

2009



Property Council
**Opportunity
Agenda**

The Voice of Leadership



3Rs

Rev-up reform

Powerhouse 2010 and beyond

In 2006 the **Property Powerhouse 2010** strategy was created to prepare the Property Council for a new era of achievement.

The strategy had five clear goals, and a 10-point plan to achieve them.

Property Powerhouse 2010 goals

- 1 **Improve property returns** by reforming taxes and business regulation
- 2 Achieve **strong economic growth** leveraged by world class infrastructure
- 3 **Unite and mobilise the property industry** behind a well-resourced property advocate
- 4 **Enhance the industry's image**
- 5 Deliver **highly valued member services**, including:
 - Resources for a better informed marketplace
 - A world-class networking and professional development platform
 - A showcase for industry excellence
 - International links

Property Powerhouse 2010: a 10-point plan

- 1 More daily advocacy in the halls of power
- 2 Focused advocacy targets based on nation-building
- 3 A positive industry image
- 4 More industry alliances in Australia and overseas
- 5 A bigger commitment to leading edge intellectual property and professional development
- 6 More customised member services
- 7 Reaching out to regional and metropolitan Australia
- 8 An international property passport
- 9 Nurturing young property professionals and future leaders
- 10 Showcasing excellence

Powerhouse becomes 3Rs

As the global financial crisis took hold, the Property Council adapted its **Powerhouse** initiative into a new strategy to account for a more challenging, fast-moving market environment. The "3Rs Strategy" was born.

3Rs is a leadership strategy to help stabilise and revive the property sector's fortunes. In turbulent times, it represents a resilience and opportunity agenda.

The strategy's three main thrusts are:

- **Restore confidence** – facilitate a decisive program for improving the sector's transparency and communicating best practice.
- **Rev-up reform** – persuade governments to remove blockages that impede property sector competitiveness.
- **Re-connect the marketplace** – re-engage key stakeholders, gatekeepers, regulators and customers with property industry leaders. The aim is to increase industry dialogue using a common fact base and language.

Outlined on the following pages are the core strategies of the **Property Powerhouse 2010** and **3Rs** initiatives.

A message from the national president



Our industry has suffered a harsh economic Winter over the past two years, and the immediate outlook remains clouded by risks.

Nevertheless, there are many opportunities looming and it is Springtime for the property industry's political and policy agenda.

Governments have not only stimulated economic activity with nation-building investment programs, they have committed to untangle red tape and modernise the rules that govern the Australian marketplace.

The Rudd Federal Government, in attempting to stimulate the economy, has witnessed the evils of sclerotic regulatory systems and poor strategic planning. They want them fixed.

The Property Council's job (along with its many allies) is to actively engage governments with our positive ideas to re-boot Australia's regulatory, tax and investment frameworks.

The Property Council's opportunity agenda, outlined in these pages, presents Australia's nine governments (and 600+ local councils) with bold blueprints for ongoing reform.

As entrepreneurs, we can't leave the heavy lifting to governments. Each of us can play a critical role in improving industry practices and standards, increasing the quality of transparent information flows, enhancing our professionalism, and better engaging with Australian communities.

This Congress offers an ideal platform to debate political priorities and strategies. We can also collectively incubate ideas that will help forge an ever-more resilient, credible and prosperous industry as we move from the downturn to an era of new opportunities.

I look forward to discussing these issues and our exciting agenda with you all.

Daniel Grollo
National President,
Property Council of Australia

Re-connect the market place

Restore confidence

OPPORTUNITY AGENDA The Strategies

Lower taxes

- Opportunity**
- Pay less property tax
 - Minimise developer charges
 - Reduce international withholding taxes to zero
 - Eliminate foreign tax FIF and CFC attribution rules

- Strategy**
- The Henry 'root and branch' tax review
 - Federal and State Government advocacy

- Opportunity**
- Diversify and deepen debt financing markets
 - Greater access to rollover finance

Increase liquidity

- Strategy**
- Champion the growth of CMBS in Australia
 - Improve the operation of the BASEL II rules
 - Equalise the bank guarantee charge between banking entities
 - Secure a contingency rollover funding vehicle

Slash red tape

- Opportunity**
- Faster, more rational development assessment
 - One set of property rules across the country
 - National OHS rules that ensure you are innocent until proven guilty
 - Smarter planning and building rules
 - Rational disability access rules

- Strategy**
- Tie Federal Government funding to state/local government reform
 - COAG agreements

Modernise investment management rules

- Opportunity**
- Flexible A-REIT unitholder distribution rules
 - Eliminate 'active/passive income' rules uncertainty
 - End the thin cap rule penalty for property trusts – keep your interest deductions
 - Obtain access to more foreign treaty tax benefits for your trust (and unitholders)
 - Restructure your trusts without a CGT penalty
 - Simpler, more meaningful capital raising documents
 - Simplify GST rules and end the margin scheme confusion

- Strategy**
- Negotiate a modernised A-REIT regime with the Federal Government
 - Board of Taxation review
 - Model PDS endorsed by ASIC and Treasury

Enhance the property industry's image

- Opportunity**
- Increased political leverage
 - Stronger recognition of our industry's contribution to national competitiveness and living standards

- Strategy**
- Engagement with politicians – direct contact and communication programs
 - Engagement with gatekeepers and stakeholder outreach – launch corporate responsibility template, investor education website and increase the flow of credible market intelligence

Improve housing affordability & kick-start new asset classes

- Opportunity**
- Get the First Home Owners Boost to work for apartments
 - Increase access to a larger pool of Federal Government financial incentives
 - Kick-start a retirement living asset class
 - Increase the supply of zoned/serviced land, slash red tape and cut developer taxes

- Strategy**
- Direct advocacy with Ministers
 - Expand scope and access to NRAS, HAF and other Federal housing initiatives
 - Establish a retirement living alliance to negotiate direct political action
 - Persuade the Federal Government to pressure states.
 - Maintain State Government advocacy

- Opportunity**
- Secure incentives for green developers and owners
 - Common sense reporting on energy and carbon
 - A viable market for renewable and distributed energy resources

Increase green incentives

- Strategy**
- Re-introduce accelerated depreciation and extend investment allowances
 - Expand the Green Building Fund
 - Secure a national building 'tune-up' program
 - Secure a national market in tradeable energy efficiency certificates
 - Secure gross feed-in tariffs

Increase infrastructure investment & improve strategic planning

- Opportunity**
- Increase priority spending on 'big ticket' infrastructure
 - Increase spending on urban infrastructure
 - Secure long-term planning strategies for all urban centres

- Strategy**
- Work with Infrastructure Australia and the states
 - Persuade the Major Cities Unit to develop a plan for investing in priority urban areas
 - Work with the PM's COAG taskforce on urban policy frameworks
 - Promote innovative public finance techniques & PPPs

More reform...

- Opportunity**
- Maintain law and order on construction sites
 - Liberalise shopping centre trading hours
 - Sensible contract and leasing laws

- Strategy**
- Ensure 'construction cop on the beat' survives post-ABCC
 - Shopping Centre Council campaign

OPPORTUNITY AGENDA Wins

(continued over page)

Increase liquidity

- National**
- Revive asset backed securities market**
 - Formed joint working group with the Australian Securitisation Forum to revive an asset backed securities market in Australia
 - Engaging with Government and the Opposition**
 - Pushing to remove biases in bank guarantees regime and negotiating post-ABIP options

- Victoria Development Assessment Committee reforms**
- The Victorian Government has committed to introduce independent development assessment panels

- WA Development reform**
- Government agreed to the introduction of mandatory independent development assessment panels

- NSW Planning panels – politicians out, experts in**
- NSW has moved to depoliticise development assessment with the introduction of joint regional planning panels. Independent experts, not local politicians, will now determine projects between \$10m and \$100m in construction value

- SA Planning reforms**
- Secured planning reforms worth \$5 billion over five years, including:
 - Introduction of a residential code of development
 - Establishment of a Department for Planning
 - Delivery of a 30-year plan for greater metropolitan Adelaide
 - State Government commitment to delivering transit oriented development
- More efficient development assessment**
- The Government stripped Adelaide City Council of development assessment powers over major projects

Slash red tape

- National Development assessment reform**
- On the advice of both the Property Council and Residential Development Council, COAG agreed to a national strategy for development assessment reform
- Disability access**
- The Federal Government improved its Disability (Access to Buildings) Standards, reducing the significant cost of compliance

- ACT Further development approvals**
- Secured \$10 million over four years for the ACT Planning and Land Authority to provide professional, timely advice to the ACT property and construction sector

- Tasmania Development fund**
- Achieved Government commitment to apply expert panels for regionally significant projects

Lower taxes

- Queensland Land tax wins**
- Lessors can now pass through land tax for leases entered into after 1 July, 2009
 - Government convinced to retain the 50% cap on annual increases in land values

- WA Land tax wins**
- Land tax rates were cut by 10% in F2009
 - Secured a cap on annual valuations
 - A developer land tax concession was introduced

- SA Development levy ruled out**
- Secured a commitment from the Government to reject the introduction of a development levy in South Australia

- Victoria No new land taxes**
- No increases in property taxes in the F2010 state Budget
- Duties Amendment Bill**
- Secured significant amendments to the Duties Act amendment bill, saving the industry from paying stamp duty on every lease agreement

- NSW Development levies slashed**
- Won the biggest round of cuts to development levies yet. Water charges were abolished, state transport levies slashed and payment points deferred

- National Slashed real estate withholding taxes**
- Convinced Government to progressively cut withholding tax from a top rate of 30% to 7.5% by 2010, improving international competitiveness
- Protected US captive REITs from tax**
- Saved the Australian industry from tax on \$6 billion of assets held through captive REITs

- ACT Cut in development costs**
- Successfully lobbied for a reduced Change of Use Charge from 75% to 50%

Modernise investment management rules

- National Secured a review of managed funds tax arrangements**
- Won a Board of Tax review to implement a dedicated managed investment trust (MIT) tax regime to shape the future of the REIT industry by reducing regulatory burdens and improving international competitiveness
- Secured reforms to anti-avoidance rules**
- Secured the abolition of the Foreign Investment Fund rules and reform of the Controlled Foreign Corporations rules, which prejudice offshore real estate investment and threaten industry growth
- Enhanced capital raising rules from ASIC**
- Convinced ASIC to adopt Property Council recommendations that make it easier for trusts to raise capital and to encourage participation in offers by retail investors.

OPPORTUNITY AGENDA Wins

(continued from previous page)

Enhance the property industry's image

- National**
 - Launched 'Property FAQ' vocational guidance booklet
 - Launched voluntary corporate responsibility reporting guidelines
 - Re-launched yourbuilding.org web site
 - Launched community-wide discussion on planning reform on innovative electronic consultation platform – www.bangthetable.com
 - Piloted new property investment industry trends chart book for wholesale and retail investment advisors

Other initiatives

- National Pandemics**
 - Successfully established a web-based resource to help property owners and managers prepare themselves for the swine flu pandemic

WA

- Extended trading hours**
 - Government introduced legislation to extended week-night trading hours to 9.00pm
- Activity Centres expanded**
 - Negotiated the removal of the cap on shopping centre growth

National / Residential Development Council

- First Home Owners Boost (FHOB) extended**
 - Successfully convinced the Federal Government to extend the FHOB and lobbied to ensure the maximum amount grant for new housing (which was tripled) and the grant for established housing (doubled) were maintained for an additional six months

Improve housing affordability & kick-start new asset classes

NSW Housing stimulus – 50% cut to stamp duty

- The Government adopted the Property Council's proposal to kick-start the NSW economy with big stamp duty cuts for new housing. Stamp duty has now been halved for all newly constructed dwellings up to \$600,000 for six months

Affordable housing levies blocked

- Defeated three misconceived affordable housing levy proposals over the course of a year

Queensland Contractual loophole BCCMA closed

- Persuaded the Queensland Government to introduce legislation to close a contractual loophole for off-the-plan sold units, providing certainty for 14,000 contracts at risk of cancellation

SA Expansion of the urban growth boundary

- Adelaide's Urban Growth Boundary was expanded by 2,000ha

WA Strata title reform

- Government agreed to progress the introduction of community titles into WA

WA

- Energy feed-in-tariffs**
 - Negotiated the introduction of energy feed-in tariffs, which will create an affordable process for existing buildings to meet new standards for energy efficiency

NSW

- Energy efficiency scheme in place**
 - Secured the retention of the Government's energy savings scheme, providing property owners with a mechanism to invest in energy efficiency and demand management in return for credits

Increase green incentives

Victoria VEET program up and running

- The Property Council is working to adapt the Victorian Energy Efficiency Target (VEET) scheme for the commercial sector, which would deliver energy efficiency incentives and dividends to building owners

SA

- Greening the built environment**
 - Secured \$2.4 million for a Green Building Tune-up program, as part of a sector agreement with the State Government

ACT

- Funding for Tune-up Canberra program**
 - Secured \$2 million for a Tune-Up Canberra program to provide incentives for building owners to improve the energy efficiency of their assets

National

- Energy efficiency**
 - The Property Council's National Buildings Energy Efficiency Strategy has influenced COAG thinking and established a base for better outcomes
- Greenhouse reporting**
 - Developed guidelines to assist property companies required to report under the National Greenhouse and Energy Reporting System (NGERS)

SA

- Industrial land strategy**
 - Negotiated the creation of a Metropolitan Adelaide Industrial Land Strategy to facilitate industrial land supply into the future
- Infrastructure investment of \$2 billion**
 - Lobbied Government to deliver a record \$2 billion investment in public transport

WA

- Major projects & infrastructure**
 - Secured the fast-tracking of key projects like Northbridge Link & the Perth Waterfront

NT

- City and waterfront connected**
 - Lobbying for a connection between the Waterfront and The Mall has come to fruition with the construction of the pedestrian footbridge in the April and Smith Street walkway

Victoria

- Record infrastructure spending of \$11.5 billion**
 - Property Council research and lobbying prompted the Victorian Government to announce a record \$11.5 billion spend in new infrastructure for Victoria using debt funding that won't downgrade the state's AAA rating

ACT

- Upgrade Canberra's mid-city precinct**
 - Secured \$12 million over four years to upgrade Canberra's mid-city precinct
- Land release program**
 - Secured \$98 million over four years for planning studies and a range of new design and infrastructure works to support a land release program

Queensland Infrastructure rollout secured

- Ongoing lobbying in the lead-up to the most recent state election ensured the continued rollout of the State Government's significant infrastructure program
- Infrastructure charges rebate retained**
 - The Brisbane City Council's 35% rebate on infrastructure charges has been secured for another 12 months

Increase infrastructure investment & improve strategic planning

NSW

- Local infrastructure fund**
 - The Government has created a \$200 million local infrastructure fund based on the Property Council's 'Building NSW' Jobs Summit proposal to unblock council infrastructure needed to drive urban development

Big infrastructure win for Hunter

- A business alliance led by the Property Council ensured the Hunter was a big winner from federal Infrastructure Australia funding. \$1.5 billion was secured for the Hunter Expressway

Extra space for Barangaroo

- Arguments for greater growth capacity in the Sydney CBD resulted in an extra 120,000sqm of commercial space added to the Barangaroo master plan

Members learn of important trends through 330 events, held locally and nationally.



People & events

Publications & research



The Property Council supplies property professionals with the tools to do business.

In the past year the Property Council brought several new tools to market, including **Existing Buildings Survival Strategies II** and a new guide to **Managing Indoor Environment Quality**.

Communications

Member services

The Property Council facilitates a more informed and professional marketplace that helps members make the most of their talents, experience and opportunities.

Professional development

The Property Council has introduced new professional development courses, including a diploma course in property development. Professionals can now access 299 courses delivered via the Property Council's e-learning centre or face-to-face.



www.yourbuilding.org is a portal to the latest thinking on green building trends, easy-to-use tools, informative case studies and the best advice on greening the performance of commercial property.

International

Alliances

Believing strength comes from unity, the Property Council maintains strong ties to like-minded organisations around the globe. They include:

- APREA
- ARES
- BPF
- EPRA
- NAREIT
- PCNZ
- RealPAC
- SAPOA



Member services scorecard

2009 (30 June)

| | |
|-----------------------|--------|
| Total members | 2185 |
| Committee volunteers | 1150 |
| Member committees | 120 |
| Events | 330 |
| Event participants | 51,500 |
| Media hits – daily | 12 |
| Web visitors – weekly | 9500 |
| Total staff | 85 |
| Revenue (million) | \$22 |

Australia

- ACIF
- ASBEC
- BEMP
- CoreNet
- FMA
- GBCA
- Infrastructure Partnerships Australia
- Property Industry Foundation
- REIA
- RICS

The Property Council communicates with members and key stakeholders through multiple vehicles, including:

- public affairs and media campaigns
- two national magazines: Property Australia and Residential Developer
- 11 e-newsletters
- www.propertyoz.com.au
- specialist, interactive websites covering important topics such as the Federal Budget and the Property Council's own Office Market Report

