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8<sup>th</sup> March 2024

The Hon Stephen Mullighan MP  
Treasurer of South Australia  
GPO Box 2264  
Adelaide SA 5001

By email: [Treasurer.DTF@sa.gov.au](mailto:Treasurer.DTF@sa.gov.au)

## Property Council – South Australian 24-25 Pre-Budget Submission

Dear Treasurer,

Thank you for the opportunity to provide input to the South Australian Government's 2024-25 Budget.

The Property Council of Australia's members lead the sector with the largest direct economic footprint in the nation – producing \$232.7 billion towards GDP, employing 1.4 million Australians and generating \$178 billion in employee incomes. Property and shaping the future of our cities is central to our national prosperity and touches the lives of every Australian.

The Property Council's 2,300 member companies are the nation's major investors, owners, managers and creators of properties and places that matter: homes, retirement villages, shopping centres, offices, industrial areas, education, research and health precincts, tourism and hospitality venues, and more. They shape our cities, create our communities and build the homes that Australians need.

The advocacy agenda of the Property Council in South Australia can be summarised under three main headings.

1. A competitive tax, planning and business environment.
2. Accelerating the supply and diversity of built assets.
3. Increasing transparency between the private sector and all levels of Government.

Our submission identifies key challenges our members face against these aspirations and provides solutions that the South Australian budget process could enable. Please contact me if you would like to discuss this submission in greater detail.

A handwritten signature in black ink, appearing to read "Bruce Djite", written in a cursive style.

**Bruce Djite**  
SA Executive Director, Property Council

## A competitive tax, planning and business environment

*The regulatory environment directly impacts the viability of our sector. The Property Council will continue to advocate across the diversity of our membership interests for sensible, fair and competitive policy that grows our local sector.*

### The issues

The Property Council's members continue to experience significant barriers across tax, planning and regulatory domains, preventing local, interstate and foreign investment flowing to South Australia at a time when we should be attracting more.

The abolition of stamp duty for commercial and industrial property in South Australia has undoubtedly accelerated investment into the State.

Yet interstate capital for privately funded medical, health and other social infrastructure facilities is being held back due to the challenging nature of navigating South Australia's land tax obligations and the frustrations associated with the administration of the Act.

Furthermore, our members face challenges holding assets affordably let alone further investing in their current assets or expanding their holdings. This is a result of the desynchronised way the Statewide Valuation has been conducted following the introduction of changes to the Land Tax Act in 2018-19 and 2019-20. The Property Council has advocated for solutions to the consequences of this persistent issue and does so again here below.

The University merger in Adelaide highlights the increased need for accelerated development of purpose-built student accommodation to house students and to ease demand on conventional rental housing.

With the fastest ageing population in mainland Australia, the Property Council calls for increased urgency in policy that produces healthy investment conditions for ageing-in-place housing options – such as retirement living. Legislative uncertainty around exit entitlements in South Australia has meant capital for this asset class is waiting in the wings. The incentive to invest in less regulated, less consumer-friendly forms of senior housing has increased consequently. We note and welcome that the South Australian Government debate on the SA Retirement Living Act Amendment Bill is imminent.

### The solutions

- The implementation of a trailing average of three years' worth of holding values to smooth the impact of a dramatic single year increase in the valuation of a site, allowing land tax liabilities owed to increase or decrease over time. This would decrease the significant volatility of land tax liabilities and increase the predictability to budget for, invest in and acquire or develop new assets.
- Expedited planning approval pathways for Student Accommodation (and other purpose-built housing stock such as retirement villages) would significantly derisk investment in alternative housing asset classes and future proof South Australia as the state's demographic trajectory necessitates a diversity of housing typologies.

- The Property Council requests the South Australian Government extend its build-to-rent incentives, including the significant developer foreign owner surcharge ex-gratia relief, to purpose-built student accommodation projects. This is required if we are to house the projected influx of students as the new Adelaide University is formed. Failure to significantly increase purpose built student accommodation will only increase the pain currently being felt in the broader housing market.
- The Retirement Living Council together with the South Australian Division of the Property Council advocates for a 12-month exit-entitlement timeframe for retirement village operators that commences from the earlier of either the point the property is ready to be marketed or 60 business days from vacant possession. Again, we note the Bill is currently before the Parliament and includes a 12 month exit entitlement provision which is a sensible policy balancing consumer concerns and operator viability.
- The Property Council nationally has called on the Commonwealth to incentivise states and territories to remove counter-intuitive foreign investor surcharges on residential and commercial property - which can add up to 8 per cent to the purchase price upfront and increase annual land taxes by a further 2 per cent. Currently foreign owned purpose-built housing providers - such as retirement operators and student accommodation providers - pay about double the stamp duty. The Property Council in South Australia reiterates the call from our national colleagues and asks the South Australian Government to make this concession to remove the current 7 per cent foreign ownership surcharge.

## Accelerating the supply and diversity of built assets.

*Accelerating the supply and diversity of housing stock is critical in meeting the demands of a growing population and forecast demographic shifts in South Australia. The Property Council will advocate for positions which seek to increase the diversity and choice of housing for all South Australians, including purpose built student accommodation, retirement living options, build-to-rent, as well as greenfield and infill development. In addition, we advocate for incentives to be extended to the delivery of social infrastructure and the conditions required to ensure our office market, mainstreets, commercial and industrial precincts thrive.*

### The issues

#### *Housing*

Creating conditions conducive to increase the supply and diversity of built assets required by South Australians is in the main a function of the tax, planning and regulatory settings employed by the State Government.

The State Government has embarked on an ambitious program of greenfield land release to provide for future housing as part of its response to the housing crisis.

Land that is development ready and serviced with adequate infrastructure - chiefly, water, power, sewer, and roads - is critical to legitimately moving forward with these land releases.

With industry recovering from a profitless boom, and in the absence of significant investment from the state to provision for water and sewerage infrastructure, developers will be unable to proceed with their proposed developments. It is not a fair, affordable or reasonable option for developers to contribute towards the construction of enabling trunk infrastructure. Without a significant investment from the South Australian Government, the state faces the material risk of failing to deliver on its housing targets and ambition. We caution against any suggestions that developers should contribute to trunk infrastructure. Such a suggestion would have a substantially negative impact on intergenerational equity because it would materially increase the cost of housing.

There appears to be an unresolved conflict between the capacity of SA Water to balance the infrastructure required to facilitate rapid growth, and the revenue cap model the utility operates under, which protects existing customers from the impacts of rising bills. This approach is stifling the ability for SA Water to deliver growth and exacerbates the future cost of housing.

### *Social infrastructure*

While the natural focus politically is housing, it is important that our city invests in culture and the social infrastructure that supports it. The Property Council is fully supportive of the Tarrkarri project, which if delivered will be a phenomenal tourism attraction of international significance and an important landmark to North Terrace as a cultural boulevard and precinct.

### *Industrial and employment lands*

Ensuring there is an adequate supply of development ready, well serviced land available for industrial and strategic employment assets is critical. Whilst housing is critical, land that is attractive to investors and readily developable will support jobs growth in South Australia.

### **The solutions**

- A significant and immediate injection of capital expenditure to SA Water in the upcoming State Budget – both in FY25 and over the forward estimates – to fund the provision of water and sewerage trunk infrastructure to support the delivery of housing. This investment should be funded through debt – rather than increasing water bills for existing rate payers or via developer contributions. This funding should be over and above what is already proposed in SA Water’s draft regulatory business plan. This funding should be in excess of existing and suggested section 6 orders. Additionally, the launching of a competitive process to ensure value for money bids to build, maintain and operate the required water and sewerage infrastructure to service the Government’s housing agenda. Industry supports and recommends a competitive, market tested procurement process that drives expenditure accountability to avoid waste and unnecessary “gold plating” and drive taxpayer value for money.
- Funding to progress the construction of Tarrkarri which will be a major tourism attraction for South Australia.

- Funding to support the development of an industrial and employment land supply database that accurately tracks which land is truly suitable and available for development.
- Funding to support the Federal Government's Urban Precincts and Partnerships Program which has committed \$150 million over three years, commencing in 2024-25 to deliver in partnership with the private sector greater precinct amenity.

## **Increasing transparency between the private sector and all levels of Government.**

*Our members take significant risks to develop the built form that underpins our economy. Ensuring transparency and collaboration with state government is critical to ensure that the local sector thrives, and that South Australia is an attractive investment destination.*

### **The issues**

Members of the Property Council undertake great financial and reputational risks to create the places that matter to South Australians: homes, retirement villages, shopping centres, offices, industrial areas, education, research and health precincts, tourism and hospitality venues, stadiums, arts and entertainment venues, and more.

With a pronounced proportion of local and private companies in the South Australian property industry, the importance of transparency and stability when intersecting with Government is paramount.

To successfully manage the growth of South Australia as it embraces economy shaping infrastructure and growth - that will involve the property sector at every step - will require improvement in the way Government and the private sector interact.

Speed and transparency of decisions. Open, frank communication and information flow. These are the issues raised regularly by members.

In the current economic climate, the need for certainty and confidence is greater than ever when it comes to the question of where the private sector chooses to deploy its capital and effort.

### **The solutions**

- A fully funded, resourced and empowered Office of the Coordinator General that enables investors in projects of strategic and economic importance to South Australia to navigate and expedite its interactions with Government processes quickly and efficiently.
- Transparency and communication from the State Government when it intends to intervene in private market transactions, e.g. the West End Brewery site. Such market intervention disrupts market equilibrium and detracts from future investment.
- Additional resources for the Housing, Infrastructure, Planning and Development Unit.