



# UNLOCKING Tasmania's Potential

# Wage growth in Tasmania struggles to keep pace with median house prices

Being a homeowner in Tasmania was once an easy goal for all.

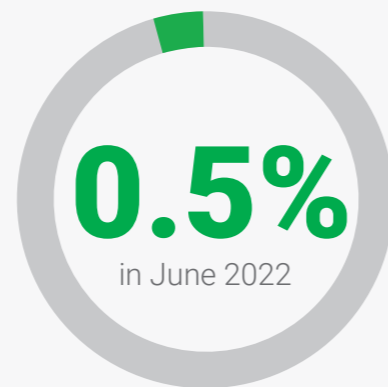
From 2005 to 2022 the dream of the average Tasmanian owning their own home has become increasingly difficult to achieve.

## Housing and growth in Tasmania

2005 Population of Tasmania **476,481**



The current vacancy rate in Hobart is sitting at



According to the 2019 Population Projections of Tasmania and Local Government Areas published by the Tasmanian Treasury, the population of the state could grow to as high as 709,757 by 2066-67.

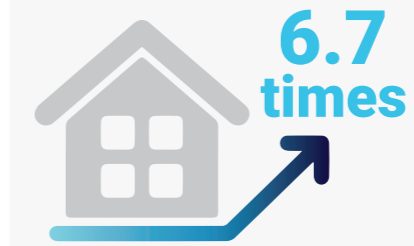
The median house price in **Hobart** is now



the average yearly wage

In 2005 it was **5.6x** the average yearly wage

The median house price in **Launceston** is now



the average yearly wage

In 2005 it was **6.5x** the average yearly wage

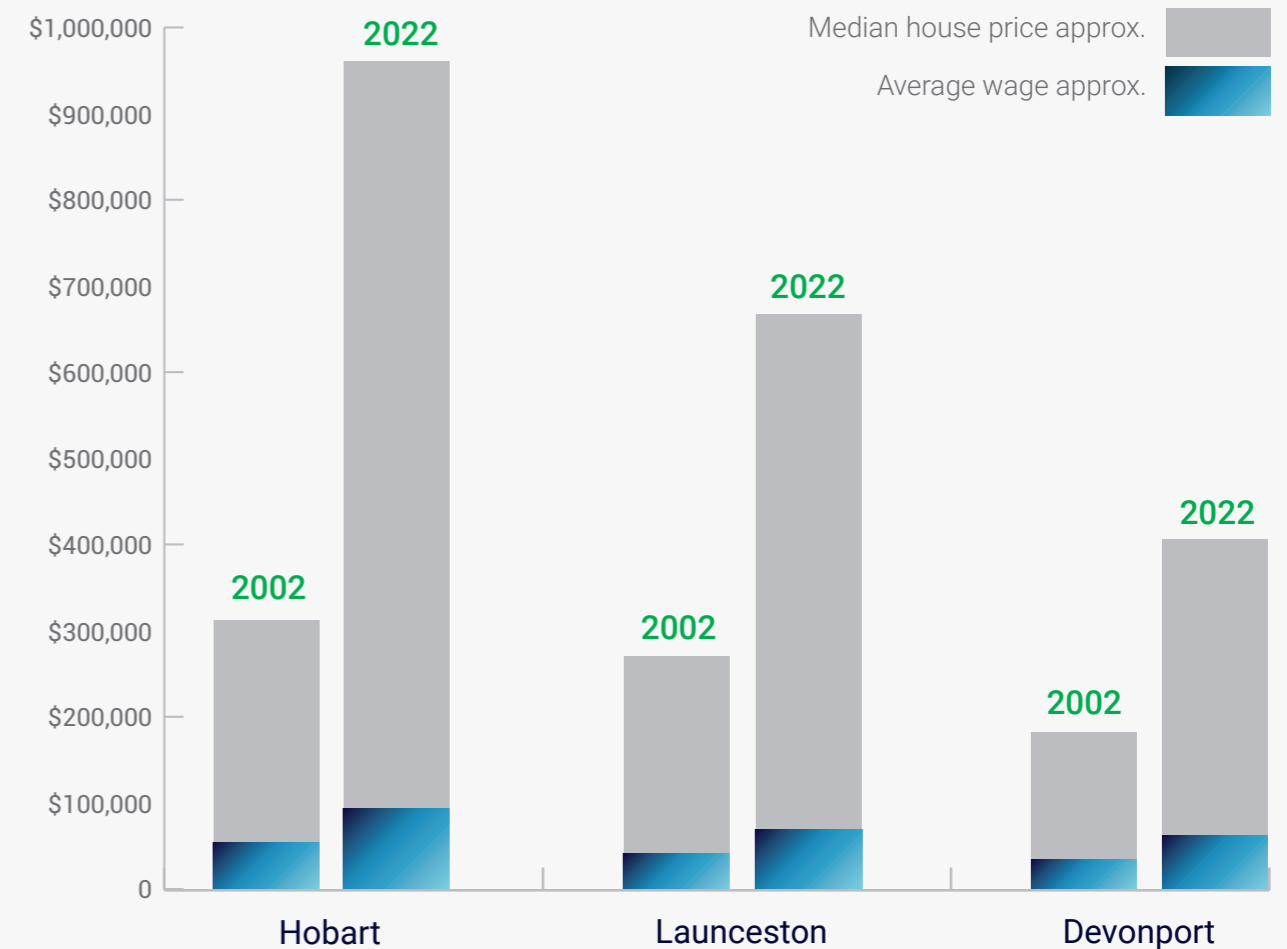
The median house price in **Devonport** is now



the average yearly wage

In 2005 it was **5.3x** the average yearly wage

## Wage growth v dwelling price





# Taking Tasmania up a gear

Tasmania emerged from the pandemic on top of the economic leader's board. However, the National economy is shifting and we risk slipping behind with an ongoing housing affordability crisis, higher rates and costs of living that cut into confidence and the back pockets of Tasmanians.

Challenging economic headwinds lay ahead, with increasing interest rates and inflation and we need to move now to shield and future proof our state.

**The Property industry is one of the most significant sectors in the state's economy and offers the greatest potential for growth and social impact. Delivering liveable communities, sustainable homes and world leading precincts, the Tasmanian industry has the potential to keep the state moving through innovative solutions and modern social and economic infrastructure.**

The Property industry is currently being held back by a complex policy environment, high levels of regulation, and increasing costs, and risks that prevent it from reaching its full potential.

Economic growth and progress can only occur if these challenges are addressed with meaningful reform and a policy approach that facilitates investment and delivers outcomes Tasmanians can be proud of.

The Property Council is calling for the Tasmanian Government to focus on five key areas of reform that will ensure Tasmania unlocks its full potential.

**01** Addressing affordability

**04** Promoting productivity and investment

**02** Enabling more rental accommodation

**05** Skills training and workforce needs

**03** Planning for our future

# Addressing affordability

## by boosting housing supply

### Problem

Tasmania is facing a generational housing affordability crisis driven by higher house prices, lower levels of new housing supply, and an increasingly difficult policy and regulatory environment in which the industry is operating.

Looking to all regions across Tasmania, median housing prices are almost 9 times the average Tasmanian's wage.

A whole-of-government focus on making housing affordability and supply a key responsibility of Government is crucial to making housing more affordable.

We acknowledge the Government has committed to 10,000 additional homes by 2035 with the housing affordability crisis having an impact at all price points in the market.

Several factors have combined to create a perfect storm, and some of these factors – such as shortages of construction materials and labour – are more difficult for government to address than others and require close collaboration with the property industry to navigate towards enduring solutions.



## Solutions

### 1 Bolster the capacity of authorities such as Taswater and TasNetworks

The industry is currently reporting wait time of upwards of 12 months for infrastructure design and approval, putting a handbrake on development. The Government should help facilitate faster design and approval times to bring on larger volumes of supply by boosting resources and implementing penalties for noncompliance with timeframes.

### 2 50% Stamp Duty Concession for off the plan and infill development

Other jurisdictions have introduced a 50-100% stamp duty concession for residential apartments in multi-storey developments. This has been essential to ensuring an ongoing pipeline of housing.

It is vital that the Tasmanian government adopts an off-the-plan stamp duty rebate to incentivise the purchase of multi-unit dwellings and ensure ongoing construction work whilst reducing urban sprawl and encouraging infill development.

### 3 Payment deferral for infrastructure

The object of this policy is to assist with the progression of large-scale subdivision development that may not occur without financial assistance, and to ensure that new subdivision development

is appropriately designed to respond to reasonably expected future infrastructure needs and to avoid future adverse impacts on other development.

It requires the deferment of payment of local infrastructure contributions and levies until at least the issuing of the first occupation certificate.

### 4 Provide incentives for local manufacturing e.g. bricks, timber, windows, trusses

Similar to the Tasmanian Wood Encouragement Policy, a local manufacturing policy should be incorporated into all tenders for state government projects.

This policy seeks to ensure that local manufacturing is considered as a key component where:

- it represents value for money;
- it provides appropriate quality and functionality;
- it complies with the Buy Local Policy;
- there are no technical or performance reasons for not considering local supply; and
- it complies with relevant Australian Standards.

### 5 Tassie template for modular housing (free IP)

Government should fund pre-approved case study house designs compatible with the NCC2022. The designs would then be centralised on the Housing Authority website for free download. This would provide greater approval certainty and shortened construction timeframes for industry.

### 6 Steel frame training facility

Light weight steel framed housing is inherently quicker and cheaper to build than timber framing but has very low uptake in the Tasmanian market due to a lack of familiarity and trained builders. The creation of a Tasmanian light weight steel framed housing facility would enable the training and widespread familiarity of the system to be rapidly introduced to the Tasmanian market.

### 7 Establish a Headworks Fund

In contrast to house and land products, apartment and multi-residential projects regularly require developers to outlay significant up-front funds for headworks and other expenses prior to the project generating any substantial revenue. The high cost of providing for or upgrading power, telecommunications, drainage and sewerage, and water infrastructure can inhibit the feasibility of a site. Supporting the upfront funding of headworks could enable sites previously considered unfeasible to progress.

The Property Council proposes that state government invest in the creation of a Headworks Fund, accessible across all land uses. The Headworks Fund could operate by offering zero-interest loans to cover the costs of delivering headworks. The loans would be fully payable within six months of practical completion, enabling repayment at a time when the project is more cash flow positive.

The zero-interest loan scheme means developers would not be required to debt fund headworks, thus improving feasibility of projects and reducing the need to transfer costs to the purchaser, hence supporting the ability of the market to produce more affordable housing.



# Enabling more rental accommodation

## Problem

We previously welcomed the Tasmanian Government's interest and commitment to a feasibility study of Build-to-Rent in the state.

BTR is a well-established housing option, providing long-term rental accommodation and a better-quality rental experience in community creation. Other state governments have facilitated the emergence of this asset class to encourage housing diversity and increase housing supply.

It is critical that the first generation of BTR projects are given every chance of success. Once these projects are established, and capital is attracted to

and retained in the asset class in Tasmania, BTR may serve to assist other public policy objectives, such as enabling key worker housing (with the aid of additional specific subsidies), promoting strong placemaking in community engagement, and more consistently promoting environmentally sustainable residential buildings.

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**Around 50% of the rental market comprises mum and dad investors and this latest tax hike will put a lot of financial pressure on owners and force rents up through increases in rates, tax and utilities.**



## Solution

### 1 Remove land tax barriers

To stimulate first movers in BTR, and support the establishment of a new asset class, BTR projects currently under construction or commenced before 30 June 2032 should be exempt from land tax:

- through the “development phase”; and
- through the “holding and management phase”, until at least 30 June 2042.

Based on current Tasmanian data, a 100-dwelling BTR project with a total land value of \$79,000,000 would have a tax liability of \$ \$11,802,975.00.

In contrast, a build to sell project with Tasmania's current 15 per cent investor rate would generate \$177,147.00 in land tax, assuming a medium unit price of \$790,000 at the current tax rate (of \$1 975.00 plus 1.5% of value above \$400 000)

As a result, build-to-rent projects incur a land tax liability 66 times more than a build-to-sell project. At a reduced rate of 50 per cent the recurring tax liability on a build to rent project would still generate more than 33 times the government revenue of a build-to-sell project.

There is no reason government should not implement this win win measure.

# Planning for our future

## Problem

The role of planning in unlocking our potential is crucial and cannot be understated.

Given the urgency of increasing housing supply, a number of changes are needed immediately to the existing planning framework to improve its efficiency and effectiveness.

Fast-track reforms in other jurisdictions that have made the process of gaining planning approval more efficient and timely have in turn driven economic growth and reduced the cost imposed on the supply of new housing.

However, in Tasmania approval processes largely remain slow and complex, require multiple agency referrals and review, and in doing so, add to the cost of delivering new housing supply.



## Solutions

### 1 Implement Development Assessment Panels

Development Assessment Panels are intended to enhance planning expertise in decision making by improving the balance between technical advice and local knowledge.

In other jurisdictions, DAPs report directly to the Minister for Planning and do not form part of the Department of Planning, Lands and Heritage or the Planning Commission.

### 2 Prioritise and finalise a review of current regional growth strategies to examine how future land supply can be unlocked

As part of this review develop specific housing and infrastructure development strategies for each region that identify immediate actions that can support a continuation of accelerated but sustainable population growth.

### 3 Approve Development along transit corridors such as Newnham to Launceston and Glenorchy to Hobart via Specific Area Plans

The Land Use Planning Act allows for particular purpose zones, specific area plans and site-specific qualifications to be part of the Tasmanian Planning Scheme. Industry would support a Ministerial Directive to make provision for a specific area plan for both the Newnham to Launceston and Glenorchy to Hobart Transit corridors. The Act provides for the certain circumstances in which this can occur. This includes; significant social, economic or environmental benefit to the State, a region or a municipal area.

### 4 Update State Planning Provisions to allow a better permitted pathway for housing in General Residential and Inner Residential zones.

- There are a number of specific recommended amendments to the Land Use Planning Act which will streamline the application of the Tasmanian Planning Scheme.
- 8.3.1 Specifically exempt Permitted uses from the Discretionary Use provisions.
- 8.4.2 A1 dwelling should also exclude minor retaining walls in the frontage.
- 8.4.2 A1 (c) should be deleted – it has resulted in instances where multiple applications are required to achieve the three-metre setback.
- 8.4.2 A2 (c) make standard the same or similar to 8.4.4 (b) rather than relying on private open space orientation.
- 8.4.3 A1/A2 The open space requirement should not be different for dwellings dependent on where they are located. The 60sqm/24sqm/12sqm requirements are unnecessarily confusing given the requirements for dwellings are the same. It also becomes difficult to apply on sloping sites.

# Promoting productivity

## and investment through an equitable tax system

### Problem

#### Tasmania faces significant economic challenges and future-defining economic opportunities.

Key to meeting these challenges and realising these opportunities is ensuring that Tasmania is an attractive place to live and to do business. In an increasingly competitive national and international environment, Tasmania must be prepared to pursue meaningful, sensible property taxation reform if the state is to realise its full economic potential.

The Tasmanian Government is highly reliant on the taxation of property as a primary source of revenue, and therefore reliant on high volumes of property transactions and increasing land values to ensure increasing revenue.

Through the current tax system and the most recent Budget Papers, taxation collected from the property sector is growing by more than 22% over the forward estimates.

Many property taxes are among the most inefficient for individuals and businesses while also being volatile sources of revenue. Property taxes, including transaction taxes like stamp duty, annual taxes like land tax and various other taxes paid by property companies, account for the majority of the state's own source revenue and they have been the revenue source of choice for successive Tasmanian Governments.

Economists and homebuyers alike agree that stamp duty is a bad, harmful, and distortionary tax. It discourages economic activity and prevents

many people from buying the house that best suits their needs. Hobart's \$960,000 median house price will cost a homebuyer an additional \$38,000 in stamp duty, up front, typically paid for through their mortgage, attracting interest over decades and is one of the largest barriers to mobility and home ownership.

In 2015, Deloitte Access Economics estimated that nationally, around

**340,000**  
**property transactions**  
**are foregone every year**

due to the impact of stamp duties.

On the other hand, stamp duty is also one of the primary sources of revenue for the Tasmanian Government, which generated a \$60 million windfall in the 2021-22 state budget.

According to Commonwealth Treasury, every dollar of stamp duty does 72 cents worth of damage to the economy.<sup>1</sup> It has been decades since the state's property taxes were wholistically reviewed and there are clear opportunities to reverse this damage, and instead use the tax system to incentivise and increase economic activity and valuable social outcomes.

### Solutions

#### 1 Work in close partnership with the property industry to structure a review of Tasmania's property taxes over in this term of government.

The Tasmanian Government needs to consider the impact of the state's current reliance on property taxes, especially transaction-based taxes which suppress and discourage activity. Rather than simply adding new imposts to existing tax bases, the focus should be to create a sustainable state tax system which ensures that Tasmania is Australia's most liveable and economically competitive state.

The objectives of a thorough review must include an examination of:

- The over reliance of the Tasmanian state budget on property taxes and possible alternatives that would provide a more balanced spread of taxation across the economy;
- The efficiency or otherwise of the current property tax system including but not limited to stamp duty, land tax, foreign duty surcharges and other transaction taxes;

- The many ways that property taxation and levies impact housing affordability, investment confidence and economic output;
- Alternative property tax models that include a transition away from stamp duty, toward more efficient taxes; and
- The integration with property levies and charges including, but not limited to, infrastructure contributions, open space levies and voluntary agreements to provide social and affordable housing, and their cumulative impact on housing affordability.

#### 2 Commit to progressing a program of reform that seeks to deliver a more efficient property tax system which will unleash the full potential of the property industry's contribution to the Tasmanian economy.

<sup>1</sup>Understanding the Economy-Wide-Efficiency and Incidence of Major Australian Taxes, Commonwealth Treasury. April 2015

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**Land Tax on our office building has gone from \$12,287 last year to \$17,600 this year (a 43% increase), and is now, by a big margin, the largest single expense (44% of total expenses) and over 13% of total revenue.**

**The unspoken incentive is to sell up, pocket any capital gain, and put the money into the stock market which does absolutely zero for the Tasmanian economy.**







# Skills, training and workforce needs

Tasmania is experiencing extreme skills shortages, catalysed by a pause in migrant movements and temporary workers, a challenging economic environment and a structural deficiency in training provision.

A continuing shortage of supplies and building materials, exacerbated by a shortfall in skilled labour, is resulting in an increased occurrence of development projects becoming unviable. Many projects are stalling or failing to progress past the planning stages.

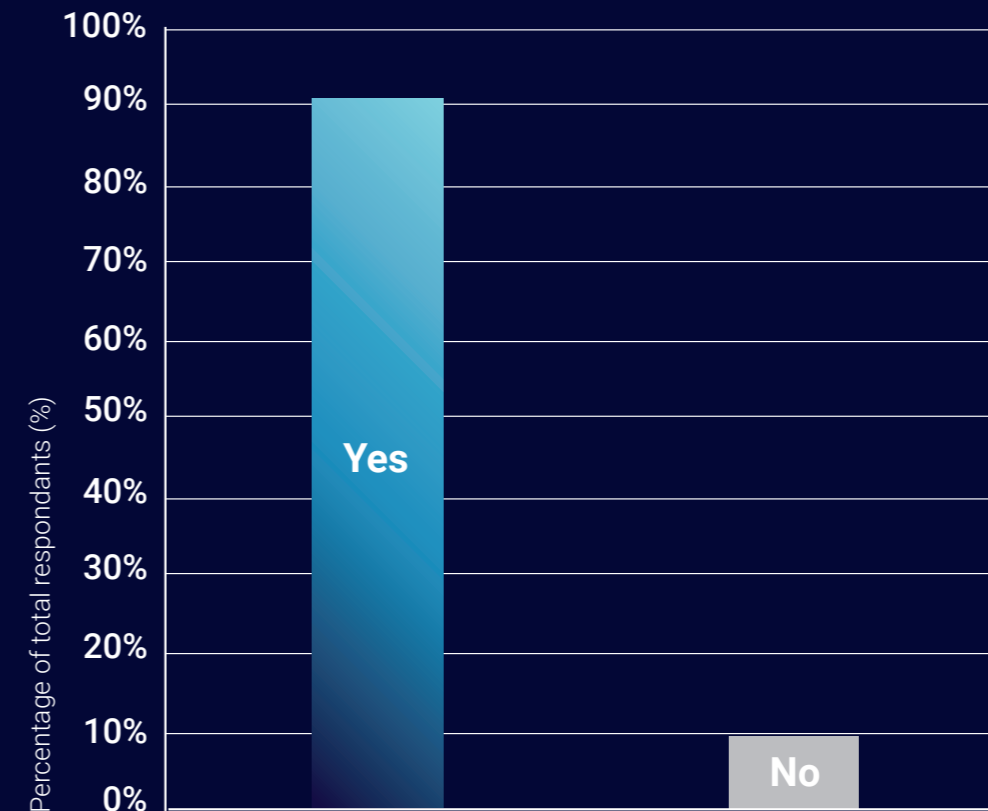
According to a member survey:



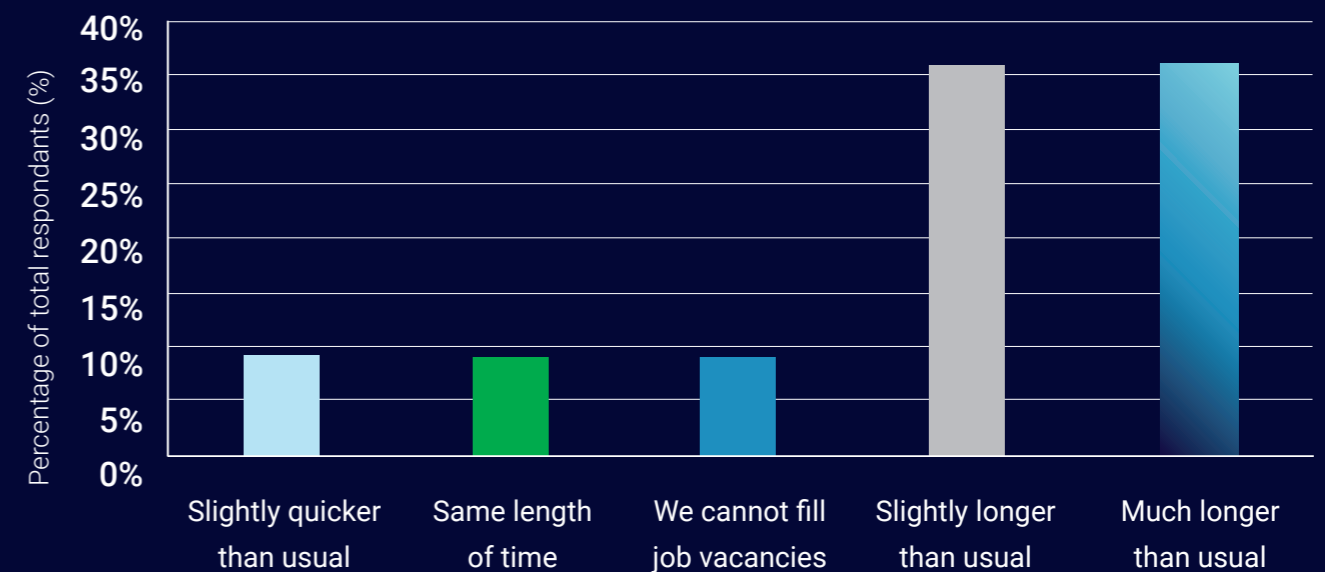
## 90%

of organisations are currently experiencing difficulties in filling job vacancies.

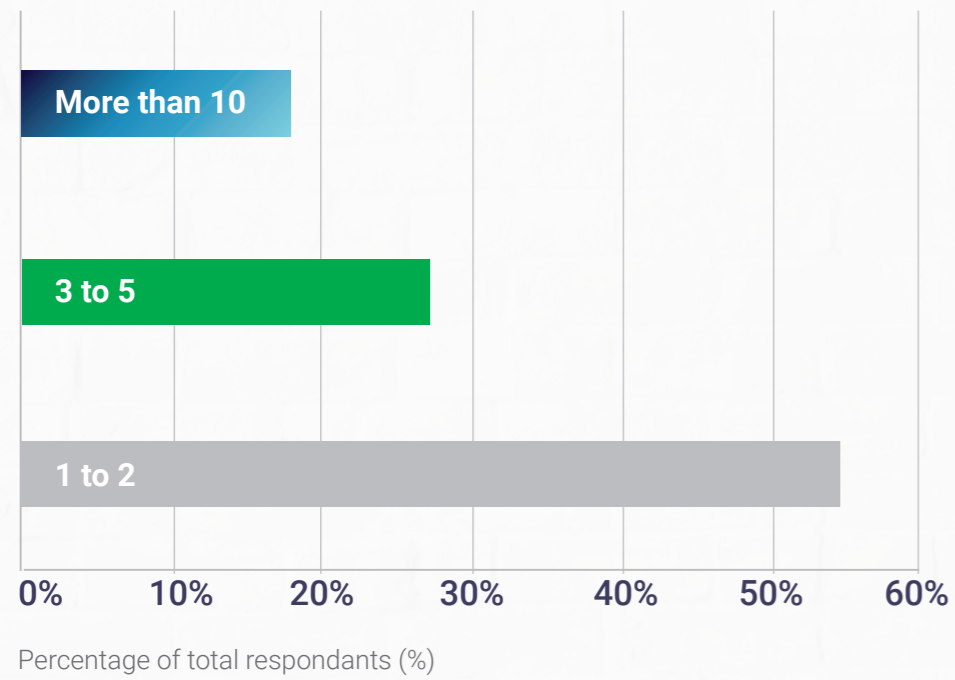
### Is your organisation currently experiencing difficulty in filling job vacancies?



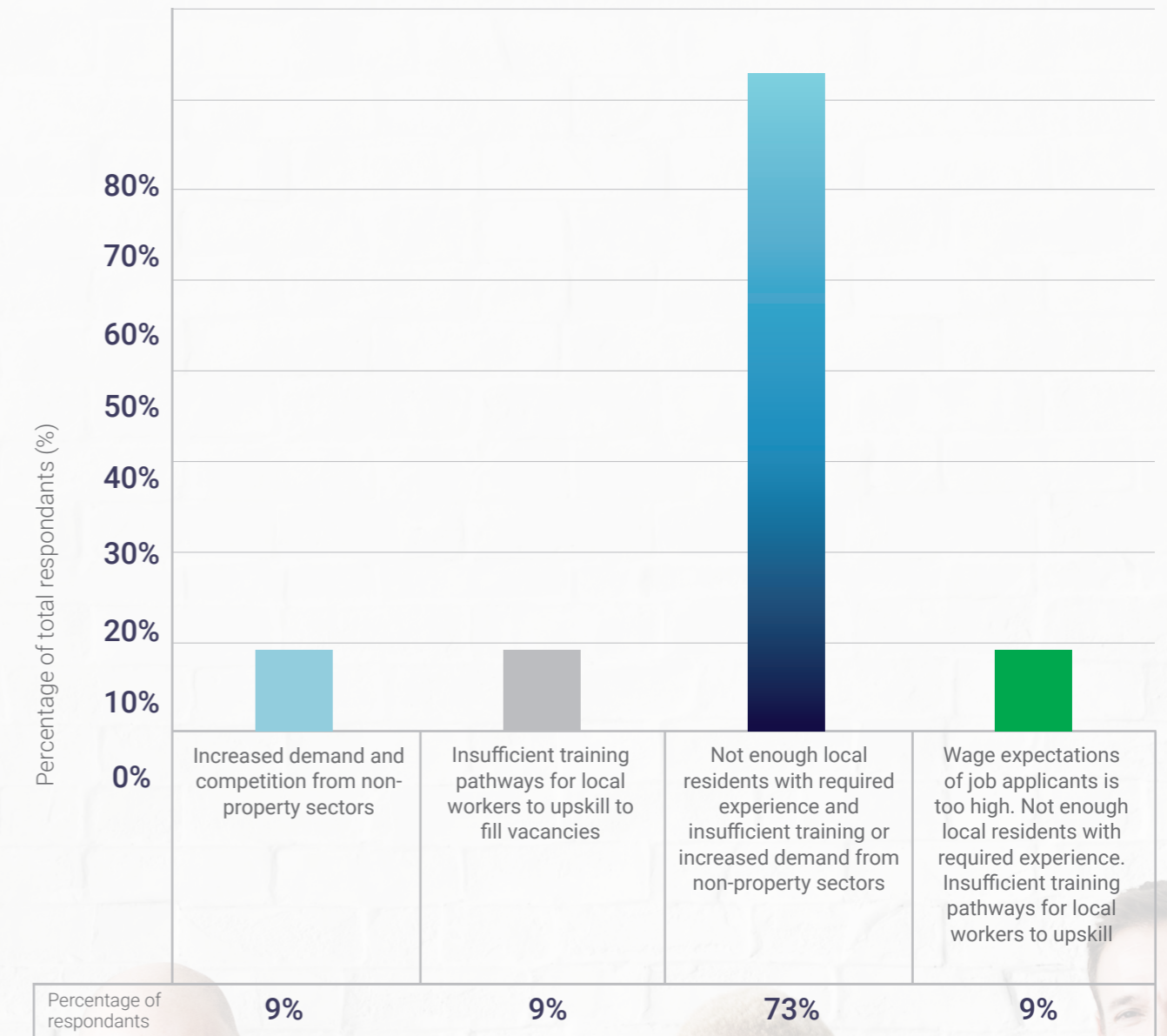
### Compared to before COVID, how long is it taking to fill vacancies?



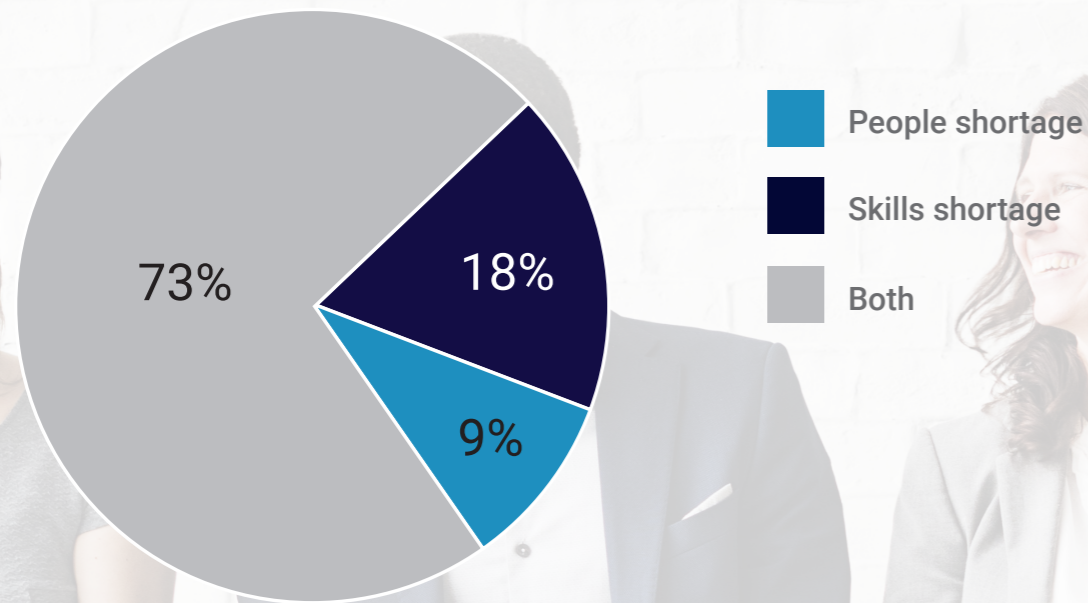
### How many additional employees would you immediately hire if people were available?



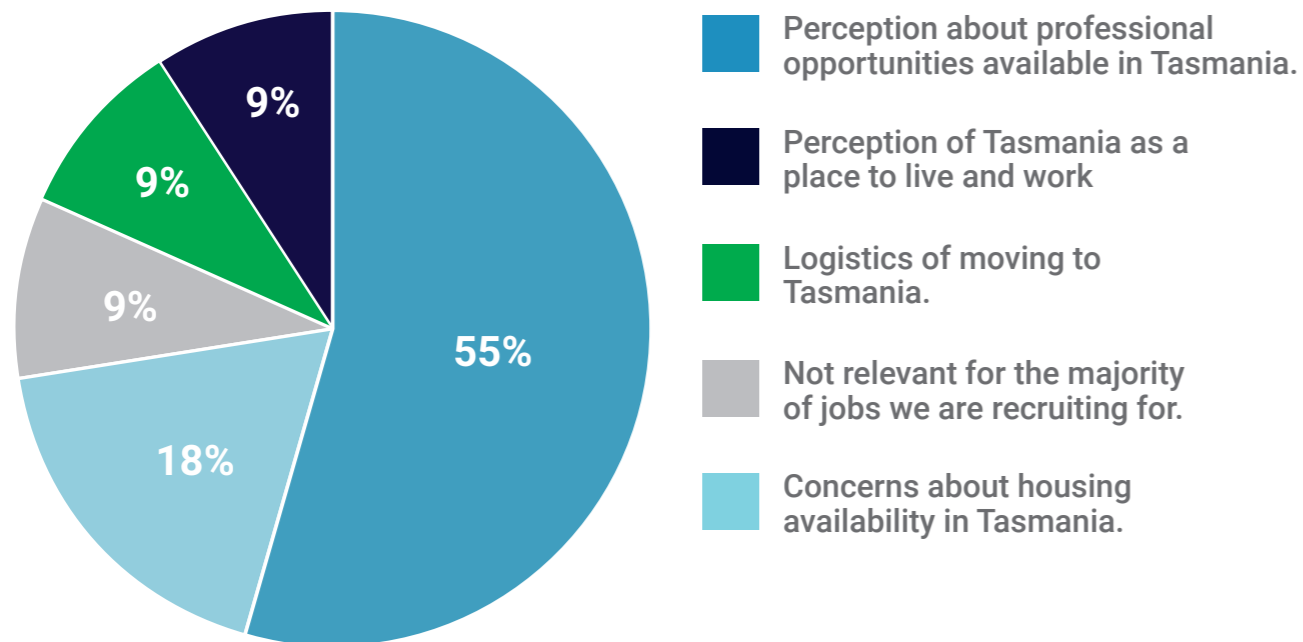
### What are the biggest barriers to recruiting within the local market?



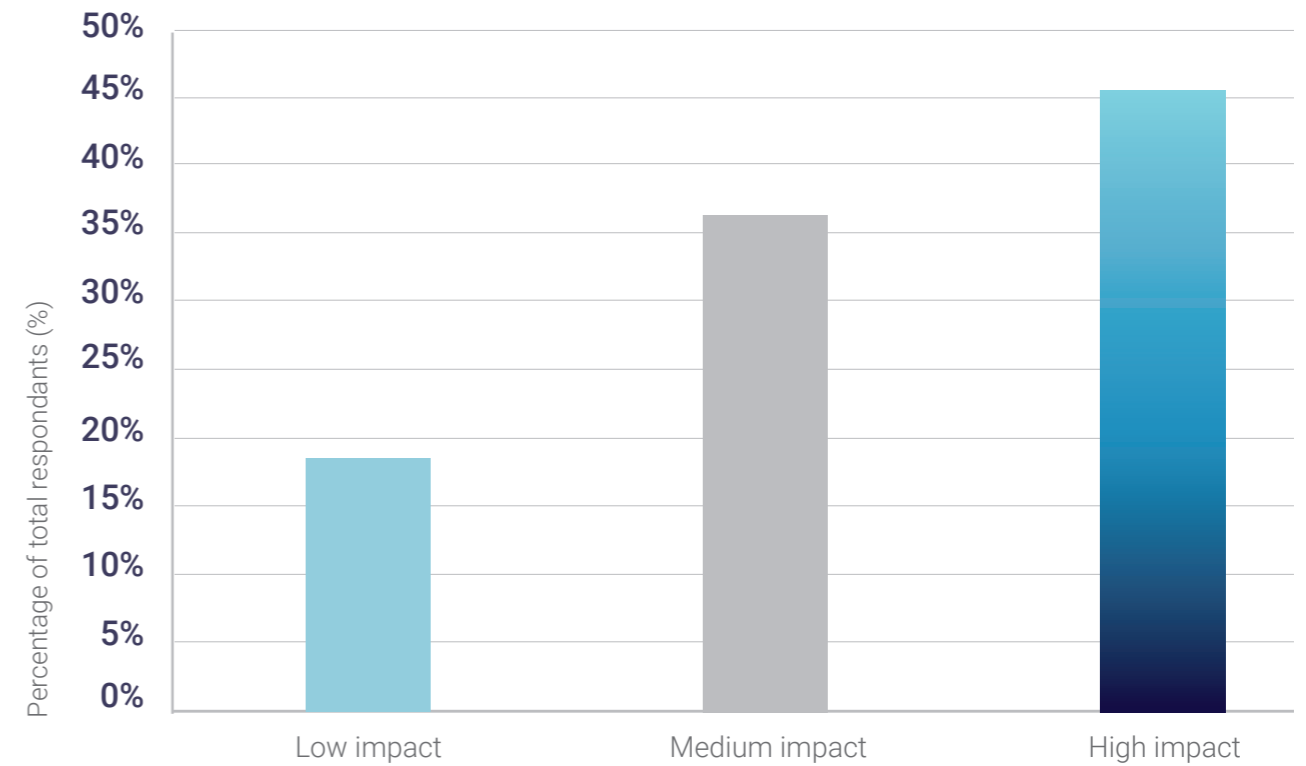
### Do you think Tasmania has a skills shortage or a people shortage?



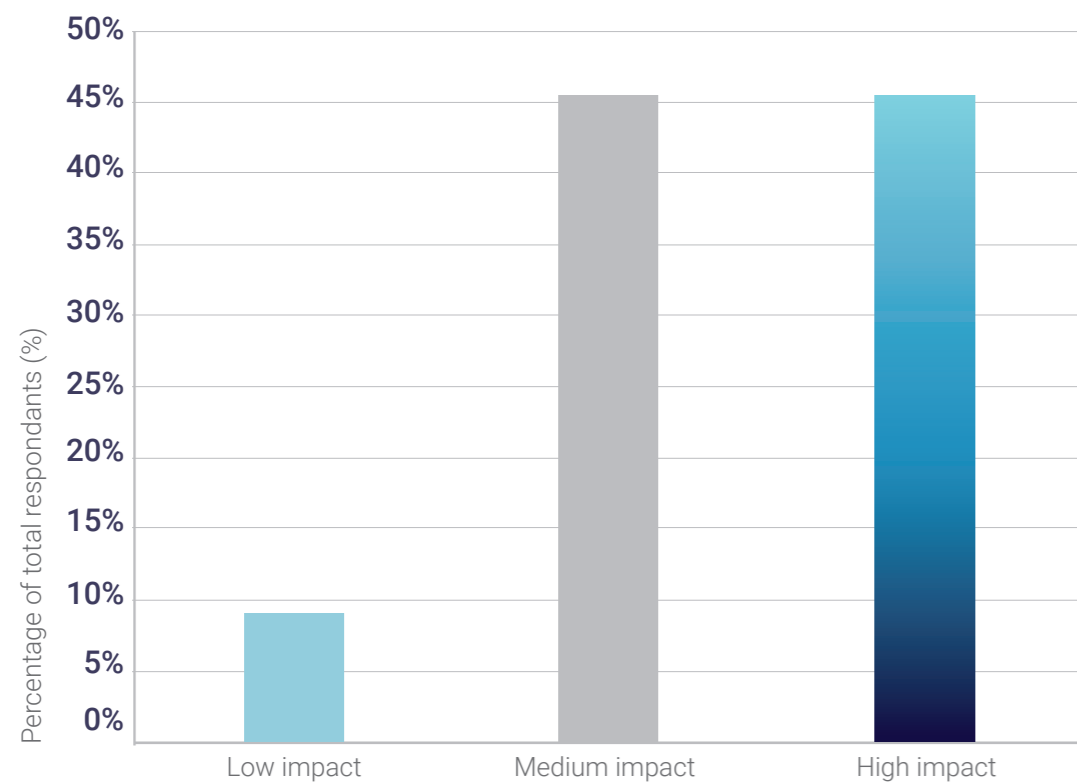
### What are the biggest barriers to recruiting staff from interstate?



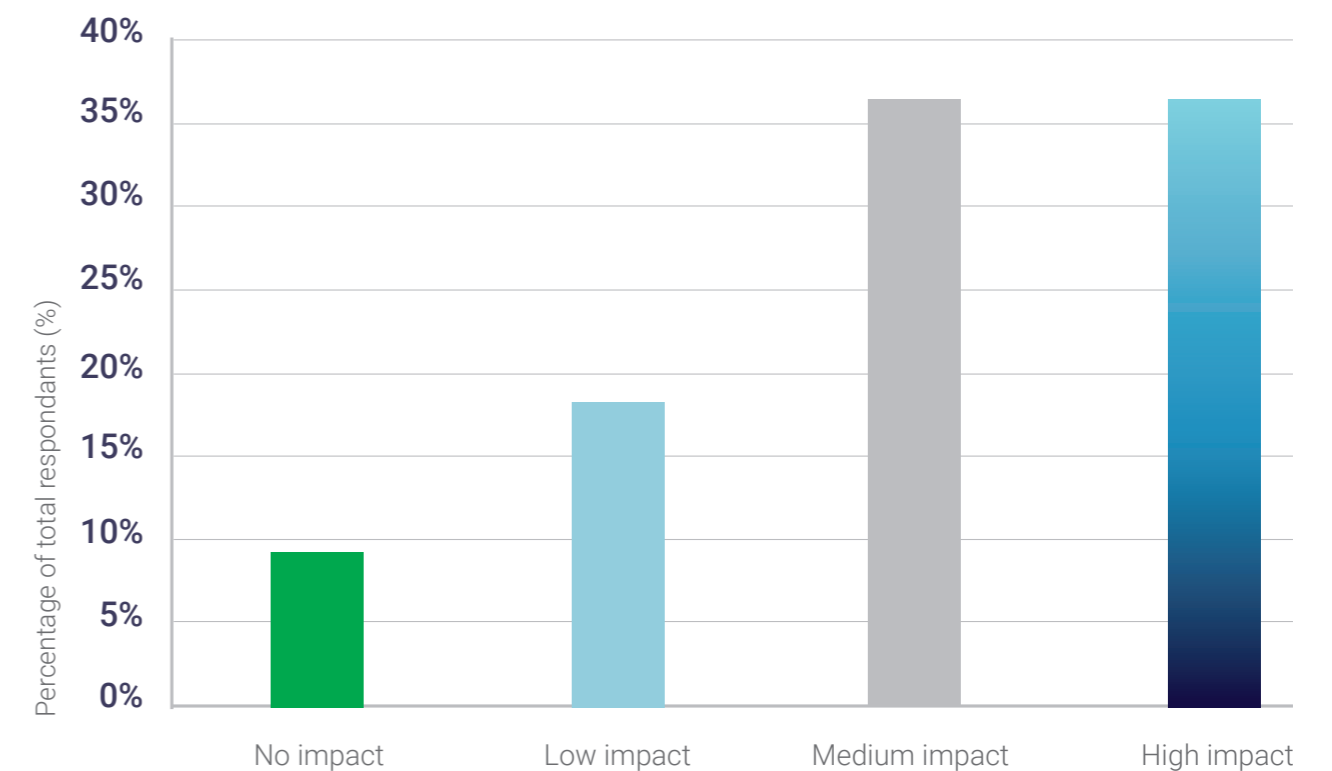
### Rate the impact labour shortages will have on the capacity to take on additional or new work.



### Rate the impact labour shortages will have on the risk of non-completion on the current pipeline of work.



### Rate the impact labour shortages will have on increased project costs.



## Solutions

### **1** Implementation of an interstate and overseas talent attraction program.

The program should target current areas of key skill shortages, based on advice from Skills Tasmania including \$15,000 grants for relocation, half of which is payable 18 months after relocation if Tasmania remains their primary place of residence.

### **2** Increase funding for quality-assured short form credentialled training aligned to labour market information.

Members report a lack of access to training courses and materials as a reason for the current skills shortfall.

### **3** Introduce incentives for industry to establish partnerships with education and training providers for collaboration on models, content, delivery and co-location.

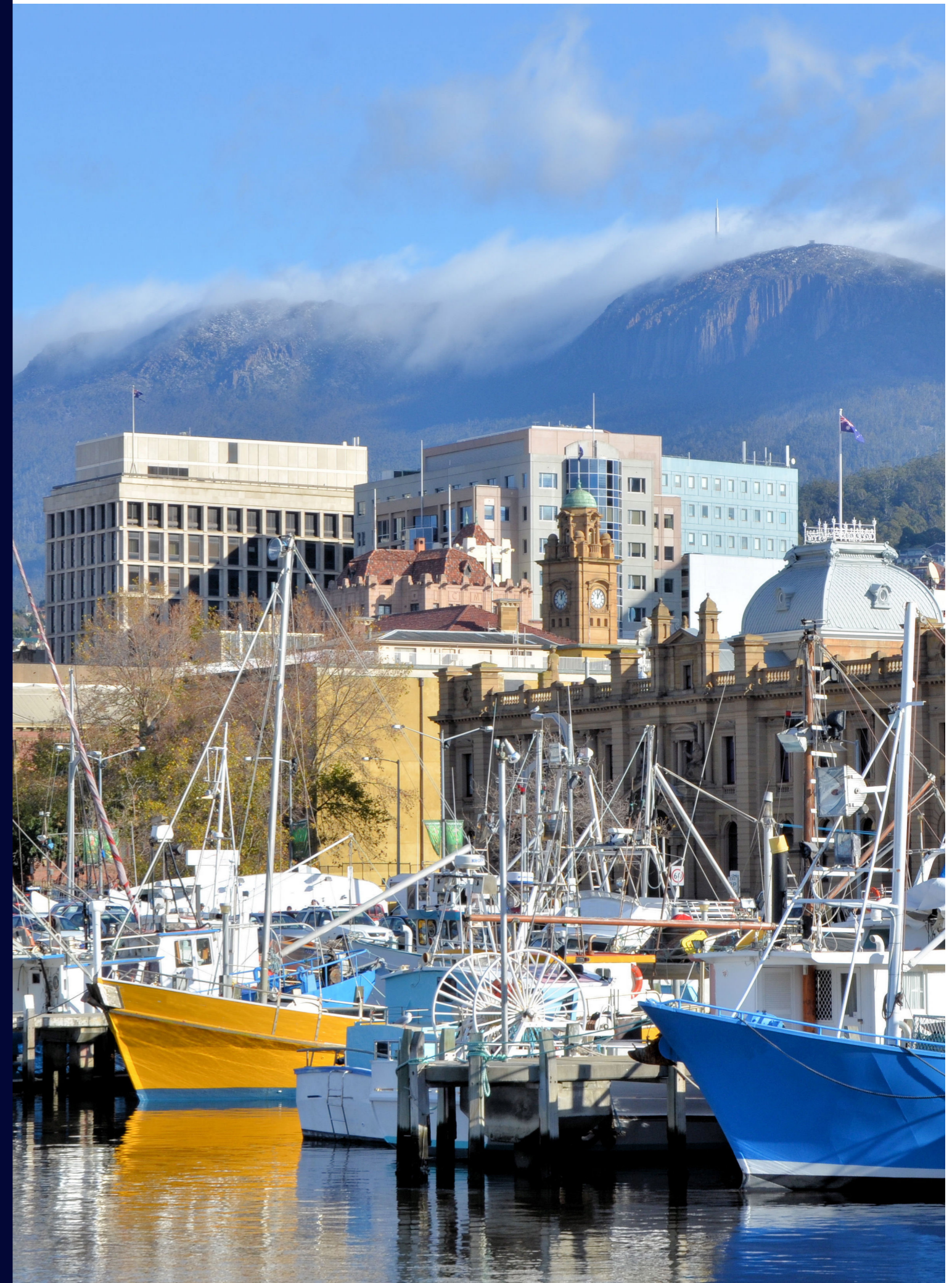
### **4** Introduce an apprentice guarantee

Part of the challenge for businesses taking on apprentices is the retained liability during periods of economic hardship. The Property Council proposes a fund to underwrite apprentice salaries, accessible by businesses during times of economic hardship.

### **5** Payroll tax relief for small business

Many small businesses are struggling to offset price inflation and rising wage costs. The Property Council proposes a temporary freeze on payroll tax for a period of six months for eligible businesses subject to appropriate eligibility criteria.

This proposal would allow smaller businesses to redirect funds to offset increasing product and labour costs and expand capacity in the development pipeline.





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