



The benefits of greater FIRB flexibility for the Gold Coast

**This submission is made by Keith Douglas
on behalf of the Sovereign Islands Owners Association.**

This submission is outside the parameters that have been set down for the Government review but if the committee is going to take a very broad and holistic approach as previously stated then it needs to examine the benefits that greater flexibility in relation to the rules for overseas buyers of luxury real estate will bring to the Gold Coast.

The thrust of this enquiry appears to focus on enforcement of the existing regulations when in actual fact the legislation is long overdue for an overhaul to address a range of anomalies.

On the Gold Coast there are three locations where property purchases by overseas buyers have always been exempt from FIRB scrutiny – Sanctuary Cove, Hope Island and Royal Pines. Experience shows that this flexibility could be extended to The Sovereign Islands and there is merit to provide this exemption across the whole of the Gold Coast for luxury properties of a value of \$2,000,000 or greater.

The Sovereign Islands is comprised of 664 residential waterfront lots situated on the Gold Coast Broadwater.

A survey of lot owners carried out last year resulted in a majority of owners (nine out of 10 respondent owners) supporting the relaxation of FIRB restrictions for the purchase of second hand homes on The Sovereign Islands.

It is proposed that on The Sovereign Islands for a twelve month trial, those overseas purchasers of properties valued at \$2-million or more who are not eligible under existing FIRB policy be granted an FIRB exemption upon payment of an infrastructure levy of 2.5% upon acquisition and 2.5% upon disposal.

On a five million dollar acquisition, this would generate \$125,000 and the same amount upon disposal. Local agents estimate that a more flexible FIRB arrangement would generate incremental sales of 10 to 15 properties per month with an average sale price of \$3,000,000.

As three other residential areas on the Gold Coast have had this flexibility for decades without any negative outcomes, a Sovereign Islands trial is sure to be successful and warrant extending the exemption arrangements to the whole of the Gold Coast.

There will be no impact on housing affordability, as this exemption will be confined to luxury properties. It also will not have an impact on new developments, as the exemption will be for acquisitions of property well above traditional spec home values and new unit pricing.

The exemption levy has the capacity to service loans that can provide hundreds of millions of dollars of badly needed infrastructure that will drive tourism and business. Once the exemption is broadened to the whole Gold Coast, the funding capacity can run into the billions.

Below are some projections that demonstrate the potential of this proposal and the outcomes are significant. These projections are based on The Sovereign Islands only.

Monthly sales	10	15
Average sale price	\$3,000,000	\$3,000,000
Monthly sales value	\$30,000,000	\$45,000,000
Yearly sales value	\$360,000,000	\$540,000,000
2.5% levy income	\$9,000,000	\$13,500,000
Loan amount serviceability @3% *	\$300,000,000	\$450,000,000

* based on hedged overseas rates currently available to institutions

Opportunities that this overseas income could be used for:

- ✓ Better transport solutions for airport connectivity
- ✓ Hong Kong style airport check-in
- ✓ Air bridges for Coolangatta Airport
- ✓ An offshore cruise ship terminal

- and more

There is simply no capacity for either the Federal or State Governments to fund these types of projects in the foreseeable future so support for what is a relatively simple proposal has the potential to transform the Gold Coast through the delivery of key infrastructure that will drive the economy.

In addition, luxury home purchasers tend to spend up on cars, boats and furniture and rely upon the assistance of cleaners and handymen so the local economy will benefit in the short term.

The Gold Coast luxury real estate market relies upon investment by purchasers from interstate and overseas and in times of downturns history shows that prices fall harder on the Gold Coast. Greater FIRB flexibility will insulate the market against the types of over corrections that were experienced in the GFC and this will benefit owners and lenders alike.

For this proposal to be properly understood and fairly considered, there needs to be an understanding that the Gold Coast luxury real estate market relies upon interstate and overseas investment and that the demographics that apply here are different to all other areas of the country.

The benefits that would accrue as a result of the Federal Government allowing greater flexibility for overseas buyers of secondhand real estate are just far too great for the Gold Coast for this proposal to be ignored.

This Association is asking for Federal Government support for this initiative as it promises to secure a bright future for this city and provide benefits that will be enjoyed by the whole community.



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