Property

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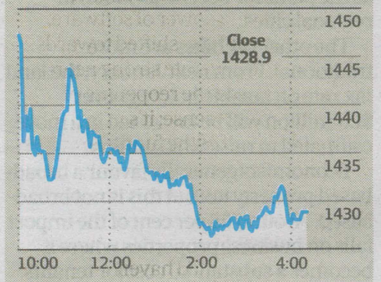
Property snapshot

S&P/ASX 200 REITs Wednesday (pts)



Best	Close ($)	Change (%)
Ingenia Gp	5.45	+0.55
Charter Hall Gp	13.54	+0.30
Vicinity Centres	1.51	-0.66
Waypoint REIT	2.49	-0.80
Natl Storage REIT	1.99	-0.99
Worst		
Charter Hall Long W	4.66	-3.12
Growthpoint Property	3.56	-2.47
Stockland	4.43	-2.21
Charter Hall Retail	3.59	-2.18
Cromwell Prop	0.86	-1.71

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Ashley Williams, left, and Tim Gurner, centre, have criticised Tim Pallas' tax moves. PHOTOS: JOE ARMAO, EDDIE JIM, EAMON GALLAGHER

Vic tax will dry up land supply, developers warn

Larry Schlesinger

Residential land supply will dry up, construction activity will slow and housing affordability will worsen if Victoria goes ahead with a new windfall tax on rezoned land and other property tax increases, the state's top private developers warn.

Former Financial Review Rich Lister Ashley Williams said the proposed tax of up to 50 per cent of the valuation gain made when farmland is rezoned for housing came on top of another failed value-capture mechanism, the Growth Areas Infrastructure Contribution.

Mr Williams, who founded developer Evolve with the late Melbourne business titan Ron Walker, said GAIC – set up more than a decade ago to fund infrastructure investment in growth corridors – either went into the state's consolidated revenue or was used for political purposes.

"You paid it in one area and it was spent on infrastructure somewhere else," he said.

He warned that the proposed new windfall tax would have much longer-term implications.

"Many [housing] projects rely on achieving uplift through rezoning to make them viable," he said.

"Farmers who own land about to be rezoned won't just swallow a 50 per ent loss on the uplift in value. Either they won't sell or the market will stall until the developer can absorb the tax and pass it on," he said.

If there were fewer people willing to sell their land, prices would go up as the supply-demand dynamics of the market would change, he said.

"[Victorian] Labor doesn't understand how the market works. I've sat in briefings with government consultants who say landowners will just absorb these charges. These are people who have never bought a block of land in their lives," Mr Williams said.

"They don't know how it works. They present a theoretical case study to the government to justify the tax that is completely ill-informed.

"In the first place, the whole rezoning uplift is due to the planning system controls [imposed by the state government] which restricts supply of development land. If there was more supply of zoned land, there would be less uplift in values."

On top of the windfall tax, Treasurer Tim Pallas is expected to announce plans to raise stamp duty on property transactions of more than $2 million and increase land tax on properties valued at more than $1.8 million.

He has painted these increased taxes as being aimed at the rich and as Victoria tries to repair last financial year's $23.3 billion budget deficit stemming from the pandemic.

However, Financial Rich Lister Tim Gurner said any increases in development costs would simply be passed on to the end consumer. "Developers work on a strict margin. If costs go up, then prices go up," he said. "The idea that it's a tax on the rich is incorrect."

He said the impact of the tax increases and new windfall tax would be that the supply of new housing would fall, construction activity would drop and house prices would rise.

▶ Robert Harley Fears for the future p28

Apartments set to flood CBD markets

Nila Sweeney

Residential landlords are planning to dump thousands of rental apartments in the Sydney and Melbourne central business districts in the coming months to avoid a further cash-flow crunch following the termination of mortgage repayment holidays at the end of March.

The owners of 2037 apartments in Melbourne and of 2282 flats in Sydney intend to list their property, potentially flooding markets grappling with oversupply and poor demand because of border closures, a survey conducted by Digital Finance Analytics shows.

"Property investors with units in high-rise buildings are the most likely to list, as net rentals are often negative, meaning they lose money in cash flow terms, and they are hoping to get a buyer given the slight rise in some unit prices – though across many suburbs they are still falling," said Martin North, director of Digital Finance Analytics.

DFA's findings mirror a survey conducted by ME bank that showed 23 per cent of investors indicated they want to sell their property in the next 12 months, compared with only 11 per cent of owner occupiers.

CBD apartment landlords would struggle to support their mortgage with the current high vacancy rates and falling rents, despite the low interest rates, said Andrew Wilson, chief economist of Archistar.

"There was a high proportion of investors taking advantage of those mortgage repayment holidays, so they were on life support to some degree," he said. "Those investors were finding it hard to get a tenant or they have to take a much reduced rent. Now that they don't have that support mechanism, some investors may have to sell."

Some sellers, though, might find willing buyers as the broader unit market showed signs of stabilising, said

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