Policy Pillar Two | Welcome the investment Queensland needs

#BeAQueenslander

Investment plays a key city-shaping role in our economy and is a major productivity driver.

The Challenges

Queensland can't solve the housing crisis on its own, we need help from investors to build the new homes, businesses and infrastructure our growing community needs. This includes the mum and dad investors, as well as the large institutional investors critical to building at-scale developments.

Investors are critical to delivering the apartments to house Queensland renters, as well as the specialist rental housing such as Purpose-Built Student Accommodation and Retirement Living.

Over recent years investors have been targeted through knee jerk policy reform that has resulted in a tax regime that has taken the shine off Queensland as a location of choice for investment. We're seeing the effects of this in our declining apartment pipeline and the slow take up in the Build-to-Rent sector at a time when there has never been greater demand or need.

Alarming new research released by the Property Council in May this year shows the number of new apartments under construction in Brisbane will halve from 3,000 in 2024 to just 1,500 in 2025. This is alarming given the state's capital needs to be delivering 9,500 new dwellings per annum. The decline in new apartments is reflected in many regional areas such as Townsville and Cairns.

Private capital and global investment funds have been the driver behind some of Queensland's most significant projects, helping to deliver the homes and infrastructure our state needs to prosper. The 33 per cent of Queenslanders who rent rely largely on foreign investors to build the extra apartments needed to deliver critical new supply and drive down rents.

The Additional Foreign Acquirer Duty (AFAD), introduced in 2016 and recently increased, adds a further 8 per cent to the cost of residential development in Queensland for foreign individuals and businesses. Queensland is losing its competitive edge, with other states carving out Australian based developers with a proportion of foreign co-investment with the view to entice investment to their state.

The argument for retaining foreign taxes is that the money raised is then invested in Queensland. Instead, they have deterred investors to the point where the tax settings are delivering minimal financial benefits.

In focus - Purpose Built Student Accommodation

The challenge

Purpose-Built Student Accommodation (PBSA) plays a critical role in housing Brisbane's domestic and international students in custom designed, professionally managed accommodation close to universities and in the city centre. Only ten years ago this asset class did not exist in Queensland and now it is home to over 17,000 students who would otherwise have been competing in the private rental market. Because the PBSA sector is underpinned almost entirely by foreign capital, the whole sector is disproportionately impacted by the Foreign Land Tax Surcharge. Recent increases to the surcharge has caused investors to look south, robbing students of more housing options and forcing them into the unregulated private rental market.

The solution

Implement land tax concessions to drive new student accommodation projects: Unlock investment in new PBSA projects by exempting the sector from the Foreign Land Tax Surcharge. Bring the asset-class into line with other rental-only housing types like BTR and reduce the pressure students put on the broader housing market.

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The Solution

Attracting global institutional investors – and the city-shaping infrastructure and secure jobs that flow from their investment – is vital to supporting the homes, offices, retail centres, industrial sites, retirement living, student accommodation, hotels and community precincts our growing community needs.

The role of the private sector in delivering a home for every Queenslander cannot be overstated and removing barriers to private investors, including international investment, is critical to future-proofing our way of life.

To ensure the state Queensland remains a competitive global region that attracts and retains critical private sector investment, **its time to be a Queenslander** through the government adopting the following measures:

1. **Broaden Build-to-Rent (BTR) land tax concessions:** The current state tax incentives simply do not go far enough, and we are not competitive with our southern neighbours. Our competitive edge can be returned by broadening the current land tax concessions to all BTR projects to 50 per cent over 30-years. Additional concessions over 50 per cent should be introduced for those projects that deliver affordable housing.

2. **Restore our competitive edge by evening the playing field for Australian based developers:** Other Australian jurisdictions are moving very quickly and with great purpose to attract large scale capital to their jurisdiction. Carving out Australian-based developers with international co investment or ownership from being taxed Foreign Land Tax Surcharge and Additional Foreign Acquirer Duty is imperative. Limiting this concession to the companies that construct and sell new homes, apartments or develop and own land for commercial or industrial purposes will see investment flow back into Queensland.

3. **Introduce off-the-plan transfer duty concessions:** Introducing off-the-plan transfer duty concessions for buyers who choose to enter into contracts for apartments will result in an increase of pre-sales. This is crucial for transforming speculative development approvals into actual completed projects that put a roof over people's heads.

4. **Review outdated land tax and transfer duty thresholds:** Moving thresholds for land tax and transfer duty to adjust for rising property prices to ensure revenue neutrality for government and cost neutrality for developers, home buyers and owners.

5. **Commit to no new taxes or charges:** Certainty is of critical importance to industry and investment and to restore confidence. It is imperative that there are no further fees, charges or taxes levied on property industry.

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