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Property Council of Australia

6 June 2025

Ms Danielle Wood
Productivity Commission
GPO Box 1428
Canberra City ACT 2601, Australia

By email: chair@pc.gov.au

Dear Chair

RE: Property Council of Australia's response to the Productivity Commission's 5 productivity inquiries

The Property Council welcomes the Commission's 5 productivity inquiries into a broad range of issues and policy settings impacting domestic economic growth and the competitiveness of Australia's businesses.

A dynamic and resilient economy, workforce capacity and capability, data and technology and the clean energy transition are critical to the continued success of Australia's building environment sector – which in turn significantly contributes to the wellbeing and prosperity of Australians.

The scope of the five pillars inquires includes many crosscutting issues highly relevant to our sector. This letter sets out at a high level our priorities, supported by the attached detailed responses to the questions posed. In the context of the Commission's ongoing work in these areas, we would welcome the opportunity to meet with each of the relevant Commissioners to further discuss our industry's perspectives on unlocking productivity across the economy and the built environment.

We have welcomed the Productivity Commission's recent report on productivity in the housing sector and note that many of the issues identified in that work are relevant to the broader built environment sector. Additionally, we are actively participating in the Queensland Productivity Commission's first inquiry into construction sector productivity, the recommendations of which we anticipate will have relevance across the sector around Australia.

About us[1]

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. They shape our cities, create our communities and build the homes that Australians need.

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[1] Property Council commentary in no way applies to shopping centre or retail matters, only to other commercial assets. We recommend that shopping centre and retail matters are discussed with the Shopping Centre Council of Australia.

Representing over 2,300 member companies, we are the peak body for the nation's major investors, owners, managers and creators of properties and places that matter to Australians: homes, retirement villages, offices, industrial areas, education, research and health precincts, tourism and hospitality venues, and more.

Our industry represents a critical opportunity to unlock broader economic benefits through innovation, technology, emissions abatement and skilled workforces, ready for the future.

Our priorities

Pillars 1 & 2: Creating a more dynamic and resilient economy & Building a skilled and adaptable workforce

In a constantly changing global environment, how we better finance, plan, connect and supply the commercial, industrial and residential assets our cities need will be essential to Australia growing well over the next decade.

State and territory planning systems that have failed to evolve with our changing communities and lifestyles, and labour scarcity and tax regimes that repel foreign investment are handbrakes on the productivity engines that are our major cities.

Building on our pre-election platform - 'A pro-cities, pro-investment agenda' – our submission to the Pillars 1 and 2 inquiries sets out the policy settings we need to unlock productivity and boost overseas investment to create the city assets we need. This includes:

- Reforms at state and federal levels to streamline FIRB settings and reduce cost and regulatory barriers to foreign investment in the commercial property sector
- Planning system overhauls that provide transparency, clarity and reduced approval timeframes, with a particular emphasis on the delivery of new housing
- Incentives and new approaches to better align land use planning and infrastructure delivery, and drive utility providers to become enablers and not blockers to development
- Sensible adjustments to the migration intake that increases the workforce in key areas like construction trades and the care economy

Pillar 3: Harnessing data and digital technology

In the commercial property sector, AI is emerging as a valuable tool across the full asset lifecycle – from design and construction through to operations, leasing, and portfolio management. While adoption is still in early stages, there is significant opportunity to expand the use of AI across the commercial property sector as digital maturity and workforce capability improve. To fully realise the potential of data and technology, we must first invest in the skills, systems and safeguards that make AI safe, scalable and effective in real-world commercial applications. We need modernised entry pathways in critical technology-related fields that support productivity, sustainability and risk management in commercial property.

Pillar 4: Delivering quality care more efficiently

The Property Council supports the recommendations of the Retirement Living Council's submission as it relates to this pillar.

Pillar 5: Investing in cheaper, cleaner energy and the net zero transformation.

Buildings account for half of Australia's electricity use and almost a quarter of its emissions.

Buildings also present some of the lowest-cost opportunities for abatement and emissions reduction. The technology already exists to achieve zero-carbon-ready buildings – which we must deliver at speed and scale to pave the way for other hard to abate economic sectors.

The interdependencies between the built environment, energy system and transport sector will only increase into the future as we try and create an energy system fit for the 21st century. We cannot overstate the importance of strategic policy coordination between these sectors in the context of maximising productivity.

The Property Council looks forward to the Productivity Commission's recommendations across the five pillars of these inquiries and further opportunities to engage with you and the Commissioners on these critical matters.

Please reach out to Katharina Surikow, Special Adviser - National Policy at katharinasurikow@propertycouncil.com.au should you wish to discuss this submission in further detail.

Kind regards,

Mike Zorbas

Chief Executive
Property Council of Australia

Attachment: Property Council of Australia Submission – 5 Productivity Inquiries

06 June 2025

Property Council of Australia submission to the Productivity Commission's 5 productivity inquiries

Contents

Pillar 1 – Creating a more dynamic and resilient economy

1.1 Support business investment through corporate tax reform

Q - What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The world is changing, and competition for attracting skills, investment and talent to Australia will only increase.

Better financing, planning, connecting and supplying the commercial, industrial and residential assets our cities need is essential to Australia growing well over the next decade.

Our skills and planning systems are not yet match fit for this century. More than 30 per cent of the cost of a new home is government taxes and charges. East coast states have varying foreign

investment taxes and surcharges that are toxic to overseas institutions wanting to invest to help Australian companies build the assets our cities need.

The least cost answer is for indebted states to modernise antiquated planning systems and put measures in place to boost the proportion of skilled workers coming into the country. Federal environmental approvals need to be brought forward, and power and water providers must be forced to stop delaying the delivery of new homes, industrial and commercial assets that our communities need as they grow.

Foreign investment regime

Investment into the Australian property market does not exist in a vacuum. In the globalised and increasingly competitive international capital markets, investors allocate funds where the risk and return balance is both attractive and stable, and where the regulatory environment provides long-term confidence.

Several reforms have recently eroded confidence in Australia as a destination for international investment, including from private credit, equity and direct investment into property. Amendments to thin capitalisation rules have diminished Australia as a stable, safe market. Coupled with investment-limiting state and territory taxes such as the absentee owner surcharge (AOS) in Victoria or the surcharge land tax for foreign owners in New South Wales, international investors are having a crisis of confidence in the Australian market.

Recent changes for the worse include:

- Victoria's doubling of the Absentee Owners Surcharge to four per cent, directly impacting international investors who may not maintain continuous physical presence in Australia and impacting both commercial and residential assets.
- Queensland's Additional Foreign Acquirer Duty (AFAD) – an additional eight per cent of stamp duty, and Foreign Land Tax Surcharge (FLTS) – an additional three per cent.
- Victoria's Additional Foreign Purchaser Duty – an additional eight per cent on top of standard stamp duty rates, creating one of Australia's highest entry costs for international capital seeking to invest in property.

Foreign investors, including private equity and credit, consider the ever-changing and negative regulatory environment in Australia as a sovereign risk.

The systemic outcome of this is that Australia will see less development and less investment into the property industry and broader economy.

Australia cannot risk any slowdown in capital generation for the property industry, which will put at risk not only the National Housing Accord target of 1.2 million homes by 2029, but also critical productivity-enhancing projects in our commercial and industrial precincts.

Construction productivity

In the words of the Productivity Commission's own Chair, Danielle Wood, construction is the only sector of the economy where productivity has gone backwards over an extended period of time.

While the Property Council supports necessary regulation around design and quality control, ever increasing regulatory complexity is slowing down productivity in the sector.

Master-planned communities on the edges of our cities now require more than 20 approvals or gateways to be cleared by developers. Often, there are no or very loose regulatory time frames for approvals, nor any restrictions on third-party input regardless of merit. Taken end-to-end, these processes have become fiendishly complicated and lengthy, only adding to costs that are ultimately borne by homebuyers.

Equally stifling are the difficult industrial relations environments in the construction sector for commercial and residential projects across the country. The CFMEU's construction division has long been the single biggest blocker to advances in construction technology and productivity like prefabrication. Furthermore, there is now clear evidence that in jurisdictions like Queensland, the CFMEU is being paid for five days work a week and delivering less than three. That is an extraordinary handbrake on the productivity of construction of not just new housing, but projects across all property types as well as major state infrastructure builds.

We acknowledge and support the Productivity Commission's inquiry into residential construction productivity and suggest its recommendations feature in this review. We also encourage this review to take into consideration the outcomes of the current Queensland Productivity Commission's first inquiry into construction productivity in that state.

Declining labour productivity on work sites around Australia is of critical importance within the complex environment of construction productivity. Industrial relations reform must feature in every conversation about business investment and the delivery of housing across Australia.

Q - What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

Australia is competing in a global market for international institutional investment.

The commercial property industry is particularly sensitive to changes in the taxation settings at all levels of government, as they have a direct correlation with attractiveness as an investment destination, the value of property and the liquidity of the market. These factors have knock-on effects including on the value, volume and frequency of transactions which take place across the spectrum of residential and commercial assets.

Australia's tax system has increasingly come under scrutiny for contributing to economic inequality. The current tax system is often criticised for its complexity, leading to inefficiencies that can stifle economic growth. It is seen as a convoluted system that places a heavy administrative burden on both taxpayers and government.

<u>Foreign Investment</u>

Foreign investment is crucial to Australia's prosperity and needs to remain a core part of any government's economic policy and investment strategy.

Since the establishment of the Foreign Investment Review Board (FIRB) in 1975, the foreign investment framework has been mostly successful in maintaining Australia's attractiveness as an investment destination while managing risks to the national interest.

However, over the past several years Australia's reputation as a stable economy with low sovereign risk and a strong rules-based system that provides the opportunity to safely and consistently invest

capital has been undermined by increasingly complex and costly regulatory and tax regimes for overseas institutional investment in real estate.

Current FIRB settings are wider in scope and more stringent than other well-developed markets, with significantly higher application fees imposed on top of opportunistic and counterproductive state taxes on overseas investors.

The property industry is capital-intensive. It needs substantial up-front investment to deliver projects that take many years to launch, across all asset classes.

In the face of growing global uncertainty, investors are screening countries for the best, most stable, risk-adjusted returns. Australia may have good growth and demographics on its side, but it exists in a competitive environment for capital and institutional investors and the many federal and state-level barriers to investment are eroding its competitive edge.

The complex and at times punitive tax regimes for overseas institutional investment in real estate continue to be a significant deterrent, putting an unnecessary barrier in the way of the delivery of the housing, offices, retail centres, industrial sites, retirement living, student accommodation, hotels and community, cultural and sporting precincts essential to boosting our economic growth and prosperity.

Recommendations

- Incentivise states and territories to remove foreign investor repelling surcharges on residential and commercial property. These can add up to nine per cent to the purchase price upfront and increase annual land taxes by a further five per cent.
- Review and streamline requirements for FIRB exemption certificates, including application costs, to lessen the regulatory burden for foreign investors delivering housing in Australia.
- Exclude passive or non-controversial commercial real estate investment opportunities from national security screening processes and legislate the exemption of FIRB application fees on purpose-built student accommodation (PBSA) as a priority, to encourage institutional investment in new homes.
- Review the *Your Future Your Super* performance benchmarking requirements (particularly RG97) and remove stamp duty costs from the calculation of fee adjusted returns to better equip superannuation funds to invest in the delivery of housing – including retirement villages, PBSA, land lease developments and build-to-rent (BTR), to meet our 1.2 million new home target.
- Allow developers to reclaim input tax credits on expenses for PBSA, retirement villages, land lease developments and BTR, and remove another hurdle to both financiers' and developers' ability to claim credits for genuine costs to development.

<u>State Taxes</u>

The property industry is the nation's largest collective taxpayer, contributing around $130 billion across the three tiers of government. Property accounts for over 18 per cent of Australia's total tax take, compared to an OECD average of just five per cent.

Stamp duty is particularly pernicious in its effects. It distorts business decisions, locks families out of housing choices and reduces mobility, penalises divorcees and victims of family and domestic violence, worsens housing affordability, suppresses economic activity and leaves governments with highly volatile revenue streams. It is a tax that is a relic from our colonial past, representing a

stamp of the state's authority over property transaction that has no economic relevance in modern Australia.

The misalignment between federal and state and territory taxation policies plays havoc with confidence in the property sector. For investment to be made, investors need to know what it costs, what the return will be, and whether the asset will retain and/or grow in value over the period to guarantee a buyer when they plan to exit.

Over the past decade there have been 24 new or increased taxes on property in Victoria alone. This erodes confidence in the market. A recent MSCI report on transaction volumes highlights that out of 140 cities across the globe, Melbourne ranks 137th. Through Victoria's current tax system, property contributes almost 50 cents in every dollar of state government tax revenue. Yet Victoria is not alone in creating an ever-higher taxing environment for the property industry. While comparing favourably to Victoria, property taxes still comprise upwards of 47 per cent of New South Wales's state taxation revenue and 32 per cent of Queensland's.

Such over reliance on property taxes is unsustainable.

Q - Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the corporate tax system be reduced?

Thin Capitalisation and Debt Structuring Rules

Property developers often rely on significant external financing, making them sensitive to thin capitalisation limits. Constant changes to thin cap rules, such as the recent replacement of traditional 'safe harbour' rules with earnings-based tests, increase compliance costs. Complex calculations and extensive documentation requirements for historical related-party loans are also burdensome.

The following must be addressed to reduce the regulatory and compliance burden:

- Provide clear and consistent definitions of an 'Australian entity'
- Provide allowance for hedging and swaps
- Provide allowance for captive MITs
- Provide clear and transparent timeframes for the release of guidance
- Extend the time to amend a 'choice', as guidance changes eligibility for tests after the required choice has been made.

Land Tax, Stamp Duty, and federal income tax interactions

Most companies deal with multiple overlapping federal and state government tax obligations (e.g. land tax, stamp duty, GST, CGT, income tax). Different timing, bases, and definitions for similar concepts such as asset value compared to market value create confusion and duplicated work. Complexities in state-by-state variations, particularly stamp duty rules and surcharges for foreign investors, are hard to manage in multi-state operations.

Consolidation regime and trust structures

Property groups often operate with layered unit trusts, companies, and partnerships, complicating tax consolidation and loss utilisation. Trust streaming and distribution rules are highly technical and change frequently. Compliance with Division 6 and Division 7A (in company-trust hybrids) are

minefields and present ample opportunities to streamline and simplify reporting and compliance requirements without compromising integrity of the system.

Complex and changing tax legislation

There are increasingly frequent changes to laws, their interpretation, and the guidance or directions that give effect to them. This is particularly the case in international taxation and digital services taxes. There is also a high complexity to calculating taxable income across jurisdictions, including the recently introduced global minimum tax. With cross jurisdictional rules changing at various times and in myriad ways, entities operating across more than one face significant challenges and expense remaining up-to-date and interpreting ambiguous rules or interactions between them.

Filing and reporting requirements

In purely practical terms, the cost in resources and time required to undertake the multiple filings required across federal, state, and international laws is increasingly onerous. Each lodging requires unique forms, inputs and formats, they are due at multiple various points throughout the year, and any failures to comply with either format or filing deadlines incur steep penalties. This review must consider the standardisation of filing requirements and harmonisation of filing timelines that allow entities to streamline the production of reporting.

1.2 Reduce the impact of regulation on business dynamism

Q - How has your regulatory burden changed over time?

Despite our national lifestyle ideal, Australia is accidentally pursuing a low amenity and low liveability model of growth. This is a consequence of coordination and policy failures that have not addressed the need for population growth to be sequenced with infrastructure, housing supply and services.

There have been numerous efforts over the decades to put more discipline into strategic planning, land use zoning, planning approvals and infrastructure alignment but all have been short lived.

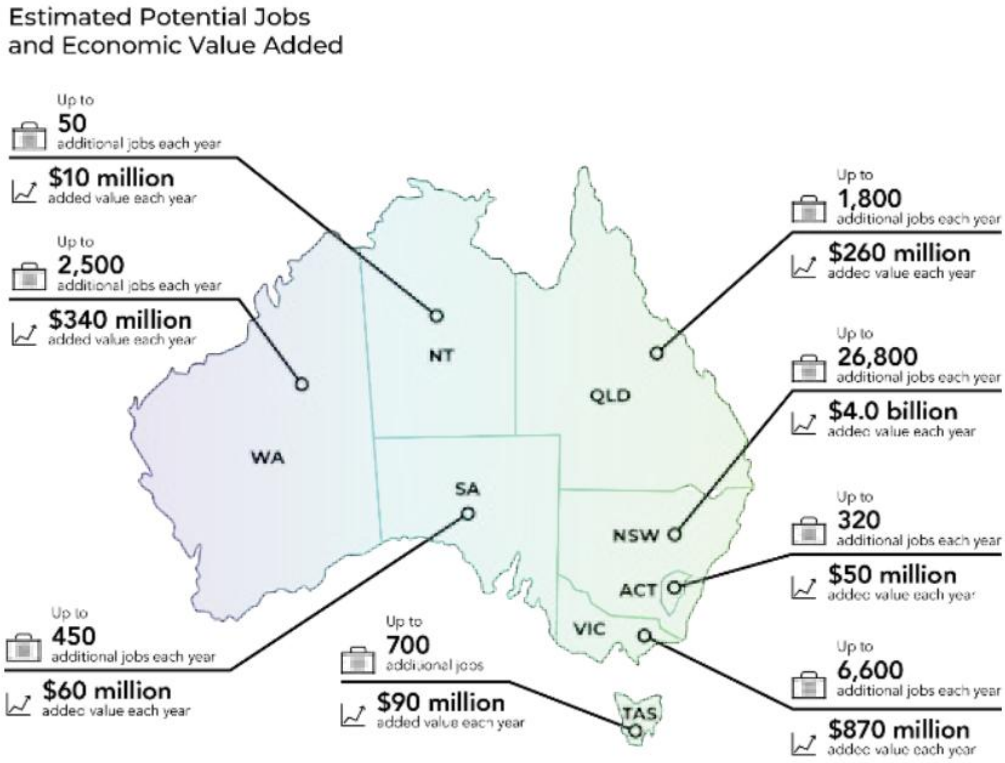
Planning systems across all states and territories are plagued by inefficiencies and uncertainties. While planning systems are a major drag on productivity across many facets of the commercial property industry, none is more severely impacted than the delivery of new housing. This compromises state and territories' abilities to meet their housing targets and worsens unaffordability.

The Productivity Commission in previous work, has outlined some of the side effects of inefficient planning systems, including:

- estimates that detached housing prices were 73 per cent above the marginal cost of supply in Sydney, 69 per cent in Melbourne and 54 per cent in Perth because of rezoning restrictions.
- analysis by Better Regulation Victoria that reducing unnecessary development delays could deliver between $400 million and $600 million per year in benefits.
- modelling by the Property Council of Australia (2017) suggesting improvements to the efficiency of the agency referral process across jurisdictions could be worth as much as $360 million per year in additional economic value.

In 2020, the Property Council commissioned Urbis to analyse regulatory reforms that would improve the performance of planning systems and housing markets. The available options spanned better strategic planning processes, more efficient assessment pathways and streamlined environmental assessments.

The Property Council Urbis research, graphic summary below, found that there were three strategic reform areas that would help city productivity across Australia.



- Transparent processes around rezonings. These are a major pain point for delivering housing in areas close to transport where it should have the strongest benefits for liveability and urban productivity.
- Accountability of agency referrals. These remain an issue in multiple states and territories as a process that desperately needs more transparency and accountability in decision making timeframes.
- Ensuring simple proposals undergo simple assessment processes utilising complying development and private certification pathways.

Additionally, there is no institutional framework to foster best practice planning. In fact, with the move to a 'National Cabinet' model the willingness of States to 'go it alone' on regulation has been evident across a wide-variety of policy areas.

We have observed there is generally a low commitment to achieving regulatory and policy consistency, evidenced by the National Construction Code (NCC).

Since the early 1990s, the adoption of a single building code by state and territory governments has been a national project grounded in productivity and efficiency, to save businesses money from unnecessary and confusing duplication between states and territories and undue regulation, focusing on reforms that have a net benefit to society.

Much of the productivity gain in having a single building code remains unrealised as state and territory governments continue to overlay their own variations, and increasingly, adopt its publication on varying timelines. In its inquiry into residential construction productivity, the PC noted this in its findings.

The Property Council continues to support the NCC and urges a recommitment from all governments to its uniform adoption. Breaking this convention could result in state and territory governments pursuing their own approach to local buildings codes, increasing compliance costs for industry and leading to further fragmentation of building standards across the country.

The Australian Building Codes Board (ABCB) must also be resourced to deliver cost benefit adjusted, highly consultative regulatory impact statements to improve the coordination of the NCC.

In general, weak institutional processes and temporary political advantage sometimes encourages governments to act against the interests of other states and business. As articulated by a former chair of the Productivity Commission:

"In broad terms, [productivity] comes through fostering flexibility so that labour and capital can move easily across industries and firms, by having even-handed policy settings that avoid locking in an inefficient or just a rigid allocation of resources, having strong credible public institutions to set the rules of the game and deliver public goods efficiently, creating the right incentives for innovation and risk taking and boosting the capability of the workforce through general education and targeted skill formation as well as physical and mental health…

Productivity growth is ultimately about living standards, broadly conceived. In other words, better outcomes at lower overall cost to the community."[1]

The efficient deployment of labour and investments in the built environment across the country, across our cities, industries and firms is undermined by Australia's low productivity planning systems. This occurs when state planning systems are not properly tuned to their role as enablers of liveability, connectivity, mobility and job creation across geographic areas. There are many instances where planning systems are inefficiently taxed and neither designed or administered with a culture of meeting community demand for well-planned cities, including least-input cost development, that are highly commercially productive and support the maximum possible number of jobs.

Most new developments for the many people moving to Australian cities are now situated in ex-urban areas that require lengthy commutes to centres of services and places of work. Most of the fastest growing areas are now outer suburbs at the end of growth corridors, locations which attract key workers but often have limited access to education, health and social services, and cultural facilities

Recommendations

To boost housing choice and affordability, policy makers need to think innovatively, act rapidly, and make better use of existing institutions and processes. At a minimum, governments should consider:

[1] Productivity Chair, Speech to CEDA 8 June 2021

- Unlocking the over 40,000 new homes currently waiting on assessment decisions while the Environment Protection and Biodiversity Conservation Act (EPBC Act) is under review. Immediate improvements should include:
    - Priority fast-tracked determinations on a pay-to-play basis
    - Establishing a Housing Accord related fast-track pathway with dedicated resources, experts and agreed decision making timeframes for applications that relate to residential development projects that will have homes complete by 30 June 2029
    - Requiring assessment using the original referral material (which was also publicly exhibited) avoiding an arduous and duplicative process that has added 12 months to some processes
    - Short-term third-party, independent decision-making using delegation of Ministerial powers
    - Resolving post-approval delays with a set 60-day timeframe to endorse management plans and strategies.
- Doubling the committed $3 billion performance-based New Home Bonus and the $500 million Housing Support Program for states and territories that surpass their targets under the National Housing Accord.
- Committing to bring forward the New Home Bonus and Housing Support Program payments with appropriate trigger mechanisms to reward states and territories who put in place a robust and genuine plan to surpass their targets under the National Housing Accord, rather than waiting until 2029 to make those payments.
- Introducing best practice benchmarks and incentives to improve the location and diversity of new housing supply. These should include clear housing targets at a national, city and local government level, alignment between land use and infrastructure plans within and across jurisdictions, and strategic plans for supply of well-located housing that matches population growth.
- Redesigning infrastructure and growth compacts between state and local governments that better align housing delivery with economic and social infrastructure. Integrated metropolitan planning and integrated transport authorities are also important governance reforms.
- Unlocking investment in PBSA to provide greater housing choice for students and reduce pressure on the rental market, including by working with states to identify PBSA as an 'asset-class of priority' and to reduce barriers for growth that exist at state government level.
- Unleashing more age-friendly housing supply that keeps older Australians out of taxpayer funded aged care facilities by:
    - Exempting a portion of home sale proceeds from the age pension asset test to reduce the financial disincentive for those considering 'rightsizing' while ensuring the security of their pension long term
    - Removing incoming purchase price benchmarks for Australians living in retirement villages to allow deeper access to Commonwealth Rental Assistance.

<u>Residential Tenancies Acts</u>

Residential Tenancy Acts (RTAs) govern the relationship between landlords and tenants and are regulated at the state level. In recent years, these Acts have been reformed across Australia to

strengthen tenant protections in response to the national rental affordability and availability crisis. However, these reforms have often been implemented without adequate consideration of the Purpose-Built Student Accommodation (PBSA) sector—a professionally managed, institutionally owned asset class that has emerged in Australian cities over the past fifteen years.

Despite the professional nature of the sector, the large number of leases signed (tens of thousands per year), the limitations on their resident cohort (students only) and the short-term nature of the leases (ranging from a few weeks to a year) PBSA operators are not defined in RTAs, regulated like mum and dad landlords, and are severely impacted by regulations that are not fit for purpose for the sector.

Recent legislative changes in South Australia, Queensland and Victoria have effectively abolished fixed-term leases. Residents are no longer required to sign a new agreement at the end of their lease, nor to vacate the premises upon its expiry. This has created significant operational uncertainty for PBSA providers, who can no longer confidently plan for occupancy, align booking periods with the academic calendar, or commit to head-lease agreements with university partners—given there is no guarantee that a resident will depart or re-sign within the timeframe needed to re-market the room.

Further, amendments to the NSW Residential Tenancies Act have allowed students in purpose-built student accommodation to break fixed-term leases with only one- or two-weeks' notice and minimal financial penalty. This has led to widespread lease breaks – particularly before university holidays—leaving rooms empty for extended periods with no opportunity to re-let, due to PBSA restrictions on renting only to enrolled students.

As a result, operators are facing substantial revenue losses. A provider with 5,000 beds is losing over $10 million annually, while smaller operators with 450 beds are losing more than $1.1 million. These losses are severely undermining the financial feasibility of PBSA developments in NSW, stalling new projects and deterring investment at a time when student housing is urgently needed to relieve pressure on the broader rental market.

Other, smaller changes to Residential Tenancy Acts such as the introduction of default rights for tenants to keep pets, further illustrate the mismatch between standard rental regulations and the operational realities of PBSA. High-density, shared living environments are not suitable for animals, and such provisions highlight the broader issue: Residential Tenancy Acts were not designed with the unique characteristics of purpose-built student accommodation in mind.

Recommendations

Given the unique nature of the PBSA asset class, the Productivity Commission should consider recommendations that either:

- All state and territory governments formally and consistently define Purpose-Built Student Accommodation (PBSA) for the purposes of Residential Tenancy Act provisions and exempt such assets from those provisions that are incompatible with the operational model of this asset class—particularly those provisions related to fixed-term leasing and break lease conditions; or
- The Australian Government develop a nationally-applicable definition of Purpose-Built Student Accommodation (PBSA) and a nationally consistent regulatory framework for PBSA, recognising it as a distinct and essential form of student housing. This would ensure

that PBSA is governed by fit-for-purpose legislation that supports its continued growth, viability, and contribution to easing pressure on the broader rental market.

Q - Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Planning system complexity and variability remain the biggest barriers to the delivery of all forms of property across all jurisdictions. However, some states have been more ambitious than others in their recent reforms, implementing changes that speed up approvals processes and improve transparency and accountability for assessment timeframes. These are highlighted below.

New South Wales

In late 2024, the NSW Government launched its Housing Taskforce, which has helped unlock over 13,000 homes by resolving delays in the approvals process, particularly where conflicting department requirements and requests for additional information are the cause. The Taskforce is not only speeding up pre-determination approvals, but also post-determination approvals, meaning more homes can move from approval to construction more quickly. This represents welcome step towards better coordination across agencies and tiers of government.

To further strengthen this, the NSW Government has also launched new State Agency League Tables developed by the Taskforce to track the performance of 22 government agencies, state-owned corporations, and electrical supply authorities in processing Concurrences, Integrated Development approvals, and Referrals (CIRs). These measures improve transparency and accountability, with six-monthly performance data published and agencies required to meet legislated timeframes in 90 per cent of cases. The League Tables apply a similar level of scrutiny and accountability to State Agencies as the Council League Tables do to local governments across NSW, and, provided there continue to be consequences for failures in delivery, are welcome mechanisms to help smooth the approvals process for housing development.

To even further enhance approvals projects for major residential projects that go towards helping NSW meeting the national Housing Accord targets, in November 2024 the state government established a Housing Delivery Authority (the Authority). The Authority reviews residential development projects lodged through an Expression of Interest (EOI) process for progress through a new State Significant Development (SSD) pathway and a fast-track rezoning process. The SSD pathway also includes industry-specific Secretary's Environmental Assessment Requirements (SEARs) to provide a simplified and consistent approach to assessment requirements. The Authority has been meeting fortnightly to make recommendations to the Minister for Planning and Public Spaces, with 265 EOIs considered, and 116 projects declared SSD since January 2025.

Changes to the Planning Systems SEPP removed referrals to the Independent Planning Commission for less contentious SSD applications for projects using the infill affordable housing bonuses under the Housing SEPP. These changes also resulted a range of development types in the City of Sydney will now be considered as local development instead of SSD, including hotels, seniors housing, data centres, certain manufacturing industries, and warehouses and distribution centres.

While faster approvals are one important step to provide greater certainty to get large-scale housing projects out of the ground, and are to be encouraged in other jurisdictions, the impost of

government taxes, rising construction costs and skills shortages continue to present barriers to the delivery of more housing.

Western Australia

Over the past five years, Western Australia has undertaken a comprehensive reform of its planning system, aimed at enhancing efficiency, streamlining decision-making, and expediting development approvals.

Building on temporary measures introduced during the pandemic, the government has created a new Significant Development Pathway, with the WA Planning Commission as the decision maker, open to projects valued at over $20 million.

At the same time the existing Development Assessment Panel system, introduced by the former government, has been streamlined and improved including:

- reducing the number of DAPs from five to three (Metro-inner, Metro-outer and Regional)
- appointing qualified panel members on a fixed term basis
- removing most exclusions on applications including allowing all multiple and grouped dwelling developments over $2 million to be determined by a DAP
- allowing development by any community housing provider to opt into the DAP system regardless of size or value (excluding single homes).

The WA Government has also mandated local government delegate decision making for single houses to planning staff, significantly reducing any opportunity for political interference and professionalising decision making. Subsequent reforms also established 'deemed to comply' provisions for single detached dwellings, new or renovated, and minor developments like patios, meaning developments of this nature can no longer be referred to or 'called in' for determination by a Council's elected members, except where the property is on a local or State heritage list or in a designated heritage area.

In a similar vein, regulations came into effect in 2025 clarifying that that only the CEO or delegate can prepare a responsible authority report (which goes to a DAP for consideration) and in the performance of that function the elected members of a council or a committee of council cannot direct the CEO or delegate in any way.

Similar transparency boosting measures have been applied at the state and DAP levels, with the meeting documents of the WAPC and all DAPs are now publicly available, enhancing accountability in decision making and timeframes. The government has also been pushing for uniformity in local planning schemes to drive consistency across the state.

Considered as a whole, these reforms have been broadly welcomed by industry, providing alternative pathways for most developments, and largely removing or diminishing the influence of highly politicised councils from decision-making.

At the more operational level there are still improvements to be made to processes and timeframes, which the government is actively developing with Property Council and our members.

Pillar 2 – Building a skilled and adaptable workforce

2.3 Balance service availability and quality through fit-for-purpose occupational entry regulations

Q - What are the effects of occupational entry regulations? Please describe your experience and name the specific occupations you are referring to.

Market capacity and labour scarcity are the key construction cost drivers.

Some key building products will remain structurally undersupplied. Builder insolvencies remained high during 2024. In many markets, project viability remains clouded.

Even after landing capital partners and navigating high-friction planning systems, the cost and delays in creating homes, commercial and industrial projects will be exacerbated by this historic labour and market capacity scarcity.

Over the past 20 years, only 1.8 per cent of permanent migrants have arrived employed in construction trades and construction trades are not in the top 10 occupations for either permanent or temporary migration.

Mostly justified big infrastructure and transport spends have swiftly followed or peaked after the pandemic. Big builds are not the majority of construction value delivered annually and yet they are the first option among equals for contracting firms and individuals seeking longevity of employment and certainty in a volatile market.

One-third of the Australian Government's ten-year $80 billion transport investment is due to be expended by mid-2025. Costs are up 41 per cent or $32.8 billion on those 700-odd projects alone. On a smaller scale, important green and defence infrastructure investment will increasingly attract existing talent away from vital city-building.

Recommendations

- Adjusting the mix of skilled migrants in a smaller overall intake with a greater emphasis on construction trades and the care economy (like retirement village workers) is vital. This involves at least doubling the proportion of permanent migrants in construction trades from 1.8 per cent and increasing the proportion of care economy workers.
- Giving precedence to funding for new infrastructure projects that contribute to the expansion of housing supply and considering factors such as population growth, city planning and sustainability in the decision-making process.

In the commercial property sector, occupational pathways for key roles including facilities managers, building operators, asset managers, and energy or sustainability leads, are not keeping pace with the digital transformation of the built environment.

Education has moved slower than technology. While buildings are becoming more data-driven, AI-enabled, and operationally complex, many training programs and qualifications remain focused on traditional compliance or trade-based skills, with limited coverage of operational technology (OT), data governance, digital risk, or smart building systems.

This mismatch creates:

- Workforce gaps in digitally capable building and facilities management roles

- Delayed adoption of performance-enhancing technologies
- Inconsistent standards for digital job-readiness across organisations and portfolios.

These roles are often not formally regulated, but they are increasingly critical to productivity, sustainability, and risk management in commercial property. To meet the challenge, we support the creation of modernised entry pathways, including:

- Industry-endorsed micro credentials delivered via the Property Council Academy
- Stronger partnerships with universities to embed digital and property technology content in undergraduate and postgraduate programs
- Alignment with industry-developed capability frameworks that reflect real-world job needs.

We see this as a shared opportunity to modernise how skills are developed and recognised — not through more regulation, but through fit-for-purpose, agile training aligned with the digital reality of the sector.

Pillar 3 – Harnessing data and digital technology

3.3 Enhance reporting efficiency, transparency and accuracy through digital financial reporting

Q - Why do you choose not to submit digital financial reports? What changes are needed for you to adopt digital financial reporting?

The Property Council acknowledges the role of digital financial reporting in supporting data accessibility, analysis and regulation in jurisdictions outside Australia. However, since digital financial reporting became a voluntary option in 2010, there is no evidence that such reports have been submitted.

The Property Council does not support the mandatory implementation of digital financial reporting at this time.

The property sector is currently focused on implementing and operationalising complex sustainability reporting standards, including the assessment of Scope 1, 2 and 3 emissions, climate resilience assessments, scenario analyses and transition plans. The implementation of a new financial reporting regime would further dilute limited resources.

Until Australia's climate-related financial disclosure framework has been implemented, audited and meets regulator expectations, as well as implement new standards through AASB 18 *Presentation and Disclosure in Financial Statements,* the government should not move towards a new financial reporting regime.

In the meantime, the Productivity Commission should investigate the role that AI and machine learning could play in achieving similar policy objectives without the significant implementation and ongoing costs of implementing digital financial reporting, which will be borne by industry.

In lieu of a mandatory regime, ASIC should be encouraged to develop free practical tools and templates, provide offsets for fees, and clearly demonstrate utility to market participants in order to encourage entities to voluntarily engage with the current regime.

In addition, as a project with clear productivity benefits, the Productivity Commission should investigate options for streamlining reporting obligations on industry, such as to ASIC, APRA, the ATO and ABS, and which may include a future option for digital financial reporting.

3.4 Enable AI's productivity potential

Q - How are you currently using AI? Please provide details of the context and uses.

In the commercial property sector, AI is emerging as a valuable tool across the full asset lifecycle — from design and construction through to operations, leasing, and portfolio management. While adoption is still in early stages, examples of current and emerging use include:

- In design, construction and engineering
    - Generative design tools that propose layouts or systems based on cost, performance, and sustainability goals
    - AI-assisted construction sequencing and scheduling to reduce delays and improve cost certainty

    - Site monitoring via drones and image recognition to automate safety compliance and detect defects
    - Engineering risk modelling to anticipate structural or material performance issues
    - Sustainability simulation to model energy use and embodied carbon early in the design phase.
- In operations and asset management
    - Predictive maintenance to proactively identify faults in building systems (e.g. HVAC, lifts)
    - Energy optimisation, using AI to continuously improve building performance and reduce emissions
    - Tenant experience personalisation, enabling smarter communication and service delivery
    - Lease performance forecasting and optimisation, combining financial, leasing, and operational data to flag tenant stress, assess arrears risk, and benchmark contract value
    - AI-enabled inspections, using image recognition to identify and log maintenance or compliance issues.
- In investment and portfolio strategy
    - Supporting smarter investment decisions by analysing asset-level data to benchmark performance and identify underperforming assets
    - Forecasting future capital needs and lifecycle costs
    - Scenario modelling and risk-weighted prioritisation of upgrades, acquisitions, or divestments.

While not an exhaustive list, these examples reflect the broadening role of AI in improving efficiency, resilience, and decision-making across the property lifecycle. However, most applications remain confined to large, digitally mature organisations and are not yet commercially widespread across the sector.

Q - Do you think there are opportunities to make greater use of AI in your work or home environment? What do you see as the biggest upsides?

There is significant opportunity to expand the use of AI across the commercial property sector as digital maturity and workforce capability improve.

Key areas of future opportunity include:

- Portfolio-wide performance benchmarking
- Real-time emissions tracking, including Scope 3 measurement
- ESG risk modelling and scenario planning
- Compliance automation across environmental, regulatory, and safety domains
- Data-driven investment decision support, linking building and market data to long-term value strategies.

The biggest opportunities are:

- Reduced operating costs through smarter automation and predictive insights

- Faster, more confident decision-making at both asset and portfolio levels
- Improved sustainability performance, through targeted optimisation and emissions visibility
- Enhanced asset valuation and capital deployment, enabled by integrated data and forecasting
- Greater investor and regulator confidence, as digital systems improve transparency and responsiveness.

These outcomes align directly with Australia's productivity, emissions reduction, and economic resilience goals.

Q - What challenges do you face in accessing or using AI? How can these challenges be overcome?

Despite growing interest, the property sector faces several challenges in adopting AI at scale. These include:

- Low digital maturity as many organisations lack the data infrastructure and governance needed to make AI tools effective
- Skills and capability gaps as operational teams and senior leaders often lack the confidence or training to evaluate or implement AI solutions
- Fragmented systems as a result of legacy platforms and siloed data which prevents full integration or cross-portfolio insights
- Regulatory and ethical uncertainty due to concerns about privacy, explainability, and accountability in AI-driven decisions which create hesitation.

To address these barriers, we recommend:

- Targeted investment in digital education and training, especially for asset managers, building operators, and property executives.
- Support for foundational data governance and system integration across portfolios
- Development of clear, outcomes-based guidance on the responsible use of AI in commercial contexts.
- Support for industry-led pilot programs that build confidence and evidence through real-world application.

Q - Do you have any concerns about using AI? What are the reasons for your answer? What can be done to lower your level of your concerns?

Yes. While there is strong interest in AI's potential, several concerns remain across the sector:

- Unintended or opaque outcomes, especially in leasing, compliance, or maintenance prioritisation

- Lack of explainability in some AI models, making it difficult for non-technical professionals to validate decisions
- Cybersecurity risks related to connected systems and external data handling
- Regulatory uncertainty, particularly regarding tenant data, privacy, and algorithmic accountability.

To lower these concerns, we recommend:

- Co-designing clear, practical AI governance frameworks with industry input.
- Encouraging the use of auditable, transparent models that support human oversight.
- Expanding education and risk literacy across all layers of the workforce.
- Enabling flexible, principle-based regulation that supports innovation while safeguarding outcomes.

AI has the potential to drive significant improvements in productivity, investment performance, and environmental outcomes across Australia's built environment. But to realise this potential, we must first invest in the **skills, systems, and safeguards** that make AI safe, scalable, and effective in real-world commercial settings.

The Property Council supports a coordinated approach to capability-building, responsible innovation, and regulatory clarity — and would welcome the opportunity to contribute further to this important national conversation.

Pillar 4 – Delivering quality care more efficiently

The Property Council notes that the Retirement Living Council is making a separate submission to this review, which we support.

Pillar 5 - Investing in cheaper, cleaner energy and the net zero transformation

5.1 Reduce the cost of meeting carbon targets

Q - What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

We strongly recommend the Productivity Commission consider the built environment as a discrete sector in the context of this review.

Buildings present significant opportunities for low-cost abatement leveraging existing technology ready for deployment. There are a variety of interdependencies between the buildings sector and emissions reduction across the industrial, electricity and transportation sectors which must not be overlooked.

In the context of the electricity sector, buildings are energy nodes, drawing on, and supplying energy through an increasingly complex network of distributed nodes. Increasingly, buildings fitted with solar PV contribute to the supply of electricity, enable storage of energy in thermal or battery systems and will become intermediaries to supplying energy to electric vehicles.

Buildings are essential infrastructure, providing safety and comfort in homes while providing productive environments for Australian workers in offices, shops and logistic buildings. Managing energy performance of buildings supports the broader economy to meet societal needs at the lowest overall financial and environmental cost.

The interdependencies between the built environment, energy system and the transport sector will only increase into the future as we try and create an energy system fit for the 21st century.

The importance of strategic policy coordination between these sectors in the context of maximising productivity cannot be overstated. Supply and demand side policy interventions are two sides of the same coin, and we encourage the Productivity Commission to make it clear the points at which buildings contribute to decarbonising energy supply.

We fully support decarbonisation of Australia's energy grid and that we estimate that implementing a comprehensive suite of energy efficiency policy measures could deliver $20 billion in financial savings by 2030, and 64MT of avoided CO_2e emissions by 2050.[2] Further, electrifying the built environment could deliver 199MT avoided CO_2e emissions and $49 billion in energy savings by 2050 compared to business as usual.[3]

We produced a comprehensive suite of policy recommendations to unlock this abatement in our report 'Every Building Counts.'[4]

[2] ASBEC, Low Carbon, High Performance, May 2016
[3] ASBEC, Unlocking the Pathway: Why Electrification is the Key to Net Zero Buildings, December 2022
[4] PCA & GBCA, 'Every Building Counts,' 2023.

Q - Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

Gaps - Electricity

Demand-side participation is key to an energy system that acts holistically, reduces costs, empowers participants and can reduce emissions as fast as possible.

Our failure to fully harness the power of demand-side participation needlessly locks us in higher future energy costs and emissions, while failing to serve the interests of the whole community.

Our energy systems were designed in a different time, for a different set of circumstances.

When Australia's energy governance arrangements were conceived in the 1990s, circumstances and priorities were different. Against the backdrop of a liberalising economy and the adoption of national competition frameworks, energy systems moved from being largely under the control of state and territory governments into a nominally competitive marketplace that would apply private sector efficiencies and discipline to energy supply.

While there have been challenges in achieving that vision even under business-as-usual circumstances, these arrangements never contemplated the vast, rapid revolution that the energy system must now undergo. This means that we are left with a 20th century framework to solve a 21st century problem – and reform to energy system governance simply hasn't kept pace with the rapidly evolving needs of the energy system transition.

There are five specific barriers to improving demand side involvement:

1. Mis-prioritisation: Energy system frameworks don't set out to achieve what matters.
2. Unaccountability: The demand side of the energy system isn't anyone's job.
3. Invisibility: The demand side of the energy system is ignored in system planning.
4. Inaudibility: Energy users (the demand side) are poorly represented in policy making.
5. Misunderstanding: Energy governance misconceives demand side participation.

Our systems of energy governance are not fit for purpose to guide a rapid transition to zero emissions energy at least cost, while promoting equity and prosperity.

The best way to deliver consumers' energy needs for warm and affordable homes is through an integrated mix of demand-side and supply-side measures. However, the legal framework for national energy market laws do not currently drive visibility, consideration or development of demand-side measures in energy markets. They primarily consider energy supply, with energy demand considered from a consumer protection perspective. Several areas of the national energy legal framework require reform to better facilitate demand-side participation.

The European Union has adopted the principle of 'energy efficiency first' to ensure that energy efficiency is elevated when policies and investments in energy are being considered. To embed this principle in Australia, a suite of reforms should be implemented:

- Australian governments should agree on an appropriate target to increase energy performance, and a range of metrics to measure progress towards that target. A target provides a clear point to aim for, and a frame of reference for policies and programs to achieve it. Better informing the Integrated System Plan and plans to close the gas shortfall currently projected for 2027 would be particularly useful
- reform the National Energy Objectives to focus on optimising cost or affordability of energy for energy users, rather than just the price of energy, and introduce social equity into the objectives

- reform national energy laws to require consideration of the principle of 'demand-side first' at every stage of energy market development, regulation, and operation
- amend energy market body establishment Acts to enable and require greater board representation of members with expertise in consumer and vulnerable consumer issues and demand-side matters
- rebalance energy market bodies to better incorporate demand-side opportunities into energy system policy, planning and regulation by:
    - establishing a National Energy Performance Agency, separate to or within an existing market body. It is becoming clear that the lack of a central home for demand side policy is significantly hampering efforts to improve demand side participation. A dedicated agency to oversee, coordinate, facilitate and champion demand-side actions to improve energy performance is a critical enabler to advance this agenda
    - strengthening energy system planning, fully incorporating demand-side measures
    - adjusting the remits and skills of other market bodies to create an efficient distribution of responsibilities that incorporates both supply and demand-side planning.
- create an annual statement of demand-side opportunities alongside statements of opportunity in supply, and include demand-side planning in the Integrated System Plan
- expand and resource the role of consumer advocates in energy system planning, governance and delivery, to ensure outcomes are consumer-focused
- Investigate opportunities for the aggregation of demand-side flexibility certificates that would allow third party involvement in driving demand flexibility
- Address the issue whereby networks currently hold stronger negotiation power than the built environment in the application and fair valuation of distributed energy sources and storage capacity, to ensure that the full potential of distributed energy can be unlocked in an equitable way.

Every new building equipped with gas is one more building to retrofit at a significant cost in the future. At the same time, around 80 per cent of the buildings that exist today will still be in use in 2050 creating an urgent need for strategic investment to improve the climate resilience and deliver emissions reduction of current building stock. Electrification of our built environment is critically important. ASBEC's 'Unlocking the Pathway' report shows that 100 per cent electrification with renewable electricity is the lowest cost, fastest emissions reduction pathway for Australia's built environment. However, it is not a zero-cost option.

As outlined in our report Every Building Counts – government has a critical role in unlocking emissions reduction in our new and existing buildings through electrification. Specifically, we have strongly advocated for the governments to use following policy levers, to support electrification:

- Require all new residential and commercial buildings to operate on high-quality electric equipment in National Construction Code 2025
- Introduce a national plan to phase out fossil gas in existing buildings and appliances
- Create a strategy for quality retrofits for existing residential and commercial buildings that prioritises low-income and vulnerable households 2.4 Urgently grow skills and market readiness for electrification
- Grow the market for strategic electric technologies by removing obstacles to importation and supporting local manufacturing
- Improve the business case for electrifying buildings with targeted incentives.

We note that several jurisdictions have made strides towards these objectives at a state and territory level – for example in the ACT and Victoria, and local level e.g. City of Sydney and Melbourne

City Council but more is needed across states and the federal levels of government to ensure these gains can be achieved in all regions.

Gaps – Transport & Industry

We commend to the Productivity Commission 'Reshaping Infrastructure for a net zero emissions future' from the Australian Sustainable Built Environment Council (ASBEC) which highlighted that infrastructure influences 70 per cent of Australia's annual greenhouse gas emissions via:

- Embodied emissions: the material used in construction, as well as those from the construction process itself
- Operating emissions: the ongoing operation of infrastructure assets
- Enabled emissions: the activities enabled by infrastructure assets and use by end-users throughout an asset's life.

The nature and scale of infrastructure projects, and the significant strategic investment decisions they demand from governments, create an important opportunity for government to send clear market signals on critical issues including product selection, construction processes and environmental impact management.

We already know how to reduce operational carbon in the built environment; however, we are yet to develop most of the solutions to cut down on embodied carbon. The built environment sector can do more, now, to tackle emissions under our control (design choices, procurement practices, construction methods) and consistently signal to our supply chain that carbon reduction is both necessary and urgent. ASBEC's report 'Our upfront opportunity: Australia's policy roadmap to reduce upfront embodied carbon in the built environment'[5] recommends using a decarbonisation hierarchy to prioritise actions by considering emissions at every stage – and generally the greatest emissions reduction opportunities can be realised at planning stage.

The report outlines key recommendations for government and industry to start right now and continue the momentum over the next decade:

1. Update the Trajectory for Low Energy Buildings policy to include upfront embodied carbon measurement and reporting, and a staged approach to mandating minimum standards. Develop an aligned, nationally consistent policy approach for the infrastructure sector.
2. Increase and continue investment in aligned national framework and tools to baseline, measure, benchmark, disclose, and reduce embodied carbon through a unified methodology and common database. These need to be consistent across commercial property, residential and infrastructure.
3. Support Australian manufacturers and provide market drivers to: • Reduce the embodied carbon of their materials and products via support for technology transitions and low-emissions manufacturing practices. • Understand and disclose the embodied carbon of their materials and products through trusted and verified processes such as Environmental Product Declarations (EPDs).

[5] ASBEC, 2025, Our upfront opportunity: Australia's policy roadmap to reduce upfront embodied carbon in the built environment' <https://www.asbec.asn.au/research-items/our-upfront-opportunity-australias-policy-roadmap-to-reduce-upfront-embodied-carbon-in-the-built-environment/>

4. Prioritise a re-use, repurpose, or "retrofit-first" approach through brownfield development projects, infrastructure renewals, and major retrofits of existing structures. This includes reforming and aligning planning policies and development strategies.
5. Demonstrate leadership by updating government funding, tender and procurement requirements or processes to include embodied carbon minimum standards, and transition towards fossil-fuel free transport and construction processes.
6. Build capability, awareness and skills by developing aligned training and education materials, and professional development, across the construction sector and its value chain, including practical guidance for reducing embodied carbon and achieving more with fewer resources.
7. Resource the inclusion of a minimum standard for upfront carbon for all new commercial buildings in NCC 2028 using NABERS methodology, with increases to minimum standards over time. Start collecting aligned data on residential buildings and consider a simplified calculator to assist residential design decisions.

Implement policies that secure a level playing field for Australian manufacturers of building and construction products, underpinned by consistent and comparable emissions data in line with international standards, and incentivise low carbon products made or re-made, in Australia

Infrastructure Australia's Embodied Carbon Projections for Infrastructure and Buildings report finds that over the five years to 2026-27, construction activity will produce between 37 and 64 Mt of CO_2e in upfront embodied carbon each year; a total of 247 Mt of CO_2e over the period. Findings also show it is possible to achieve a 23 per cent reduction in these emissions by switching to cleaner, market-ready building materials and technologies. Infrastructure Australia's report also provides a series of insights and recommendations to the Australian Government on lowering embodied carbon across the built environment:

- Providing education and training for professionals, trades and consumers, which focus on addressing carbon literacy, specification of low carbon products, and construction techniques with low carbon materials
- Developing a nationally standardised embodied carbon measurement system to allow for consistent methods to collect, measure and assess data on embodied carbon
- Developing a common national approach to drive sustained market demand for low carbon products and solutions through project guidance and fiscal incentives
- Developing new methods for project delivery, which share risks and rewards for low carbon project outcomes
- Driving greater national alignment on low carbon expectations through performance-based standards and specifications.

Some of the biggest leaps in decarbonising our supply chains will occur when demand for low-embodied carbon materials and products is generated at scale via infrastructure projects and coordinated infrastructure policy.

Property Council commends the recent decision taken by Australian, state and territory transport and infrastructure Ministers to approve national adoption of the Embodied Carbon Measurement for Infrastructure: Technical Guidance. The policy and guidance, developed by Infrastructure NSW in collaboration with NSW Government agencies and industry, is an excellent example of coordinating government and industry efforts towards a common goal.

Q - Are there any duplicative emissions-reduction policies in the industrial, electricity and transport sectors which could be streamlined?

While it's important to identify and avoid unnecessary duplication, it's equally critical to recognise that each sector has unique characteristics and therefore requires tailored, complementary and strategically aligned policy settings. The goal should not be to consolidate for its own sake, but to ensure policies across sectors work in harmony to deliver emissions reductions efficiently and predictably.

For example, in the electricity sector, market participants - including building owners - are increasingly operating on an expectation that grid decarbonisation will follow the Integrated System Plan (ISP) pathway. If government policy is not aligned with this trajectory, there will be a pressing need to provide greater certainty around the future supply of renewable energy, and clearer guidance on the role of industry and property owners in supporting grid resilience and decarbonisation.

This includes creating a policy environment that supports participation in the energy market through on-site renewables, demand flexibility, or grid-interactive technologies. Rather than duplicating efforts, strategic alignment across sectors can help create the clarity and confidence needed for long-term investment and coordinated emissions reduction.

5.2 Speed up approvals for new energy infrastructure

Q - Are planning and approvals processes for large energy infrastructure taking too long? If so, what causes the most delay?
Q - How can planning and approvals processes be sped up without unduly compromising regulatory standards?
Q - Should clean energy projects be treated differently to other projects for the purpose of environmental and other approvals? If so, how?
Q - What can be done to build local community support for new energy infrastructure projects?
Q - Please outline any evidence showing the productivity benefits of faster approvals for energy projects.

Prioritise wholistic improvements to planning systems

Australia needs to grow well to boost individual prosperity and provide enough funding for government programs as our population ages. We strongly support prioritising the investment in new infrastructure projects that contribute to the expansion of housing supply and considering factors such as population growth, city planning and sustainability in the decision-making process. Energy infrastructure is certainly integral this objective. Equally, we agree that navigating high-friction planning systems adds significant cost and delays for all forms of development.

At a national level, it is widely acknowledged that our national environmental law the Environment Protection and Biodiversity Conservation Act requires reform. We have welcomed the Australian government's commitment to improve outcomes for the environment and improve the efficiency and transparency of its administration, reducing time delays and providing certainty for project proponents – consistent with the findings and recommendations of the Samuel's Review. While initial consultation on the government's Nature Positive Plan took place in 2024 – it is not yet clear how reforming the EPBC Act will continue. We strongly support renewed efforts to ensure future

reforms deliver certainty, reduce duplication at the state and local levels and enhance environmental outcomes.

We have welcomed early signals and investment commitments from governments to deliver a coordinated effort to improve the efficiency of national and state planning processes. We strongly recommend that examining the productivity gains through wholistic improvements to planning systems should be investigated - over and above discrete measures that only target large scale renewable energy developments.

It is the experience of our members that most states fail to provide:

- a steady and competitive pipeline of greenfield and brownfield land
- efficient rezonings
- clear and dependable assessment pathways.

All developments, including large scale renewable energy infrastructure will benefit from reforms that address these barriers.

The opportunity to unlock productivity through wholistic reform to planning systems must not be overlooked. We caution against any targeted measures that ultimately contributed to added complexity and possible further fragmentation in our planning systems.

Include detailed consideration of distributed energy resources

To the extent the current terms of reference are focused on planning overlays for renewable energy, the Commission must consider the broader role of distributed energy resources, as a component of renewable energy infrastructure.

In partnership with the Clean Energy Finance Corporation, the Property Council has released an industry guide 'Distributed energy in the property sector – today's opportunities.' This report finds that using a mix of existing technologies such as energy efficiency measures, rooftop solar PV, and other renewable energy sources, it is estimated that the Australian property sector can produce net zero emissions by 2050, generating $20 billion in energy savings in the process.

Commercial and Industrial properties have only begun to realise the opportunities for lower electricity costs and reduced emissions presented by today's solar PV costs combined with other, increasingly available and affordable technologies. In background analysis used to inform the development of the industry guide, we identified that for distributed generation to maximise its contribution to lowering emissions and providing network benefits a range of existing barriers must be removed. These barriers, particularly affecting large-scale distributed generation in the industrial and retail sectors, include:

- The costs, delays and uncertainty of the current grid connection processes create immediate barriers in the investigation of distributed energy projects
- Limited routes to market. Market access/export of power is generally limited to a negotiated agreement with the building owner's retailer as the sole permitted route to the retail market. Wholesale market participation by large-scale distributed generation exporting into the grid incurs high costs and low returns. Neither current route to market provides an attractive return on investment
- Regulatory models don't necessarily reward the roles of distributed energy in lowering delivered electricity costs. Other sources of income for the distributed generator are

inadequate to justify the investment in distributed generation for export. Existing market and network support programs are small and limited in scope relative to the property sector's spatial representation

- Network and property sector planning processes are poorly aligned. There is minimal co-ordination of network and property/land development programs, meaning there is little communication and/or incentive for designing buildings and precincts that permanently reduce future electricity demand from the grid
- Impediments to the ability of non-network participants to provide network services reduces competition and potentially increases costs, with existing network providers often being the sole provider of these services in each state
- Commercial arrangements such as net vs gross leases and the "split incentive" problem. Net rental agreements, unlike gross rents, prevent the recovery of capital items such as solar PV as operating expenses. Rental tenants are the largest class of occupants in the commercial property sector, but limited tenure tenancies discourage investment.

The Commission should ensure that investigating opportunities to increase renewable energy capacity in the grid and available to consumers is not limited to large-scale projects. There are a wide range of policy levers across all levels of government which should be adjusted to facilitate increased uptake of behind-the-metre solutions.

5.3 Encourage adaptation by addressing barriers to private investment

Q - What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?

Many of the medium- and long-term impacts of climate change are already locked-in due to anthropogenic increases of greenhouse gases in the atmosphere. At the same time, most of the housing stock that exists today will still be in use in 2050.

There are complex and diverse factors that will influence how and where housing is built and maintained. Some of these considerations are relevant to the climate resilience of homes, but it important to recognise those which are not. In a supply constrained environment, housing affordability is likely to be the primary consideration that owners and prospective homeowners will consider. In the context of development, a wide variety of barriers and enablers will be relevant – with differences likely to reflect local context in terms of planning and approvals, location-based data availability, local workforce capability and specific site conditions.

For these reasons, we strongly recommend that separate consideration be given to embedding resilience in the development of new homes, and adaptation measures to improve the performance of existing homes.

<u>Adaptation for existing buildings</u>

The electrification of homes and commercial buildings will require changing out millions of gas appliances and replacing them with cleaner, healthier and vastly more efficient electric equipment. During the initial phases of the transformation the upfront capital cost can impede take up. Linking appliance upgrades with efficiency improvements like insulation and shading contributes to an optimised whole-of-energy system and a built environment compatible with a low carbon economy.

A national program for the retrofit of buildings will ensure that cleaner, healthier, more efficient and more comfortable buildings are available to all. The strategy needs to incorporate financial incentives but also focus on the technologies that will integrate with renewable electricity. Millions of heat pumps, energy storage systems, and EV chargers will require design, manufacture, distribution and installation, creating new jobs and developing new skills.

Targeted incentive programs will be critical to ensure that this clean, 100 per cent renewable future is affordable for all, including renters and social and community housing occupants.

Q - What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?
Q - What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?
Q - What role might minimum standards play in ensuring the resilience of Australia's housing stock?
Q - The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

Buildings offer their occupants many things including protection from the external environment; spaces to live, work and build communities and are the location for many economic activities that are essential to productive and prosperous society. As our climate changes the built environment will play a critical role in protecting Australians from harshening environmental conditions.

At the same time, the built environment is particularly vulnerable to many of the impacts of climate change, such as extreme weather events like bushfires, floods, cyclones, and temperature increases can result in structural damage, increased energy demand, and compromised occupant health and safety. Natural disasters constitute real threats to buildings in operation and the long-term effects of climate change are likely to increase the frequency of these events.

Adapting our built environment to climate change is an investment in the long-term safety, health and wellbeing of our communities while also minimising economic damage from disasters and the associated recovery costs.

Much work has already been done across the property sector to mitigate the impacts of buildings as a source of emissions that contribute to climate change. We expect trend will continue as our electricity grid decarbonises and more buildings electrify. We also note that there are several important synergies between mitigation and adaptation efforts in the built environment. For example, strategies, such as insulation of buildings can provide both mitigation and adaptation benefits. These dual-purpose measures help reduce energy consumption needed for heating and cooling (mitigation) while also providing thermal insulation (adaptation).

Our priorities for ensuring the resilience of the built environment include the following:

1. Contribute to a clear long-term strategy for climate resilient buildings that can adapt to acute shocks and long-term stresses from climate change.

   In many respects, the built environment is not currently equipped to withstand future climate conditions potentially leading to heightened risks for buildings and occupants.

Measures to address this should encompass best practice technical requirements for building construction to ensure occupant safety and preserve buildings (where appropriate and cost effective) in the face of a changing climate.

We note that relevant policy interventions to enhance adaptation in the built environment will likely include a range of policy areas at different levels of government - building codes, planning, funding, and incentives etc. however, it would be useful for a nationally cohesive strategy (e.g. national adaptation policy) that contributes and responds to the adaptation opportunities specific to the built environment. At a federal level this would include the Built Environment Sector Plan under development and updates to the Trajectory for Low Energy Buildings. Additionally, there are a range of initiatives at the state and territory and local levels of government which should be considered.

We note that in early 2024 the Australian Government consulted on an issues paper to inform the development of a National Adaptation Plan. During this consultation, it was noted the government planned to release a public comment draft in Q3 of 2024.[6] A draft has not yet been made available for public comment.

While we commend the Productivity Commission's focus on improving the durability and resilience of homes – a national strategy must proactively plan for supporting communities to deal with the impacts of more frequent and more severe weather events - recognising it will not be possible to embed resilience in every home, or plan for every possible natural disaster. On that basis, governments must strategically plan for future responses to such events. Planning should be data-led to ensure that there is appropriate resourcing and systems to promote the safety of communities and ensure the efficient deployment of support, when the worst occurs. The use and occupation of all buildings – both residential and commercial – does not occur in isolation from networks of supporting infrastructure. To protect Australians from the worst impacts from climate change, durability of buildings is critical, but these measures must be supported by complementary systems that improve the overall resilience of communities.

A detailed and strategic approach to improving Australia's climate resilience – including the critical physical climate risks posed by our changing climate – must be a priority for the Australian government. The issues outlined in the Productivity Commission paper will ideally be addressed within a National Adaptation Plan, with appropriate linkages into the Built Environment Sector Plan. While we understand both these policies are currently under development, we strongly recommend the Productivity Commission considers how these policies should work together to deliver safer, more resilient homes.

2. Reflect a data-led approach to enhance resilience of new buildings and minimise the need for adaptation into the future.

   Initially, a nationally agreed set of future climate scenario data would be required to determine structural and resilience requirements in new buildings. This dataset should also then be used to underpin a comprehensive framework of scheduled updates to regulation,

[6] DCCEEW, National Adaptation Plan, Public Webinar – Slide 13, <https://consult.dcceew.gov.au/climate-adaptation-in-australia-national-adaptation-plan-issues-paper>

targeted retrofits and land-use planning requirements. While we note the discussion paper references the nationally significant risks identified in the First Pass Risk Assessment, policy settings must reflect detailed climate data and modelling over the medium to long-term in a way that identifies and addresses current vulnerabilities and the likely impacts of climate change.

We also recommend extending existing state and territory spatial mapping and hazard exposure modelling to support land use and infrastructure planning, design and investment.

3. Map a pathway for adaptation of existing building stock and incentivise private sector investment building upgrades.

   Like the approach to enhancing resilience of new buildings, adaptation efforts for existing buildings should be data-led to identify the nature and location of risks and inform the adaptation measures that will have the greatest level of impact at a local community level. At the national level, strategic priorities should seek to empower communities to implement change and complete building upgrades that will withstand our changing climate and adopt new technologies as our economy decarbonises.

   We have not been able to source government-led research which fully considers the issue of funding investment in adaptation. We see this as a critical gap the Productivity Commission should seek to fill in the course of this inquiry. The total cost of adaptation across Australia's built environment cannot be funded by governments alone, and policy conditions that incentivise and direct private sector investment into high impact building upgrades that deliver adaptation outcomes across all building types are required.

4. Establish a strategic and nationally coordinated approach to adaptation of the built environment that reflects a 'place-based' approach.

   All communities will experience climate change impacts into the future; however, some will experience greater risks or risks for which they are ill-prepared. Examples include communities facing significant and increasing bushfire risk, coastal areas subject to storm surge and riverine areas vulnerable to flooding. Responding to these risks will require all levels of government to consider whether, how and when action should be taken to protect communities, implement measures to adapt to climate change impacts, or consider relocation of communities from high-risk areas.

   There is currently no framework to manage climate change risks in existing communities that sees coordination of all levels of government and locally appropriate responses informed by the community. Such a framework is necessary and begins with understanding the shocks and stresses experienced within Australian communities from the ground up, using consistent data standards to map different risks and then considering options for managing these risks. This needs to be done by all levels of government in partnership, considering the costs and benefits of each option and building a community consensus on preferred options.
   Resilience should be considered a quality of a place and so identifying and understanding the shocks and stresses present within a community is necessary to inform all efforts to build and embed resilience. This forms a baseline from which actions and interventions can be developed and can inform adaptation priorities.

5. Prioritise protection of vulnerable communities

   There is significant evidence that climate change disproportionately affects vulnerable populations, including low-income and remote communities. In the context of the built environment, in particular housing, vulnerable populations are at a higher risk of being left behind in the transition to net zero and adapting to the physical risks of climate change. We encourage the inquiry to consider opportunities for upgrades of existing building stock, with a focus on improvements to housing for low-income and vulnerable communities to enhance resilience to increasing heat and other climate-related hazards.

   This kind of targeted and direct intervention, coupled with other measures can also serve to send signals to the property sector about priority adaptation measures and upskill relevant trades and professionals to deliver relevant upgrades.