

4 December 2023

Property Council Pre-Budget Submission for 2024/25 State Budget

The Property Council WA is pleased to submit recommendations for the 2024/25 State Budget.

As the peak body of the property industry, our commitment lies in developing and presenting solutions that will enhance the economic future of Western Australia.

Property Council members own, operate, and invest in our state, and are deeply committed to its ongoing prosperity. Recognising the imperative to consistently improve WA's liveability, prosperity, and affordability, our members endorse the following recommendations to be incorporated in the State Budget.

The following submission focuses on the industry's priorities for the year ahead, which will foreshadow the 2025 election– for this reason, the Property Council puts forward the following proposals.

The Property Council of Australia

The Property Council of Australia is the peak industry body representing the whole of the property industry. In Australia, the property industry employs more than 1.4 million Australians and shapes the future of our communities and cities.

As industry leaders we support smarter planning, better infrastructure, sustainability, and globally competitive investment and tax settings which underpin the contribution our members make to the economic prosperity and social well-being of Australians.

The Property Council WA membership consists of more than 300 member companies. They are architects, urban designers, town planners, builders, investors and developers. Our members conceive of, invest in, design, build and manage the places that matter most – our homes, retirement living communities, shopping centres, office buildings, education, research and health precincts, tourism and hospitality venues.

This submission is informed by Property Council's membership and expert committee members.

Budget Recommendations

Accelerate housing supply

Western Australia is currently facing an extreme housing shortage. Whilst Housing Industry Forecasting Group (HIFG) data has not been published, it is anticipated that actual new dwelling commencements will be circa 15,000 in 2022/23 and increase by approximately 10 per cent in the following financial year.

While the new dwelling commencement and existing pipeline of homes under construction may bring some relief to the rental market, there nevertheless remains a significant deficit of housing supply. Assuming a household formation rate of 2.6 people per dwelling, and Treasury's Band C prediction of population growth of 156,000 in that same FY23 to FY25 period, there will be a deficit of between 4,000 and 6,000 dwellings per annum.¹

¹ If population growth exceeds Treasury's medium level expectation (Band C) and is at their top-end prediction (Band E), the population growth in that period will be approx. 183,000, requiring approx. 23,400 dwellings per annum, or a deficit of between 7,400 and 9,400 dwellings per annum. Access <[Western Australia Tomorrow population forecasts \(www.wa.gov.au\)](https://www.wa.gov.au/government/publications/western-australia-tomorrow-population-forecasts)>

Recommendations:

- 1. Create dedicated housing for students by topping up the Infrastructure Development Fund and expand to include student accommodation:** Students are a critical economic driver in WA and assist to diversify our economy. If dedicated student accommodation is not available, students seek housing in the general residential market, competing with local families. Purpose-built student accommodation (PBSA) is an emerging sector of property that is tailor-made to meeting the needs of students. Unfortunately, research has revealed that WA has a lack of available student housing.

A Property Council report showed Perth has over 27 students per bed², and with ECU City due to come online in 2025, the need for greater supply of student accommodation will only continue to increase. In contrast, comparable markets of Adelaide (13 students per bed), Brisbane (14 students per bed) Melbourne (17 students per bed), as well as the national average of 19 beds, have significantly more accommodation options available for their students.

In October 2023, the state government established an \$80 million fund to unlock a new pipeline of apartment development in key urban precincts and worker accommodation in regional areas. To date the program has supported the delivery of over 2000 new homes in WA. Given the success of the fund the Property Council urges the state government supercharge the funding allocated to this program and extend eligibility to include student accommodation and co-living products.

- 2. Fund a pilot program for the delivery of tiny homes or additional ancillary dwellings:** Ensuring a swift increase in housing supply is crucial for accommodating population growth. Although the development of larger-scale projects, such as apartments, may entail a significant time investment before reaching the market, the current demand for housing is pressing. The Property Council suggests implementing a pilot program to trial the introduction of tiny homes or granny flat-style accommodation. These granny flats are estimated to have a delivery cost ranging from \$50,000 to \$100,000. Similar periods of rapid economic growth in the past have been facilitated by high levels of migration, necessitating government sponsored provision of temporary housing. For that reason, the state government should consider a pilot of 200 homes on appropriately identified government land sites.

Additionally, it is recommended that the state government considers relaxing restrictions on temporary dwellings for a specified period or extending eligibility for multiple ancillaries as a right. Presently, the accommodation of mobile homes or non-fixed homes is restricted to a maximum of 30 days per year. Similarly, regulations limit ancillary dwellings to one granny flat per lot exceeding 450 square meters. In the case of larger lots, especially in regional areas, expanding the number of ancillary dwellings permitted as a right could speed up bringing more housing stock online.

- 3. Reset transfer duty concession rates to reflect market conditions:** Infill development can deliver housing on scale in areas where it is needed, and particularly in areas where the established market is performing well beyond the median house price. While infill development is highly sought after, the capability of the development community to deliver projects has been constrained in recent years by high delivery costs. It is understood that in 2023 only one new apartment project has commenced construction.

Another strong factor holding back infill are the tax settings, which are disproportionately higher for apartments than new house and land projects, with projects often being subject to additional stamp duty, and a raft of contributions levied at a local and state government level. To bring infill development to equilibrium with house and land style project, we propose the threshold levels for the off-the-plan market are increased to reflect true market conditions. The Property Council proposes increasing the threshold to \$850,000, to capture a greater number of apartments and

² [The Unsung Hero Underpinning Australia's Largest Service Export - Property Council Australia](#)

more accurately represent market conditions. WA Treasury estimates that at \$850,000 a local owner-occupier purchasing an apartment off-the-plan would pay \$17,445, while purchasing an apartment already under construction pays \$21,806 in duty costs. Equalising tax treatments will encourage greater housing diversity and apartment development. To genuinely stimulate off-the-plan demand, the state government should remove transfer duty on apartments sold off the plan for a period of 2 years.

4. Establish a unit supported by industry to fast-track investigations into prefabricated homes:

In 2023 the Queensland state government established the Rapid Accommodation and Apprenticeship Centre (QRAAC) aimed at delivering prefabricated homes using modern methods of construction to bring more housing supply into the market quicker. The Property Council suggests the establishment of a comparable unit in Western Australia, with the goal of bolstering local manufacturing capabilities for the accelerated production of housing.

5. Halve the water service charges paid by investors into institutional residential properties:

Many residential metropolitan properties face extremely high rates for water, sewerage, and drainage services. Property Council analysis showed that the annual water service charge for a typical residential metropolitan property is \$282.59 per dwelling on the land, a minimum charge of \$469.40 per dwelling for sewerage service charges, and a minimum charge of \$132.34 per dwelling for drainage service charges. The sewerage charges and drainage charges increase further based on the dwellings gross rental value (GRV). When agglomerated across institutional products like build-to-rent these charges represent a substantial operating cost. To better incentivise more build-to-rent, the Property Council proposes that the state government halve the sewerage service charge from 4.351 cents per dollar of GRV to 2.175 cents per dollar of GRV and halve the minimum charge. The reduction in these fees promotes institutional investment in asset classes such as build-to-rent and promotes investment in WA over the eastern states in this expanding asset class.

6. Address feasibility challenges by supporting pre-sales: Analysis of apartment project feasibility reveals a very challenging situation. Unfortunately, this is unlikely to be resolved of its own accord, due to global factors, cost constraints, and market conditions. Critical to projects proceeding are presales. The resetting of the transfer duty rate to reflect market conditions more accurately is a step in the right direction. The Property Council estimates that 70 per cent of apartments purchased off-the-plan are bought by global capital, and barriers that prevent greater levels of pre-sales should be removed. Supporting presales could best be achieved by either removing the foreign buyer surcharge, or government purchasing of homes.

Support property and construction industry capacity

The Property Council acknowledges the commitment of the Cook Government to increasing the size of WA's skilled labour force through training and apprenticeships. The following recommendations seek to **address the immediate and future challenge with labour supply** and ensure careers in property and construction remain attractive to future generations.

Recommendations:

1. Smooth the profile and improve scheduling of state government projects: The highly constrained labour environment combined with the robust government infrastructure pipeline is causing unprecedented pressure on the private sector ability to deliver project. The Property Council understands that Infrastructure WA has been directed to identify tools to improve state government and private sector oversight over supply and demand drivers in the delivery of infrastructure. This project is highly relevant, particularly given ongoing challenges with labour force availability, and supply chain disruption in the global market. An interactive digital map, such as the Tasmanian Interactive Database, would support pre-empt challenges with infrastructure delivery and facilitate improved oversight to streamline scheduling and planning infrastructure projects across agencies. The Property Council proposes funds be allocated to develop a business case for a digitised infrastructure map.

2. **Introduce a payroll tax rebate for employers that relocate employees in key industries such as construction to WA for a two-year period:** On average, an employer relocating an employee would receive a rebate of just over \$10,000 for a two-year period (based on an annual salary of \$100,000). The proposed rebate would offset the company's relocation expenses, including elevated temporary housing costs.
3. **Provide financial incentives for businesses who employ mature apprentices or experienced trades who are no longer "on the tools":** Following significant investment in apprenticeship and training, WA has seen record enrolment in recent years. To ensure businesses are well equipped to see apprentices through to completions, more consideration needs to be given to how on the job learning can be better supported. The Property Council proposes a fund be developed to support businesses to hire mature trades who are not able to be "on the tools" full time but can support training and development on site. Business relief may also extend to payroll tax or licencing grants for off the tools onsite educators.
4. **Fund the 'Girls in Property' Program:** Girls in Property offers female high school students the opportunity to engage with property industry leaders, explore exciting property projects and gain an insider's view into the industry. The program emphasises the broad range of jobs and professions to choose from across the spectrum of the property industry. A modest State Government funding contribution of \$20,000 towards the Girls in Property program, hosted by the Property Council, would allow the initiative to expand and reach more high school students. It would encourage greater workforce participation by showcasing the local opportunities for education, skill development and job prospects after high school graduation. It is an efficient way to highlight the range of future job opportunities and identify both the skills and training needs to fill those roles.
5. **Utilise WA trade offices to support migration processing:** Federal visa processing and the reduced allocation of visas to WA is highly problematic and continues to limit the ability of the state meet labour market demand. The Property Council proposes a program could be established in alignment with national migration pathways to fast-track visa processing by utilising the WA trade offices to provide visa lodgement support.

Encourage ongoing development of Industrial land

As Western Australia's population continues to experience growth, so will the demand for industrial land. It is estimated that approximately 4.5 square meters of industrial land per resident will be necessary to accommodate the evolving needs of the West Australian population. Like housing supply, maintaining a robust pipeline of industrial land is crucial to ensuring WA can continue to diversify the economy and becomes resilient to economic headwinds.

Recommendations:

1. **Extend the eligibility of the Infrastructure Development Fund to include rezoned and industrial land:** It is imperative for Western Australia to usher in new industrial estates, aligning the supply of industrial land sites with the surge in demand spurred by population growth. In recent years, the capacity to introduce new land has been hindered by heightened construction costs and substantial delays within Western Power. Supporting headworks costs through the Infrastructure Development fund with offset some of the cost associated with delays and help bring more industrial projects online.
2. **Commit to funding and building a resilient EV charging network:** Facilitating the uptake of both electric or zero-emission vehicles and hydrogen trucks is of increasing importance. While there has been uptake across the globe as the industrial sector transitions toward a renewable and sustainable future, WA has not seen strong funding or strategy from government that this will be developed and considered into the future. Electric and hydrogen trucks require substantial power to charge and given the current capacity in the SWIS and NWIS, the installation of enough chargers to facilitate and enable long haul trucks to deliver the goods and services across WA is not currently possible. Expanding and building of a broader and resilient charging network is

needed for modernised vehicles to complete freight journeys, while delivering the additional benefit of regional development. Collaboration between government agencies, Western Power, and peak bodies such as the Property Council, is required to develop a strategy that ensures the EV charging network is widespread and of adequate quality. The Property Council proposes an incoming government develop a strategy to fund, expand and build a resilient EV charging network, while considering the capacity of the grid.

Support a transition to Net Zero

A worldwide competition is underway to swiftly transition all facets of our built environment towards achieving a net-zero ambition. The accelerated targets pose a challenge as the cost of implementation and the demand for skills to facilitate this transition are on the verge of a critical crunch. Preparing Western Australia for the embrace of a clean energy future is a substantial undertaking that necessitates strong government leadership.

Simultaneously, any energy transition must be approached with careful consideration, steering clear of abrupt discontinuation of existing energy sources without having viable replacements fully operational. Striking a balance between the evolving needs of the industry and a meticulously planned energy transition is imperative for ensuring a successful and sustainable future.

Recommendations:

- 1. Provide grant of up to \$20,000 to commercial businesses to fund environmental performance monitoring equipment or software to allow measurement and monitoring of asset performance:** To ensure the grants are impactful in improving asset performance report may be required to demonstrate improvement, additional support to undertake a NABERS, Green Star or similar rating tool/s may be awarded on the basis of improvements made. The grant could be used in tandem with the City of Perth's *Sustainable Building Grant* and *Residential Energy Upgrade Grants*. The Property Council can assist in developing relevant criteria for implementation.
- 2. Extend the Charge Up Workplace EV Charging Grants criteria to include building owners, feasibility studies and fire engineering safety:** Expanding the eligibility criteria to include building owners will facilitate the transition and increase the local uptake of electric vehicles. The *State Electric Vehicle Strategy for Western Australia (2020)* is a positive step that outlines the need for an expanded EV charging network to prepare for the transition to low and zero-emission vehicles. The larger offices in the CBD provide a natural location for these EV chargers to be placed given they house greater numbers of office workers and have the capacity to support more EV charging stations.

Supporting the implementation of fire safety engineering through the provision of grant funding assists greater uptake of EV charging stations. Further, expanding the grant to allow feasibility studies, such as techno-economic evaluation of EV charging opportunities will help improve the delivery of this crucial infrastructure.
- 3. Commit to funding the conversion of new and existing government owned and leased buildings by 2030 to ensure they are zero-carbon-ready:** The state government has a significant market presence in Australia's property sector and can leverage it to drive improvements in building energy performance. This improvement would not only deliver significant financial savings for the public sector and taxpayers, but also contribute to emissions reduction and build skills and capability in the market. It would assist in maintaining current government leasing agreements, rather than a move to new premises with associated costs and higher lease rates. A specific built-environment target reinforces the net-zero targets already laid out by the state government and places the state government in a leadership position, ultimately encourage similar commitments from local governments and Australian property companies.

4. **Commit to funding the implementation of trusted, robust and credible building rating systems such as Green Star and NABERS in all new government projects and existing assets and accommodation:** The state government should require the adoption of building sustainability rating systems, such as Green Star and NABERS, to drive sustainable outcomes in public projects. These rating systems should be adopted by governments through their owned and leased buildings including commercial offices, industrial facilities and social housing. The state government should support industry adoption of these rating systems and make their use a requirement when contributing government funding to built-environment project.

Next Steps

Thank you for considering our submission. The Property Council is open to further discussions and is available to provide any additional information or clarification that may assist in your evaluation of these budget asks.

Please contact Emily Young, Deputy Executive Director, Property Council WA on 0475161328 or at eyoung@propertycouncil.com.au if you require any further information.

Kind regards,

A handwritten signature in black ink, appearing to read 'S. Brewer'.

Sandra Brewer
WA Executive Director
Property Council WA