

T R A N S C R I P T

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into the Supply of Homes in Regional Victoria

Melbourne – Friday 20 June 2025

MEMBERS

Juliana Addison – Chair

Martin Cameron – Deputy Chair

Jordan Crugnale

Daniela De Martino

Wayne Farnham

Martha Haylett

David Hodgett

WITNESSES *(via videoconference)*

Adrian Butera, Director, and

Sarika Bhalla, General Manager, Government Relations and Communications, Real Estate Institute of Victoria.

The CHAIR: Welcome back to the Environment and Planning Committee's public hearing for the Inquiry into the Supply of Homes in Regional Victoria. I would like to welcome the Real Estate Institute of Victoria's Adrian Butera to our next session. I will just run through some important formalities before we begin, Adrian.

All evidence taken today will be recorded by Hansard and is protected by parliamentary privilege. This means that you can speak freely without fear of legal action in relation to the evidence you give. However, it is important to remember that parliamentary privilege does not apply to comments made outside the hearing, even if you are restating what you said during the hearing.

You will receive a draft transcript of your evidence in the next week or so for you to check and approve. Corrected transcripts are published on the committee's website and may be quoted from in our final report.

Thank you very much for making the time to meet with the committee today. My name is Juliana Addison. I am the Member for Wendouree and Chair of the committee.

Martin CAMERON: Morning, Adrian. I am Martin Cameron. I am the Deputy Chair and Member for Morwell down in the Latrobe Valley.

Wayne FARNHAM: I am Wayne Farnham, Member for Narracan, the West Gippsland region.

Daniela DE MARTINO: I am Daniela De Martino, the Member for Monbulk, covering the Dandenong Ranges.

Jordan CRUGNALE: My name is Jordan Crugnale, the Member for Bass, over in the Westernport region.

Martha HAYLETT: I am Martha Haylett, the Member for Ripon, covering the outskirts of Ballarat and then all the way up to the Grampians and the Loddon Mallee area.

The CHAIR: Terrific. We are looking forward to having a really great discussion for the next half an hour or so with you, Adrian. Can I just kick off and get an understanding straight off the bat: what trends are you seeing in buyer demand versus available supply in regional Victoria, and how is this impacting prices?

Adrian BUTERA: Firstly, thank you for having us. I really appreciate the opportunity. Buyer demand has continued to be quite strong across regional Victoria. We have seen significant growth, particularly over the last five years. Now, keep in mind that I am well aware that many of you represent your municipalities and your areas. It is important for me to reflect that over that five-year period in regional Victoria we have seen growth far outweigh metro Melbourne, collectively 45 per cent growth in residential homes, and collectively over that same time period in metro Melbourne it is 9.9 per cent. So that is over the last five years. If you only isolated the last 12 months, it has slowed down across the board. But if you look at that across that period of time, there has been significant growth in demand.

The CHAIR: Great. And are there any particular areas in regional Victoria that buyers are prioritising?

Adrian BUTERA: Well, I think there has been an absolute focus on Ballarat and Bendigo. Just referring to some documents I am going to look at just to ensure that I have covered off correctly, Ballarat and Bendigo have been a real focus in the last 12 months particularly. And there has been a real drive for homes, but a limited supply of units. And we would love to see certainly more supply of units in that area, because traditionally units do not travel as well, particularly within Melbourne metro as well as regional Victoria. But there has been a significant demand for houses because that seems to be what that supply has been.

The CHAIR: Terrific.

Martin CAMERON: Thank you, Chair. Adrian, Martin here. With that supply, you just said before there is a demand for that three-, four-bedroom housing situation. What is the hang-up that people have with building the one- and two-bedroom apartments? What are you seeing? Why do you think that there is not a strong move towards that, when we are dealing and talking with people around the state that are saying, 'This is what we need. We need more one- and two-bedroom apartments rather than those bigger homes'?

Adrian BUTERA: Martin, I think it is a terrific question, and I think it is something that we have seen historically that is built into the regional centres. The regional centres have effectively – it is like dropping a stone in a bucket of water – just rippled out and grown and grown and grown because they have had that capacity, largely, to take on that land. Going to that additional development space, it has been somewhat easier to develop housing blocks and housing estates in Shepparton or Bendigo and those outer regions of those metro centres, and that just seems to have been the norm. However, there has been a reluctance for higher density. And as we talk to our members, there is a real appetite out there – and our members are representing the rental suppliers and the buyers and the sellers. Our members would love to see a higher density within those city centres, within those regional centres, so there is a real demand to see that. And it also would then suggest that it would also be very good on the infrastructure that is within those areas. So we are unclear why this has not been encouraged. It would perhaps be simply because of tax reform. The price increases in building materials have really brought back the volume of building across the whole state, let alone regional Victoria, but there is certainly the demand for it.

The CHAIR: Can I just ask, Adrian, would buyers be prepared to pay more to live in the CBD of a regional city – are they prepared to pay more rather than having to go out to a greenfield site – that is walking distance from a train station, walking distance from services? Do you think, or can you help us: are people prepared to pay a premium to have all the benefits of inner-city living in the regions?

Adrian BUTERA: Yes, it is a terrific question, and I think you can only draw upon what has happened within metro Melbourne and just the way people think, that convenience plays a huge role into your buying habits. We all want convenience. And I think that does not matter whether you live in Ballarat, Bendigo or you live in south-east Gippsland, if you have got that convenience to be able to walk to the shops, the market, the foreshore, you are going to enjoy that and therefore as a convenience be prepared to pay a premium. Now, it is very easy for me to suggest that, because in one part of what I would like to share today there is this rising demand for short-term rentals within regional Victoria. There has been a real discouragement from the state for rentals in Victoria through increasing taxes. The demand in short-term rentals fluxes in and fluxes out through seasons. Whether it is a harvesting season, whether it is a tourist season, you have got a demand on population that leaps. You know, using the example of South-East Gippsland in a tourist time, you need those employees to flow in with it. Those employees may only need to be there three, four, five, six months, whatever the case may be, sometimes a lot shorter, so there is that short-term rental demand. I am referring to that in answering your question. I am sorry, I do not know who asked that question.

The CHAIR: Juliana.

Adrian BUTERA: Juliana, I am going to that in answering your question because those one- and two-bedroom units in those central regional centres would be ideal short-term investments as well, whether they are an investor buying them, allowing that short-term investment, so you need to be mindful of who these buyers may be.

The CHAIR: Wayne.

Wayne FARNHAM: Adrian, thanks for coming along today. I am probably going to lean into where you just left off there. Is the REIV seeing an exit of investors in Victoria due to land tax components, changes to the *Residential Tenancy Act* and all the other things the government have put through? Are you seeing an exit of investment out of Victoria into other states, especially in the residential housing market?

Adrian BUTERA: Wayne, it is a terrific question. It is one that has been on the minds of real estate business owners across the state, and I will start by saying that, firstly, we manage significant residential portfolios right across Victoria. I am one of those business owners. I reached out to regional Victorian business owners earlier this week, and I asked them that exact question: 'What has been the impact on your rent roll?' So in other words, if you had 500 properties that you managed within Bendigo, how many did you manage a couple of

years ago, and how many do you manage now? And from the members that I spoke to in the last handful of days, the number I have got for you is around about a 20 per cent drop, which is massive. They all, every single member from regional Victoria, recite the simple fact that the growth in property taxes – and there are a few of them – have discouraged property investors. They have cashed in, they have sold their properties and they have even put that money into their own personal home. They have invested it in super, I guess. And we certainly have seen an influx. We do understand – I will not say ‘see’ – there has been an influx of investment in other states.

Wayne FARNHAM: And just on that, those properties that they are selling, are they selling them at market value, or they are selling them below market value just to off-load the property, just to get out of the market – just putting up their hands, saying, ‘We’ve had a gutful. We’re out’?

Adrian BUTERA: I think, Wayne, the stats would tell us that they are selling at market value. I do not think people are just hopping out. I think there is a demand there in that marketplace, but certainly when we refer to investors specifically, they are getting out of the market. We are seeing the rental portfolios drop. We have looked at some bond data as well. We have seen the drop in the volume of bonds that are held in regional Victoria as a drop of just under 2 per cent. So for investors leaving the market, it would seem that their properties are selling reasonably.

Wayne FARNHAM: Thanks.

The CHAIR: The secretariat has just let me know that Sarika Bhalla is also on this call, but we just cannot see her on our screen. We are going to say hello to Sarika.

Sarika BHALLA: Hi, everyone. I am here. I will chip in when I need to. That is fine.

The CHAIR: Great. I just wanted to say hello, thank you for being here as well, and just make sure that the committee was totally aware that we also have Sarika, who is General Manager of Government Relations and Communications. Terrific. Martha, do you want to kick off the next question?

Martha HAYLETT: Sure, and I will give this one to Sarika, now we know you are there and you exist.

Sarika BHALLA: There you go.

Martha HAYLETT: Your submission covers a lot of really good things, and it is great that you got that membership feedback. I am just wondering if both of you see other states and territories doing things that you wish Victoria was doing. I mean, that is a big question, but especially in terms of that regional housing supply and really boosting that, do you see there is a particular state that is doing really well that you want us to have a better look at?

Sarika BHALLA: In essence, I think the big area that we have been focused on is the fact that a lot of investors are getting out of the market, and that particular aspect is definitely impacting rental supply in Victoria. From what we hear, a lot of that investment seems to be heading to Queensland. We have not done a deep dive into all of the initiatives that might be in place in terms of the investment opportunity in Queensland, but that does seem to be what we hear from a lot of our members. Adrian is obviously very much in real estate, and being an agency owner himself, he might have more to say on that. But predominantly that is what agents are telling us – that their investors are leaving and going to other states. South Australia, to some extent, and Queensland seem to be the two places where investment seems to be moving. We do not exactly have stats to share with you on that, but the issues we hear back on are predominantly land tax increases and a very sustained level of reform to the *Residential Tenancies Act*. We had over 130 reforms come in in 2021, and since then that trajectory has continued, so we continue to see more change. It is about also holding for a period of time to let the market adjust and find out what the new dynamic is. The change has been very consistent and very significant in Victoria, and that is creating a little bit of uncertainty as well that is contributing to this.

Martha HAYLETT: Just on that point, Sarika, I am just interested, if you know from your membership, how many of those people, given those changes to tenancy rights and things – is that more the kinds of mums and dads that have got one or two extra investment properties, or is it people who actually have 10 or 20, the bigger scale ones? I do hear that feedback from some of my constituents who have got maybe one investment properties, and they have got issue with those changes. I am just keen to know.

Sarika BHALLA: I do not think there is data that will actually give us a very clear indication, but I will give you the overall stats, which probably make that point. Something like 90 per cent of all people renting in Victoria rent from a private provider, so that is about 90-odd per cent. Then when you look at the ATO stats, they indicate that over 70 per cent of rental providers own just the one investment property. The chances are, if you look at that dynamic, when we talk about people moving out, it is likely that that group of people that are reliant on the rental income to cover the costs of holding that investment property are going to be the first ones who are going to try and exit the market, just because the strain on their finances would be higher. So thinking that through, that would be logical to assume that that group would be the one that would be impacted the most. Again, there is further information available, mostly from government research, which also suggests that some of the top two to three cohorts that own investment properties tend to be nurses and teachers. So it is definitely going to be the average Victorian, and for them, amongst all the other cost-of-living pressures, additional taxation definitely has a big role to play in probably them saying that this is now getting too difficult to manage.

Martha HAYLETT: Adrian, do you have a sense of why it is Queensland? Are people chasing the sun or are they just not wanting to pay land tax and stamp duty? I do not know if you have got a sense of that in your work.

Adrian BUTERA: I certainly feel that it is Queensland and South Australia. If you look at South Australia's property growth in the last 12 months, it has been moving at a faster rate than Sydney has been. Although their median price may not be the same, it has moved incredibly rapidly, so South Australia has been right up there as well. My only feeling with Queensland is, yes, sure, it is following the sun, but there are also opportunities for people looking at it and saying, 'What does the future look like there? They've got an Olympic Games coming up. They've got a little bit more going on there.' There is certainly some positive talk as far as property goes, which you have highlighted. I think all of those play a contributing factor.

Just further to Sarika's point, certainly my data would find that most property investors are what we would refer to as 'mums and dads' or non-sophisticated investors. They are people that have grown up, that have understood people create some form of wealth or capital gain out of real estate and understood that owning an investment property is a good way to do that. Now, obviously the things that have been talked about today, such as rental reforms that have come in play over the last handful of years which Sarika talked about, are very real. That chatter, together with interest rates – obviously we have just gone through a whole lot of interest rate increases; the recent decreases have been fairly positive news – the increases, together with a whole lot of taxes, have been very discouraging for investors to get into the Victorian market. So they have looked elsewhere that has been easier to invest in.

Daniela DE MARTINO: I might jump in and ask a question – sorry, Jordan.

Jordan CRUGNALE: That is all right. My question is: as investors are selling properties in regional areas, do we have any information or a percentage of who are buying the properties?

Sarika BHALLA: Adrian, do you want me to take that?

Adrian BUTERA: Yes. You go for it, Sarika.

Sarika BHALLA: Again, it would probably be an anecdotal response to that, but we are not seeing that most of those properties are probably going back to investors. And I think one of the best ways to consider that is that Homes Victoria releases their active bonds data and what they call new lettings data. So when they talk about new lettings, that is an indicator of availability of rental housing, and it reflects the turnover and new coming in. So in Victoria, all across – I am just sorry; I will just read off some stats I have got in front of me, which say that between December 2023 and 2024 quarters, new lettings across Victoria have declined by 1.8 per cent and in regional Victoria by about 4.1 per cent, with Gippsland and the Loddon Mallee region being one of the highest reductions. So the contraction of rental supply would indicate that those properties are not necessarily going to new investors – I guess there is a positive, that likelihood of more people being able to purchase their own home. But, on the other hand, it does mean that that cohort that is looking for a rental property has now got less supply to deal from. So there is opportunity where there are people who are now being able to purchase their homes, but on the other hand it does mean that you have got fewer rental properties on the market to cater for the demand there.

Jordan CRUGNALE: And would we know also, Sarika, the number of first home buyers within that, that are purchasing properties? Is that through –

Sarika BHALLA: We can – I do not have it in front of me, but that data can be sourced.

Jordan CRUGNALE: All right. Thank you.

Daniela DE MARTINO: I might just follow up that. It is Daniela here. Thanks, Sarika. I know you are saying there is a reduction in supply of rentals, but if we have actually got renters coming out and being able to buy, are we seeing a shift in how many people are wanting to rent if they are actually exiting the rental market and going into being property owners?

Sarika BHALLA: Again, difficult to quantify that data, but I will refer again to what we are hearing from members, and an indication of that often is how many people are turning up to your open at a rental property. That still seems very high and on the other hand the fact is that vacancy rates are still very low. Because again that assumption holds true if you had a constant population, but you have population growth as well. So when you take that into account, if it was the same cohort that was shifting between now not renting and owning, fair enough, that assumption would hold. But when you have got population growth, you have still got people coming in who are looking – you know, kids growing up, wanting to move out et cetera – you have always got a growth or a demand for rental in there, and vacancy rates do not suggest that we have got less people asking for property. So vacancy rates are still very low.

The CHAIR: Sarika, I am conscious of the time, but you have just got me thinking. As a result of the tight rental market, are we seeing people staying in the same property for much longer? Have we seen a trend that people are saying, ‘Well, I have got a place now. It is a really tight market; I need to hold on to it.’ Is there any data on that?

Sarika BHALLA: What I would probably say – Adrian, I do not know whether you have got anything to add there – is one point that feedback from agents is telling us, which is that we are seeing a lot more consolidation of households, so people moving in together, so more multigenerational households and more shared households. We had an event yesterday where we had a few property experts share their own data outside of the REIV and that is what their feedback was as well. Anything else, Adrian, that you might have seen directly?

Adrian BUTERA: Only to add, Daniela, that real estate is still just that power of supply and demand, and that lack of demand out there just continues to impact prices. I can certainly see through the data that rental prices in regional Victoria have continued to go up in the last 12 months. That is something that really reflects that there is a need out there in the marketplace. It does show that there are renters out there, whether they are short-term renters or long term, but their only capability is to rent. That need has absolutely been a constant out there.

Daniela DE MARTINO: Thank you, Adrian.

The CHAIR: I know Daniela has got a question after me, but just one question to you, Adrian. Do you believe there is value for money for people buying properties in regional Victoria in terms of return on investment?

Adrian BUTERA: Believe that it is, at the moment?

The CHAIR: Value for money. Is it a good investment? We look at the point-of-entry price in a Melbourne setting as opposed to what you can get potentially at a lower setting in Melbourne, and then we are talking about the rental growth that we have had in the regions. Would you suggest to people who come in and maybe they are looking around the western suburbs and you say to them, ‘Well, this is what our offering is,’ and obviously you would love them to buy through you, but putting your REIV director hat on, would you really say to people, ‘Consider buying in Shepparton, consider buying in Mildura, consider buying in Gippsland’?

Adrian BUTERA: I was at the event that Sarika spoke about yesterday. It was an economic forecast, and there were four experts in property that spoke. The reason I am drawing upon that experience yesterday is because it is a difficult question to answer. One of the presenters put up a slide yesterday that I think had the

220-plus people there fairly quiet. It was that Victoria was not the place to invest at the moment, largely – that included regional Victoria – because it did not have that return on investment. Unless you had another reason, unless you needed a reason to buy a house in Bendigo because one day your daughter is going to live up there or there was another added-value reason, but just to add that to your rental portfolio, I think the answer, Daniela, is no.

Daniela DE MARTINO: That was Juliana, but thanks.

Adrian BUTERA: I think it would be very difficult – sorry, Juliana.

The CHAIR: That is all right. We have got these lovely Italian names, so it is all good. Thank you for that answer. Yes, Daniela – final question.

Daniela DE MARTINO: Final question. Thank you, Chair, for that indulgence. Earlier today we heard from Mallee Accommodation and Support Program – they are a registered housing provider. They were telling us, because they have interactions across the border, that in New South Wales there seem to be some earlier intervention strategies where real estate agencies are flagging issues with tenants where they might see some difficulties arising in their capacity to keep paying the rent. They are flagging it with the local housing providers to try and get early intervention in, rather than these people then falling apart, losing their tenancy and then ending up basically homeless. Do we have anything like that happening in Victoria? Are you aware, Adrian? Sorry to put you on the spot with this, but it was just perfect timing that we have got you in straight after.

Sarika BHALLA: Adrian, I might jump in on that one.

Adrian BUTERA: Yes, you jump in. I might top up if that is okay.

Sarika BHALLA: Sure, absolutely. While there is nothing formal, what we are doing is we have been actively engaging through the REIV with Tenants Victoria and a range of providers to start to share information so that the property managers are actually aware and they can bring in the services available to provide that support where needed. I do not believe there is anything formal in place, but this is something that we have been doing as part of our membership to kind of make that information exchange easier and have all the support services able to get in and provide guidance. So it is something that we are doing as an aside as well.

Daniela DE MARTINO: That is great to hear. Thank you.

The CHAIR: Terrific. Thank you very much, Sarika.

Adrian BUTERA: May I just may I just add to that? Have we got 1 minute?

The CHAIR: Sure.

Adrian BUTERA: Sarika, it may come as a surprise to you, but about three years ago I wrote a paper that was based on an outreach service. I wrote that and sent that to the Minister for Housing at the time, and that was a service that our company had created. It was on the back of that that we put in a submission to pitch for us the Big Build contract, which as you know is underway within Victoria. That specific project or paper was based on that the estate agents would have an understanding, within various areas in the state, that certain providers, housing providers, social providers could assist tenants no matter where they were in their journey, whether they had lost their job, whether they had fallen ill, whether they did not have the ability to drive any longer and that may have impacted their workload. I will say that as an idea and concept it makes a huge amount of sense, and I would be in full support of something like that. Whilst it has not gone anywhere, I think it is a big part of a future within our industry. It is certainly an education within our members, because I think it plays a huge role in people that are challenged for various reasons. Sometimes we are challenged, we do not know we are about to get challenged and we need to be able to deal with that, so I am quite passionate about that. You just learned something today, Sarika.

Martha HAYLETT: I am just wondering, Adrian, if you want to submit that paper to this inquiry so that we can have a look at it.

Adrian BUTERA: Happy to share it. It is branded Compton Green. I cannot say that the REIV endorsed it, but I am happy to share it.

Martha HAYLETT: That would be great. Fantastic.

The DEPUTY CHAIR: Thank you, Adrian and Sarika. The Chair has just had to leave the room for a second.

On behalf of us, thank you for making the time to participate in the inquiry. If you would like to provide any additional information or responses to any questions taken on notice, please speak to the secretariat. We look forward to forwarding the findings of this committee, and we once again thank you both sincerely for joining us this morning.

Witnesses withdrew.