Property developer Nigel Satterley expects the Perth market to rebound and sees positive signs already. PHOTO: TREVOR COLLENS

Satterley selling Perth at 'close to the bottom'

Larry Schlesinger

Financial Review Rich Lister Nigel Satterley and his fellow investors in a Satterley Property Group syndicate are selling a huge housing estate south of Perth to put their money into better opportunities in the much stronger Melbourne land market.

Satterley Property Group's partially completed Austin Lakes Estate near Mandurah comprises 636 hectares with the capacity for almost 5000 lots and comes with a price tag of about $33 million, a fraction of what an estate of similar size would cost in Sydney or Melbourne.

Each Satterley project is held in a separate syndicate with Mr Satterley investing alongside other high-net-worth investors, a business model that has helped make him one of the country's most successful private land developers with a net worth of $546 million, according to the latest Rich List.

While Mr Satterley said it was rare for syndicates to sell their investments before the completion of projects – Austin Lakes has sold about 600 completed homes to date and includes a shopping centre and medical centre – he told *The Australian Financial Review* that members wished to reinvest in Melbourne, where Satterley has captured about 10 per cent of the land market.

The Austin Lakes syndicate was formed about five years ago to acquire the site. Mr Satterley said generally investment capital was repaid by about year three or four and then the rest was profit with a typical syndicate running for about eight years.

Asked how syndicate investors would do out of the early sale, he said: "They will do OK, not super well."

Despite the decision to sell early, Mr Satterley backed the Perth land market, which has been extremely tough for a number of years as state migration had fallen, to rebound and said there were positive signs already.

"I believe the Perth market is close to the bottom. We've had record iron ore and LNG exports. Lithium is coming on well and we've had record grain and wool exports too," he said.

He highlighted a new database compiled by information service Business News, which found about $130 billion of major projects were under way or in the pipeline across the mining, oil and gas, transport and construction sectors in Western Australia.

"There's also around $5.5 billion being spent on shopping centre upgrades by the likes of AMP Capital and others and the GST issue in WA has been fixed," he said.

The Austin Lakes site is being marketed by Melbourne-based land specialist Frank Nagle of Biggins & Scott Land.

Mr Nagle said the large site provided an opportunity for an "opportunistic investment as Perth starts its recovery and continues to be the most affordable land market in Australia".

He said the buyer would benefit in buying at the bottom of the cycle and acquiring an established estate with a platform in place to capture future sales values.

The site comprises a 430-hectare parcel with a permit allowing 2700 lots, with the remainder of the site yet to be permitted but with the capacity for a further 2200 lots.

Victoria's vacant land tax shapes as ridiculous flop

Opinion

Matthew Cridland

Victoria is the only state to impose a land tax surcharge on foreign companies and trusts that own residential or commercial property and in my view it's been a failure on a range of measures.

The Absentee Owner Surcharge (AOS) commenced on January 1, 2016 at a rate of 0.5 per cent before trebling to 1.5 per cent the following year.

While NSW and Queensland have their own land tax surcharges for foreign owners, they are either limited to residential property (as in NSW) or only apply to absentee individuals (as in Queensland).

The surcharge to commercial property has been a failure. Over the past two years it has generated little revenue, while the rules are complex leading to high compliance costs. And ultimately it increases costs for those Victorian businesses that end up leasing the commercial premises where the landlords was subject to the tax.

In 2016-17, Victorian land tax revenue was $2.5 billion. This included AOS revenue of $73 million.

The available AOS statistics do not break this down between commercial and residential property.

The AOS was announced together with Victoria's duty surcharge for foreign purchasers of residential property.

The 2015 budget papers stated: "These measures do not increase the tax burden on Victorian residents and are consistent with the government's commitment not to fund its election commitments through increased taxes on the Victorian community."

The AOS has led to increased costs for many Victorian businesses leasing commercial premises from a landlord subject to the AOS.

Commercial landlords typically recover land tax costs through "outgoings" clauses. The AOS is additional land tax.

Of course, not all commercial leases contain an outgoings clause. Further, Victorian laws prohibit land tax being on-charged to retail tenants under leases covered by the Retail Leases Act. In such cases the AOS is instead recovered in whole or part through higher rents as circumstances allow. From a compliance perspective the AOS rules are complex and it can be difficult to determine whether they apply.

An Australian incorporated company may be an "absentee company"; if foreign entities own more than 50 per cent of the shares or control more than 50 per cent of the company. Exemptions can be sought from the Treasurer.

Similarly, a property fund established in Australia as a unit trust may be considered an "absentee trust" if one unitholder is foreign.

The compliance complexity is increased further where a property fund (unit trust) is owned through a chain of trusts. The AOS calculation process can also be difficult for a property fund that has a mixture of foreign and Australian unitholders.

The AOS is intended to apply on a pro rata basis to the interests held by absentee unitholders only. While this is appropriate, it is a challenging exercise where chains of trusts are involved and tracing is required to determine the ultimate owners of the units.

The Treasurer has published exemption guidelines, which may apply to Australian-based companies or trusts that undertake commercial activities making a significant contribution to the Victorian economy, generally through property development activities or business operations. The value of AOS exemptions granted in 2016-17 was more than $75 million, exceeding the total AOS revenue collected.

While these exemptions are crucial and necessary, from a commercial property perspective this effectively narrows the AOS base to passive landlords. From a policy perspective, it is unclear why passive foreign investment in Victorian commercial property would be targeted in this way.

In 2018-19, Victorian land tax revenue is projected to climb to $3.1 billion. Given its failings, the AOS should ideally be abolished to the extent it applies to commercial property.

Matthew Cridland is a partner at law firm K&L Gates.

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Wall to be new PCA head for Victoria

Michael Bleby

The Property Council of Australia has named former political staffer and start-up investor Cressida Wall as its next Victorian director.

Ms Wall, a chief of staff to former Victorian transport minister – and now Treasurer – Tim Pallas and head of policy development for former premier John Brumby, will take up the post next month and will work with deputy executive director Matt Kandelaars.

Ms Wall, who holds board-level roles at oversight body Office of Projects Victoria and State Trustees, declined to comment on Wednesday on the Property Council's priorities or agenda, but said Melbourne's fall to second place after Vienna in *The Economist*'s global liveability ranking showed the importance of good infrastructure development.

"It's all about the infrastructure and about having development that responds to people's needs, that's data-based and thoughtful," she said. "I'm looking forward to us regaining the crown from Vienna."

She replaces Sally Capp, who held the post for less than two years before her election in May as lord mayor of Melbourne.

After the defeat of the Labor government in the 2010 Victorian election, Ms Wall worked at electric vehicle company Better Place until 2013. Until last year she was chief executive and managing director of real estate agency SBDO Property, since branded Longview.