

# CHANGING THE PROPERTY SECTOR

A new Victorian Government means new ideas, and Premier Ted Baillieu has plenty of them. LAUREN CROSS

**W**hen voted into government late last year, Victorian Premier Ted Baillieu promised to improve the state's planning and property sectors. Plans for new committees and policies were announced, as well as a much-needed cut to the red tape.

While industry experts agree there's still a long way to go, many have welcomed the changes suggested by the government.

## FIRST HOMEBUYERS

One of the Coalition's biggest and most popular policies is the introduction of a \$750 million stamp duty relief package for first homebuyers. This means a 20 per cent cut on stamp duty for homes up to \$600,000, starting on July 1, 2011. The cuts

will increase to 30 per cent at the beginning of 2013, and to 50 per cent by 2014.

The Planning Institute of Australia's Victorian president David Vorchheimer says it will be the difference for some between renting and getting into the property market.

"If you're a young couple starting out, quite clearly every little bit in terms of additional cost is going to delay the purchase of a home," he says.

"Sometimes stamp duty actually locks people out of the market, so relief for first homebuyers will assist people breaking into the market, and into the market where they really want to live."

Master Builders Association of Victoria executive director Brian Welch has also

welcomed the cuts that have been introduced.

"This is a healthy saving of what would otherwise be an \$18,000 bill for an average first homebuyer's house," he says.

"Reducing stamp duty is to be applauded at any stage."

It's hoped the stamp duty cuts won't just help first homebuyers, but also boost Melbourne's property market.

Property Planning Australia's director David Johnston says it will increase people's confidence.

"It will drive a little bit of activity. We've certainly seen a cooling off period and I think now this will stimulate some activity," he says.

However, property adviser Catherine Cashmore from JPP Buyer Advocates says first homebuyers would be foolish to wait for the incentives to come in.

"On a purchase of \$450,000, a 20 per cent cut in stamp duty will save you \$3794," she says.

"But waiting for a \$3794 saving could result in paying at least that on the purchase price, to secure a home among the added competition.

"With a possible decrease in the amount of stock on the market, it's likely to be a sellers' heaven."

She believes that waiting for the full 50 per cent cut in 2014 isn't beneficial either.

"With a 50 per cent cut on a \$450,000 property, you'll save \$9485. However, in



four years, assuming prices continue to rise the average of 10 per cent per year for the top third of suburbs in metro Melbourne, a \$450,000 property will be worth roughly \$650,000 and the stamp duty cuts therefore won't apply.

"If we assume you could still purchase that same property for \$600,000 in four years, the total saving on stamp duty would be \$15,535, which starts to look a little more attractive.

"However, you're still not ahead of what you would have made in capital growth if you had paid \$450,000 with only the 20 per cent stamp duty cut.

"Calculating it on total initial outlay, you would have made \$134,824 in capital growth, which makes a \$15,535 saving look like pocket change."

#### URBAN GROWTH

The government will release land on Melbourne's fringe and review the city's urban growth boundary every two years. This means hundreds of hectares of land will be released in coming years.

Minister for Planning Matthew Guy says more land will inevitably be required to assist a greater level of price competitiveness in growth areas. He says the government's 20 to 30-year plan will put Melbourne in a better position than any other city in Australia.

"We are instituting Victoria's program of urban renewal through a brand new urban authority," Guy says.

"Strategic sites close to the city will facilitate Australia's largest ability for urban renewal. Fishermans Bend will become Melbourne's new Docklands. We are talking a lot of land – 500 hectares. There's also E-gate to the north of Docklands."

The E-gate precinct, located at Gate E in the Melbourne rail yard area, has a potential value of more than \$1 billion. At more than 20 hectares, the site will one day be home to sporting, commercial and residential development.

Property Council of Australia's executive director Jennifer Cunich says the new developments are a positive step for Melbourne.

"The biggest challenge ahead of the new Victorian Government is accommodating Victoria's growing population," she says.

However, Vorchheimer doesn't necessarily agree. He believes an increase in urban sprawl in other areas further away from the CBD will only add to more traffic chaos.

"On the fringe, we don't have a decent level of public transport access," he says.

"Heavy rail lags behind the pace of development on the fringe, in terms of

## The Ministers responsible for property and planning in Victoria

- Ted Baillieu, Victorian Premier
- Kim Wells, Treasurer
- Peter Ryan MP, Minister for Regional and Rural Development
- Matthew Guy MLC, Minister for Planning
- Wendy Lovell MLC, Minister for Housing
- Terry Mulder MP, Minister for Public Transport, Minister for Roads
- Denis Napthine MP, Minister for Regional Cities, Minister for Major Projects

MP = Member of Parliament; MLC = Member of the Legislative Council

STAMP DUTY SAVINGS FROM JULY 1, 2011

Property cost	Pre-election stamp duty cost to PPOR*	20% cut Pay	50% cut Pay	20% cut Saving	50% cut Saving
\$100,000	\$2,150	\$1,720	\$1,075	\$430	\$1,075
\$200,000	\$6,370	\$5,096	\$3,185	\$1,274	\$3,185
\$300,000	\$11,370	\$9,096	\$5,685	\$2,274	\$5,685
\$400,000	\$16,370	\$13,096	\$8,185	\$3,274	\$8,185
\$500,000	\$21,970	\$17,576	\$10,985	\$4,394	\$10,985
\$600,000	\$31,070	\$24,856	\$15,535	\$6,214	\$15,535

\* PPOR = principal place of residence

**"...waiting for a \$3794 saving could result in paying at least that on the purchase price, to secure a home among the added competition."**

access. The cost of living within these locations is disproportionate, due to lack of transport. So a property may be cheaper on the fringe, but the cost of living still is actually higher."

Vorchheimer believes there should be a level of land supply on the fringe to support transport, as well as development. On the other hand, David Johnston says the government should actually be looking closer to the CBD for opportunities.

"In the past we've really taken the easy way out and not really identified and followed through with development in existing areas," he says.

"You've got commercial sites which were made redundant or government land which could offer opportunities for redevelopment. Those sorts of opportunities should be

looked at first, before we look for more development on the fringe."

Johnston also believes investors should be cautious about buying on the city's edges, even though it may be cheaper.

"Investors should be wary of the quality of investment they're purchasing. From a general perspective, the investment should provide more opportunity for financial growth. The investor needs to look at what they're trying to achieve via the purchase of an investment opportunity, and if a property on the fringe will meet their needs."

Sean Thomson of WBP Property describes the government's urban growth plan as a 'slow burn disaster'.

"It will push up the price of outer urban land and this price will be passed on by developers to new homebuyers," he says. "The first homebuyer stamp duty cuts initiated by the Victorian Government will therefore directly flow to the developer and give the buyer no net benefit at all. Thirdly, all those new households will end up driving on already overloaded freeways. In four years Melbourne commuters will look back at 2011 as the good old days.

"Just as concerning is the accelerated development at Fishermans Bend, Footscray Road and Richmond station locations. It strikes us as a quick fix announcement, not a real policy.

CASE STUDY [ VIC ]

## A matter of timing

Like many Victorians, Emily Winton is facing a huge dilemma. The 25-year-old doesn't know if she should buy her first home as soon as she can, or wait until the stamp duty reductions kick in next July.

"It certainly puts people that are in the market at the moment in a tough situation," she says.

"When the cuts come in July it will get more people active, which pushes prices up."

Emily says she's happy the State Government is doing more to help first homebuyers, and the policy was a major voting factor during the election for most of her friends who are trying to get into the property market. However, the long-awaited first homebuyer help with stamp duty cuts now seems like just a faraway dream.

"I don't know what the hold up is. The quicker it comes in, the quicker I know it will benefit me and lots of other people. It's one thing to say there will be cuts, but to have to wait for it to come into effect is frustrating. It would be great if the new rules could apply earlier."

Emily already qualifies for the Federal Government's First Home Owner Grant of \$7000. She's also managed to save \$40,000 for a deposit over the past four years, thanks to living at home with her parents. She anticipates she might end up buying her first home before July, because if she sees something she loves, she doesn't want to wait and miss out. She's also worried about extra competition in the next

financial year, and the effect it may have on rising prices.

"It will bring a new type of buyer into the market, someone who doesn't have as much of a deposit," she says.

Emily is hoping to buy in Melbourne's inner-city, around Carnegie, Murrumbeena and Hughesdale. She's looking for a one-bedroom apartment in an older block with a car space, for no more than \$300,000. If she waits until July, she would still pay \$9096 in stamp duty for a \$300,000 apartment, but would

save \$2274 with the 20 per cent discount. However, she admits apartments might increase in value by that time anyway, and the more popular suburbs will still be out of her price range.

"I won't have enough

to buy in other nicer areas. My first property isn't going to be a palace, but it will be presentable and comfortable and it will be mine. If I want to paint the walls red, I can paint the walls red."

She's also looking forward to being in control of her own decisions and finances, even if it means skipping restaurants for more nights at home, shorter showers and turning the lights off.

"With the loan that I'm going for, I'm sure there'll be a few baked beans on toast nights and no going out to have 10 cocktails. I'm really tightening my belt to make sure it works, so I can have my own independence."



**"When the cuts come in July it will get more people active, which pushes prices up."**

"It's no accident these locations haven't been developed. They're poorly sited for residential development."

### HOUSING EFFICIENCY

The Coalition will work with building associations and relevant stakeholders to assess the most effective way of meeting Victoria's Council of Australian Governments (COAG) agreement, to support a six-star minimum energy efficiency standard

for both new and renovated residential and commercial buildings. It says it will also support the transition of all existing housing stock to meet an average of a five-star energy rating. The Planning Minister acknowledges the changes will put developers and investors out of pocket.

"There'll be a cost implication and therefore we are nervous," Guy says.

However, because the changes range from dual flush toilets and low-flow shower

heads to a six-star energy efficiency standard in every home, Guy says he's unable to give an exact figure as to how much homeowners and investors will need to pay. He estimates it could be as much as \$20,000 to \$30,000 per home.

"The price at retail end of increasing housing energy efficiency is huge, that's why we're advancing cautiously. We want these requirements at a national level, so all states are on the same playing field, and so Australia is moving at a national level."

### DEVELOPMENT RED TAPE

The government will cut red tape to speed up development, reduce holding costs, and lower the interest bill costs for developers through a faster land release process. It has pledged to move swiftly to address Melbourne's affordability crisis, by reducing the time taken to bring land to the market by around 18 months and abolish bureaucracy.

It also plans to establish a team of 'red tape terminators' to identify and eliminate government policy and processes that worsen housing affordability.

The Master Builders Association of Victoria says a major concern will be whether or not the Coalition can actually keep this commitment. At present, any building work in Victoria needs a planning permit.

According to council rules, obtaining a permit should take eight weeks, but the association says that's far from the case.

"With housing affordability in crisis, the planning system is in urgent need of reform," Welch says.

"The delays, which should have approvals done in eight weeks, are actually taking 30 weeks. In some cases, this can cost up to \$18,000 per house, just to get through the planning maze."

### PLANNING FOR MORE DEVELOPMENT

Victorian Premier Ted Baillieu says rather than target high-density development along the city's transport corridors, the Coalition is now focusing on increasing development around 1000 defined 'activity centres'. These are places with shopping centres, parks, established streets with restaurants, etc.

Vorchheimer says due to lack of transport facilities, activity centres are definitely the most appropriate places for an increase in property density.

However, the Property Council of Australia believes the State Government needs to have a closer look at transport, rather than turn its back on it.

"People want to live in the inner and

middle-ring suburbs. The role of the Victorian Government is to provide Victorians with the opportunity to do so," Cunich says.

"The incoming Coalition Government must work with the industry to address housing affordability issues if it wants activity centres and other planning initiatives to achieve the highest potential."

Cunich is pleased there'll finally be an Infrastructure Development Register, to enable greater coordination between stakeholders in the public and private sector. However, Cunich would also like to see the establishment of a Victorian planning authority, to further enhance planning reform in Victoria.

"We are on the right track when it comes to planning reform but more can be done in the coming term. The establishment of a Victorian planning authority to coordinate all areas of planning, i.e. tax arrangements, public transport, infra-structure, and infill development, is the missing piece in the planning puzzle."

#### NEW AUTHORITIES

The Coalition will audit all government-owned land within the urban growth boundary to identify sites for future development, such as the VicRoads site in Kew. The audit will look at land in the Melbourne metropolitan area and also regional cities that could be used for future housing supply. Vorchheimer points out this audit has been urgently needed for some time.

"We would wholly support this idea and encourage it. This is one of the areas that has been lacking to date."

Vorchheimer adds he's also optimistic about the new code assessment forum that's

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recently been established for development.

"This will look at trying to dumb down the assessment of development applications through set criteria. We support this, because the ease with which applications go through a system is obviously quite important, in terms of minimising delay, and ensuring there's certainty for everyone at the end of the day."

A new authority will be established, to provide an overview to the Planning Minister about state and local policies that could be reformed and help improve housing affordability. The State Government has also promised to establish an independent, broad based anti-corruption commission for Victoria, which will have the power to investigate planning decisions in the state. Vorchheimer believes the government needs to go even further, by employing an independent State Government planner.

"The idea is to de-politicise planning decisions as much as possible. This person would be more like an Ombudsman and report back to the government on what they've done and why. The idea is to make sure that when decisions are made, there is confidence in the planning system. At the moment, there is still a lot that is left to be desired."

He would also like to see a review of the Victorian provision planning schemes, as well as the *Planning and Environment Act*, noting that the Act was established in 1987

and hasn't had a proper review since that time.

#### HERITAGE BUILDINGS

The government claims it will protect Melbourne's special heritage, as part of the Coalition's planning blueprint. It intends to return clarity and certainty to the planning system, by defining where urban change and renewal can occur and where the character of communities should be preserved.

All councils will now be required to complete a Municipal Heritage Strategy to record the built and landscaped environment of each municipality.

Spokesman for the Real Estate Institute of Victoria Robert Larocca says various councils have already started the process.

"These things always need review and revision, because heritage is more than what's old," he says.

"It's about significance. Something that was recently constructed can be important to Melbourne's heritage, and this needs an ongoing review."

The Planning Minister adds Melbourne's best form is its built form.

"It's about saying that if the built form of a certain area in a suburb is single-storey detached dwellings, that's what a new development must feature. It's about modern built form matching existing built form, but also identifying areas where urban change can occur," he says. **api**

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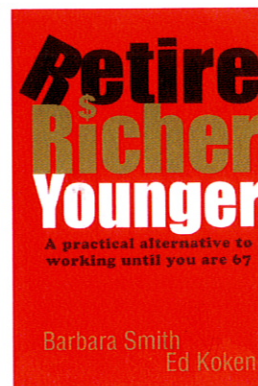
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