.

Further, many land tax exemptions exist for historical reasons and do not support existing realities in South Australia. There is a seriously inequitable burden on South Australian businesses with land holdings, which gives other taxpayers and States a comparative and distinct advantage.

The Property Council of Australia believes the efficiency of the South Australian land tax system could be significantly improved by moving towards a flat rate land tax system where all properties, currently subject to land tax, pay the same tax rate on each dollar of unimproved land value.

A flat land tax will neutralise the adverse effects of the existing aggregation mechanism. While we acknowledge that removing the aggregation mechanism will have an impact on government revenues, this reform could be made revenue neutral by setting the flat rate appropriately.

Under a flat rate of land tax system aggregation mechanisms do not create an efficiency loss. With a flat tax and no tax-free threshold, the owner of the land will pay that same rate regardless of their existing land holdings. This will mean property owners who have the ability to invest are not de-incentivised.

Moving to a flat rate of land tax would also avoid bracket creep, which is caused as the values of properties rise over time.

The Deloitte report also found that large landholders in South Australian would receive potentially higher benefits than other states through reform of our land tax system, due to the higher marginal rates within our jurisdiction. This is due to our very high top rates, which as shown can have a significant impact on the investment decision of large landholders.

The transition to the new system should be achieved through a gradual flattening of rates over a clearly defined transition path that allows current owners to respond to a known future tax liability.

Recommendation

- That the government takes steps to move towards a **flat rate** of land tax in South Australia, making us the most competitive land tax regime in Australia and improving investment conditions in this state. The transition path should be clear and transparent to allow investment and rental decisions to be made on this basis.

- That the government remove or neutralise the aggregation mechanism.

Relevant State Government economic priorities

- ✓ Growth through innovation.
- ✓ South Australia – the best place to do business.

Foreign investment tax

The Property Council again urges the State Government to rule out introducing a foreign investor tax.

South Australia needs a point of difference from the eastern and western seaboards that capitalises on a competitive advantage when it comes to property based taxes. We are currently well placed to capitalise on foreign investors who have been slapped with (as you have pointed out previously) this 'xenophobic' tax in other states, and are looking for alternative investment opportunities.

As you have acknowledged in the past, slapping counter-productive taxes on foreign investment is a great risk for housing supply. New South Wales, Queensland, Victoria and even the recently elected WA Government have been in a race to the bottom when it comes to taxes that fail to address housing supply or improve affordability.

And it's hard to deny the evidence base. Every newly constructed home that a foreign investor purchases enables up to four other homes to be built, so this lift is good news for affordability. Affordability is about unlocking supply through land release and development opportunities and reducing planning costs and delays.

We were pleased to see our Treasurer taking a leadership role by ruling out such taxes in the last budget, sending a powerful confidence signal to investors. As the Treasurer noted, we are a trading nation and a trading state and South Australia needs foreign investment to stimulate our economy.

Recommendation

- That the State Government rules out the introduction of a foreign investor tax in South Australia.

Relevant State Government economic priorities

- ✓ South Australia – the best place to do business.

Continuation of off-the-plan concessions

The Property Council strongly recommends the State Government extends the continuation of the off-the-plan concession until 30 June 2018. The concession has been a significant catalyst for development not only in the city and Bowden, but throughout South Australia. The concession also aligns with the State Government's agenda around increasing density and supporting infill.

Key findings from a survey of our membership include:

- 92 per cent of respondents believe that the concession had significant impact on attracting buyers.
- 100 per cent of respondents believe that the concession made apartment developments more attractive to investors.

Some qualitative commentary from survey respondents include:

- *"Stamp duty is a heavy cost when buying a new property. Greater stamp duty incentives would reduce those costs and reduce the amount that needs to be saved before buying a property, making it possible for buyers to afford to buy a property and to buy sooner".*
- *"The concession lowers the price of housing stock in Adelaide and leads to better affordability. This in turn benefits owner occupiers and investors and makes Adelaide a more attractive place to live and invest".*

The findings are compelling and present a strong case for the continuation of the concession.

Recommendation

- Extend the stamp duty concession for off-the-plan apartments until 30 June 2018.

Relevant State Government economic priorities

- ✓ South Australia – the best place to do business.

Alternative methods of infrastructure funding

City Deals

The capacity of governments to fund infrastructure, resource programs and support reforms is constrained by their own balance sheets and appetite for change. This is why the Property Council supports the implementation of City Deals – a model that allows government to make deliberate choices through a framework of criteria that offer the greatest benefit.

The Property Council of Australia believes that the City Deals model offers government a unique opportunity to move beyond the political cycle when it comes to infrastructure and economic growth planning.

City Deals help align all levels of governments on the core infrastructure, planning strategies and initiatives needed to boost prosperity over the medium and long-term. They can foster better decision-making around infrastructure priorities, and create a framework that allows governments to make deliberate choices on projects that offer the greatest benefit.

The first City Deal was signed in Townsville in December 2016. This is a partnership between the Australian Government, Queensland Government and Townsville City Council to transform Townsville and drive economic growth over a 15-year period.

Over 15 years the Townsville City Deal will:

- Revitalise development, particularly in the city and Waterfront PDA
- Activate industry and export growth
- Support long term growth of local businesses
- Enhance livability
- Improve planning, coordination and governance.

The Property Council of Australia believes that City Deals could be an opportunity for the South Australian government to partner with their federal and local government colleagues to deliver on strategic infrastructure projects our economy needs. For example, a City Deal that aimed to build energy resilience back into our economy would have long term benefits and strategic outcomes for all levels of government, business and community.

The Property Council would be happy to partner with the State Government to develop the framework for City Deals in South Australia.

Value capture: Not right for South Australia

The Property Council of Australia believes that value capture mechanisms currently being investigated by other jurisdictions should be approached with caution, as noted by a recent independent report produced by Infrastructure Australia[4].

Infrastructure Australia's report found that it is inherently challenging to predict the value created by new infrastructure, making it difficult to identify how much beneficiaries should contribute to the project. It is also hard to transfer international experiences with value capture to local jurisdictions, with Australian settings varying greatly from overseas markets where value capture has been introduced.

The Property Council believes that the risks posed by poorly designed value capture mechanisms carry real economic, social and political risks for government. New taxes designed as value capture mechanisms will increase the cost of housing and commercial development, putting at risk affordability and productivity.

[4] 2016 Infrastructure Australia *Capturing Value*

It is also important to recognise that the existing tax base – primarily land tax, council rates and other taxes such as the emergency services levy – already capture any variation in land values that may (or may not) accrue. Also, the property industry already contributes significantly to infrastructure investment through the myriad of development levies.

Our submission to the Commonwealth's discussion paper on value capture expands on this logic – including the principles that should inform any choices around value capture, the current imposition of valuation-based taxes, and alternative methods[5].

We would point you in particular to tax increment financing, which is a method of funding infrastructure used commonly in the US and UK. Its benefits include:

- A more transparent approach to infrastructure selection and provision.
- A sustained commitment to infrastructure provision which is removed from the vagaries of the electoral cycle.
- The provision of infrastructure is appropriately timed.
- Governments having a stake in making integrated decisions around infrastructure and land use.
- Avoiding the trap of other forms of value capture by using existing taxes and tax rates – and only capturing value as it truly accrues.

In short, it involves governments issuing bonds to pay for infrastructure – and recapitalising them through the tax revenues arising from economic growth that follows.

Tax increment financing involves:

- Identification of a suitable precinct or project and establishment of a TIF authority
- Preparation of a plan for the area's growth, infrastructure requirements and financial commitments
- Establishing the pre-existing tax revenues currently derived from the area
- Issuing bonds (usually, government-backed) to fund infrastructure works
- Repaying the bonds from the incremental increase in property taxes (above the pre-existing base) generated by new infrastructure and development, and
- Ensuring that once the bonds are repaid, all property tax revenue for the area returns to general revenue.

Tax incremental financing provides a sustained commitment to infrastructure as an own source of funding - generated from infrastructure and development that would have not occurred in the absence of investment.

Recommendations

- Investigate City Deals as a method for prioritising infrastructure that boosts prosperity and economic growth in South Australia.
- Partner with the Property Council to develop the mechanism for City Deals in South Australia.
- Prioritise the adoption of tax increment financing via a pilot program to help fund essential infrastructure.

State Government Economic Priorities

- ✓ Creating a vibrant city
- ✓ Growth through innovation

[5] 2017 Property Council of Australia, available via [Using value capture to help deliver major land transport infrastructure]

Energy Infrastructure

The last 12 months have seen energy infrastructure emerge as the biggest threat to the economy in South Australia. The state-wide blackout in September last year rattled the property and business sectors, with anecdotal reports of international investors choosing to delay purchases in this state due to concerns over ongoing power availability.

Key findings from a survey the Property Council conducted after the power outage in September 2016 include:

Qualitative commentary from survey respondents include:

- 63 per cent of respondents do not believe that South Australia has a reliable power source.
- 73 per cent of respondents believe that the power outage that occurred September 2016 will adversely influence investors' confidence in South Australia.
- 58 per cent of respondents recorded a loss of revenue of up to $25 000.

- *"[I] have concerns over large industry investors which are already borderline ...unreliable power supply may be final straw for companies like Arrium. Rare outages due to natural disaster are difficult to eliminate but peak load issues which are becoming more common are likely to deter investment quickly - requires expensive site generation capacity to ensure uninterrupted supply".*
- *"a more integrated, resilient mixed energy source system based on connected nodes would provide greater resilience and independence".*
- *"There needs to be targeted spending on power generation infrastructure either by Government or through private parties. This will go a long way in reducing the cost of doing business in SA".*

The Property Council understands that energy infrastructure is a highly complex and volatile area of public policy; however, we firmly believe that industry and government can work together to find solutions to the energy crisis.

For this reason, we encourage the State Government to jointly fund research with the Property Council to examine ways government and the private sector can work together to develop innovative solutions to the energy crisis. This research could in turn form the basis of a City Deal (discussed on page 9) across all levels of government to take a strategic long-term approach to building energy resilience into our economy.

Recommendations

- Jointly fund research with the Property Council into innovative new energy technologies that can be utilised by the private sector.
- Continue to examine ways of building resilience into our market.
- Implement a City Deal to create a long-term plan for South Australia's energy infrastructure.

State Government Economic Priorities

✓ Growth through innovation

Adaptive reuse

Urgent action must be taken to encourage adaptive reuse of existing buildings within the Adelaide CBD, especially as the city struggles with record high vacancy rates. The Property Council's Office Market Report released in January 2017 revealed an increase in Adelaide CBD vacancy levels from 15.4 to 16.2 per cent (the highest since July 1999), while Fringe vacancy increased from 10.9 to 11.3 per cent (highest since January 1999).

The Property Council believes that incentives can be offered to encourage adaptive reuse in our CBD and city fringe, especially in relation to converting an aged and vacant commercial property into a multi-level residential offering. The benefits of encouraging more residential retrofits of unused office space in the city is threefold:

1. It would encourage population growth in the CBD, provide more affordable housing options for first home owners and students, and make the city a safer place due to an increase in activity outside of business hours;
2. It would provide the industry with an uplift, especially for architects, builders, trades and residential property developers.
3. It speaks to the State Government's density agenda.

To incentivise the transitioning of commercial property in the CBD into residential property, we propose the following proactive initiatives.

Stamp duty concessions for residential retrofits

The Property Council believes that stamp duty concessions should be extended to those who purchase a residential retrofit within the CBD. The scheme could work much like the stamp duty concessions for off-the-plan apartments, which have been successful at encouraging purchases in strategic growth areas like Bowden. Due to the lead in time needed for first identifying and then retrofitting buildings, we propose that the program be given a minimum of a three-year lead in time.

CBD Upgrade Grants

Often the costs associated with retrofitting or changing the use of an existing building are prohibitive. One of the biggest initial outlays is for consultants, architects, and heritage building experts who advise the property owner what is needed to change the use of their asset.

To make it more attractive for building owners to examine alternative uses for their properties, we believe the State Government should develop a grant program which would allow owners in the CBD to access expert opinion at the beginning of the reuse project.

The program could work much like the Energy Productivity Audit Grant Program, which provides grants of 75 per cent of the cost of a Level 2 energy audit - up to $15,000 - to businesses to engage an external energy auditor to identify energy productivity opportunities.

Having access to professional reports about what building owners can and can't do with their properties will allow them to factor long-term upgrades and reuses of their property into their business plans and allow for a rejuvenation of the CBD's underutilised stock.

Relax requirements for off-site impacts

The ability to change from an office type use to retail or even residential uses by adapting existing buildings must take into account other off-site impacts. Car parking and access are key, so too are things like the capacity of the existing water supply (including water volumes and water pressure), electricity supply and the cost of upgrading/augmenting electrical capacity, sewer capability, waste collection and waste services et cetera.

To encourage adaptive reuse of commercial buildings for residential property, the requirements surrounding the amount of car parks per dwelling will need to be reduced or given flexibility. Many of the existing C D grade office properties within the CBD do not have, or have very few, on site car parks. Apartments with one or fewer car parks on site are not at odds with the changing requirements of those who choose to live in the CBD, including young people or others who prefer to walk, cycle or use public transport. Students are a growing market that quite often do not own cars anyway.

We propose the State Government work with industry to isolate and relax requirements around car parking that currently restricts residential retrofits that cater for the changing needs of inner-city living.

Recommendations

- Extend stamp duty concessions to those who purchase a residential retrofit within the CBD
- Implement a grants program to allow building owners to hire professional external consultants to provide a report into retrofit and reuse options for their CBD properties
- Work with industry to isolate and relax requirements that are currently impediments to residential retrofits of commercial office property in the CBD.

State Government Economic Priorities

✓ Growth through innovation

✓ Vibrant Adelaide – where people and business thrive

✓ A destination of choice

Population growth

South Australia's consistently flat population growth is having a massive impact upon the economy and the property industry as the State's largest private sector employer. In recent times we were concerned to see the population growth targets revised down in the 2016 draft 30-Year Plan.

The Property Council invites the State Government to jointly host a Population Growth Forum to examine policy options, initiatives, ideas and programs that could encourage more people to settle and stay in Adelaide. By inviting key thought leaders from around the world, we can work together to lead the nation in population growth strategies.

The Federal Government held a similar forum in November 2003 with the resulting report published in 2004 and informing federal policy development in this space. The Property Council believes that government needs to partner with industry and take a leadership position when it comes to growing South Australia's population.

The Property Council is concerned that without bold policies designed to foster employment growth in strategic industries, our state will not be able to attract and retain the best and brightest talent.

Smart population growth and productivity improvements are the drivers of economic growth. The State Government must target skilled migration to fuel smart population growth. As the Property Council has outlined previously in public policy proposals, we believe it is vital for the State Government to simplify South Australia's complex and cumbersome administrative migration processes in order to attract skilled migrants into the State and boost our population growth.

South Australia is in a talent competition with the rest of the world. Government and business must work together to ensure our state attracts the world's best and brightest and capitalises on this important economic booster. Targeted migration will fill essential skills gaps, drive investment, create jobs and grow the State's taxation base. Importantly, skilled and targeted migration will improve the living standards enjoyed by all South Australians.

As a smaller state, we need to compete with other Australian jurisdictions by being the best place in the nation to do business – a worthy ambition supported by the Government through Economic Priority 7, SA: the best place to do business. One pathway to address this uplift in competitiveness is through reform of our tax system, diversification of the economy, investment in infrastructure, further planning reforms and red-tape reduction. If we are able to do this, South Australia could attract skilled migrants, retain our young people, and grow our businesses.

Going forward, the jurisdictions with the most competitive taxation environments and the most livable cities will win the contest for skilled immigration and investment globally. We need bold policies to reverse the trend towards an ageing population and require strategies to attract and retain young people and to target skilled/investor migration.

This won't be easy, but just because it might be difficult doesn't mean that it should be neglected.

The South Australian economy has suffered in recent years due to an exodus of headquartered companies who have taken their large workforces and office tenancies to the eastern states. However, in an age of technology when the physical placement of a business is no longer key to its success, South Australia does have some competitive advantages to offer large multinationals. These include; housing affordability, cost of living, life style, climate, and educational facilities.

The Property Council believes that a taskforce should be established to aggressively poach headquartered companies from the eastern seaboard and neighboring Asian countries by highlighting the benefits to relocation in the Adelaide CBD. This would lead to an instant boost in the CBD economy and population and would drive the commercial office property market.

Recommendations

- Pursue bold growth strategies – including population and skilled migration.
- Jointly host a population growth forum with the Property Council to examine innovative new ways of attracting and retaining the best and brightest from around the world.
- Fund research into brain drain, its impact and strategies to address exodus.
- Simplify South Australia's complex and cumbersome administrative migration processes to attract skilled migrants into the State.
- Establish a Headquartered Company Taskforce to aggressively pursue and promote South Australia as a professional home base for major multinational companies.
- Produce a promotional campaign for the Sydney and Melbourne markets to advertise South Australia's housing affordability, quality schools and lifestyle in comparison to the eastern states.

State Government Economic Priorities

- ✓ Growth through innovation
- ✓ South Australia – the best place to do business
- ✓ Vibrant Adelaide – where people and business thrive
- ✓ Promoting South Australia's international connections and engagement
- ✓ South Australia's small businesses have access to capital and global markets

Diversity in the workforce

The property industry has traditionally been a very male dominated industry; a challenge that the Property Council both in SA and nationally have been working hard to address. As the largest private sector employer in the state, it is vitally important that young women can enter the industry, gain employment and shape the future of property in South Australia.

Through our dedicated Diversity and Inclusion Committee – comprising industry volunteers – we are gathering feedback on the barrier to entry for young women who wish to enter the property industry. It is apparent that the problem with attracting and retaining women starts early, with young women not being encouraged or not seeing the property industry as a viable career choice while still at school.

An EY report commissioned by the Property Council in 2014 found that the industry is divided over gender diversity and lacks a coordinated approach to creating a more gender equal industry[6]. It found that while the majority of property companies understood that they had a problem with attracting, rewarding and retaining women, they were 'stuck' offering isolated policies rather than leadership.

A further EY report produced in 2015, *Grow the talent pool: Insights on gender representation in property*, involved a survey of more than 3,800 people across the industry and seven in-depth interviews with women leaders in property. The research shows there is a huge opportunity to expand the industry's talent pool by understanding that women might not come to the industry via the same career paths as men (studying STEM at school), and working to develop a pipeline of women based on their future aptitudes rather than their past experiences.

Key findings include:

- Women and men currently have very different pathways into property.
- The property industry can source top talent from areas it currently overlooks.
- Property companies need to evolve workplace practices to improve female retention and progression.
- Women who are making it to the top in the property industry entered the industry by accident.
- Most women were only considered as candidates thanks to insightful leaders who sought to buck the trend of hiring industry insiders. And the industry is better for it.

Since these reports were released, the Property Council has taken an active approach to ensure that women are able to use our organisation as a 'jumping off' point for networking, professional development and learning opportunities. We have also worked closely with organisations to ensure they understand that having more women in the property industry makes financial and economic sense, as well as cultural sense.

However, we believe that more is needed to help young women transition from school and university into rewarding careers in the property industry. We propose that the State Government establishes a grant to help training providers reach out to girls in school when they are making those critical subject choices that will influence their future careers.

A training program that helps young women understand the opportunities within the property industry would have flow-on effects for other strategic growth industries, including defence, advanced

[6] EY Report 2014: *The next big deal is on. Property Industry where are you on gender diversity?*

manufacturing and engineering. We strongly believe that the lack of young women studying STEM subjects is a professional tragedy and one that needs to be tackled before our young people leave school.

Recommendations

- Establish a $200,000 annual grant to allow training providers to work in conjunction with industry to deliver programs in schools that inform young women on the career pathways offered by the property industry.

- Allocate $100,000 to produce a promotional video for use in schools and universities educating young people about the breadth of careers in property and championing local women in the industry.

Relevant State Government economic priorities

- ✓ Knowledge State
- ✓ Growth through innovation
- ✓ Best place to do business