

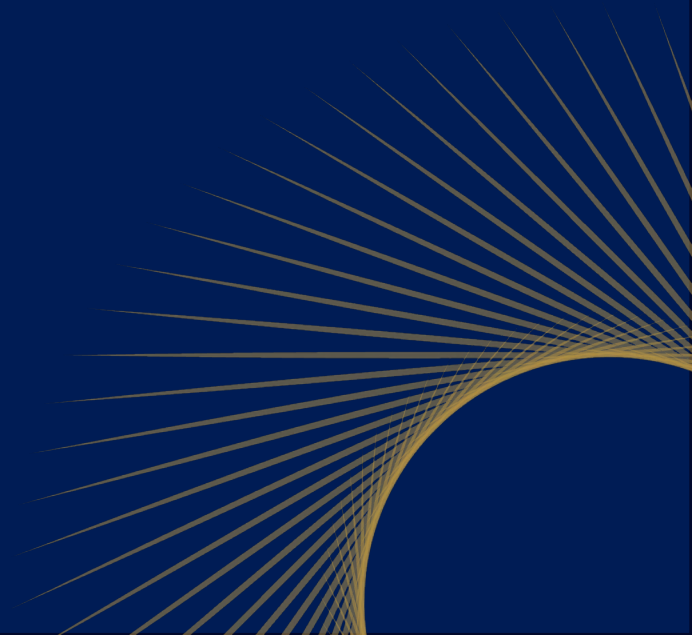


Attracting international capital

The impact of taxes on global institutional investors

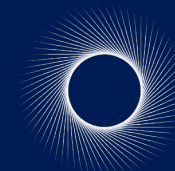
Property Council of Australia

NOVEMBER 2025



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Executive Summary

Australia relies on foreign direct investment into the property sector to build our cities and support the economy

However, additional taxes imposed on global institutional investors in Victoria and Queensland are deterring investment

Removing taxes on global institutional investors would deliver substantial economic benefits to Australia



21 of the last 25 years

Australia has relied on global investment due to insufficient savings



~40% lower

FDI investment (per capita) in Victoria and Queensland than New South Wales



\$8.1B

in new foreign direct investment from 2026 to 2030



\$1 in every \$3

of institutional investment in the property market over the past decade has been provided by international investors



53% reduction

in global institutional investment in Victoria since 2022



\$3.6B

in total additional annual GDP from 2026 to 2030



FDI increases

access to credit, investment and jobs



No increase

in investment in Queensland despite strong economic tailwinds since the foreign surcharge was introduced



8,400

Australian jobs supported from 2026 to 2030



1

Global investment makes up 29% of institutional investment in the property sector and has increased access to credit, boosted investment and supported Australian jobs

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Taxes imposed on global institutional investors in Victoria and Queensland are deterring investment

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Removing taxes on global institutional investors will unlock \$8.1B in investment, add \$3.6B to GDP and support 8,400 Australian jobs. It delivers up to \$10 in GSP growth per \$1 invested

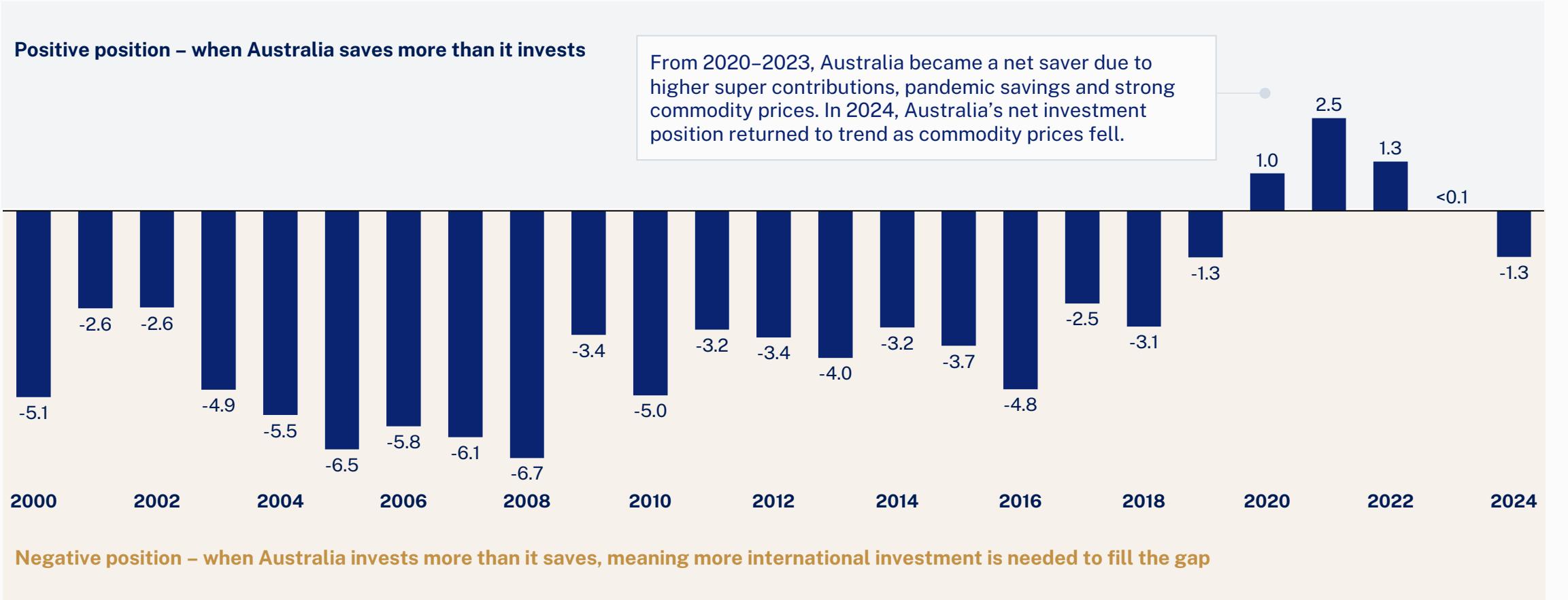
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Appendix

Australia relies on global capital to fund investment as domestic savings are insufficient for its capital requirements

Australia's net investment position

% of GDP; gross savings minus gross capital formation; 2000 – 2024

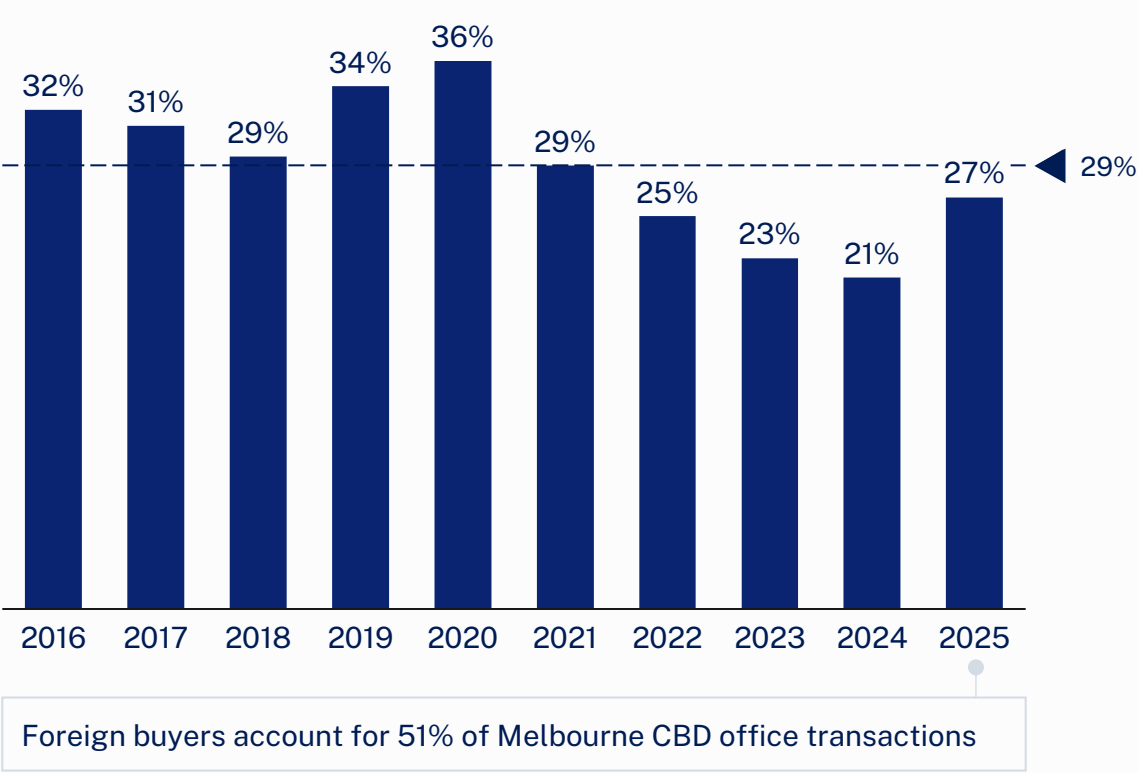


Source: World Bank (2025) World development indicators – gross savings and gross capital formation; Mandala analysis.

29% of all institutional investment over the past decade has been provided by global investors

Global institutional investment in the property sector as a proportion of total institutional investment

Proportion of global institutional investment; FY2016 – FY2025

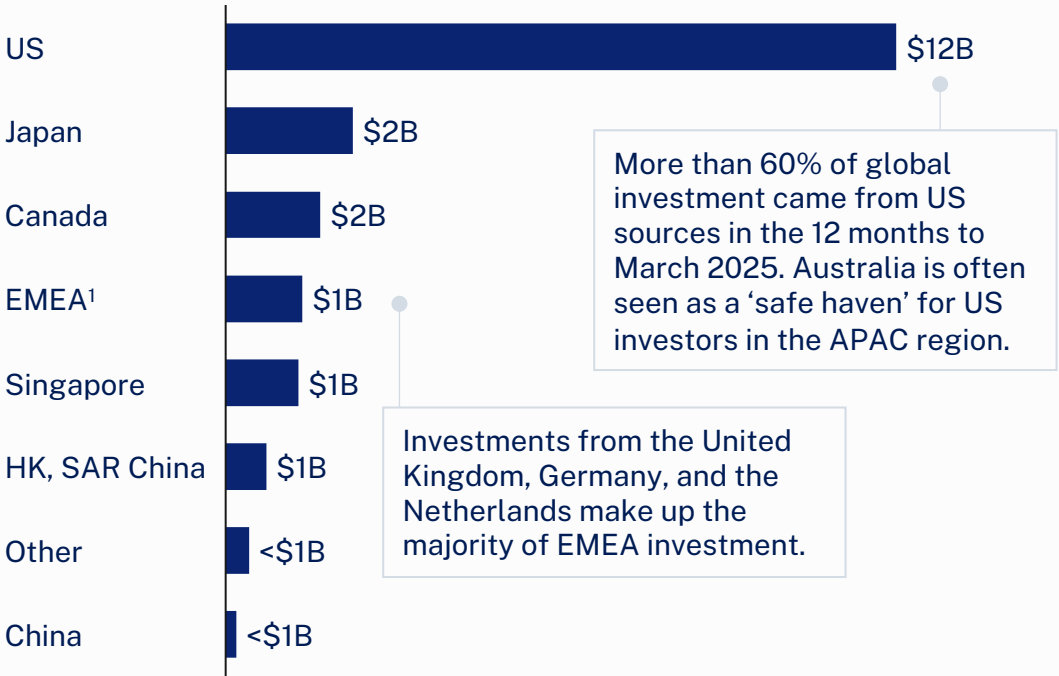


Source: JLL REIS data analysed by Mirvac Research; MSCI data; Mandala analysis.

The US is the dominant source of global institutional investment

Top regions of origin for global institutional investment

\$2025, billions; March 2025; 12-month rolling volume

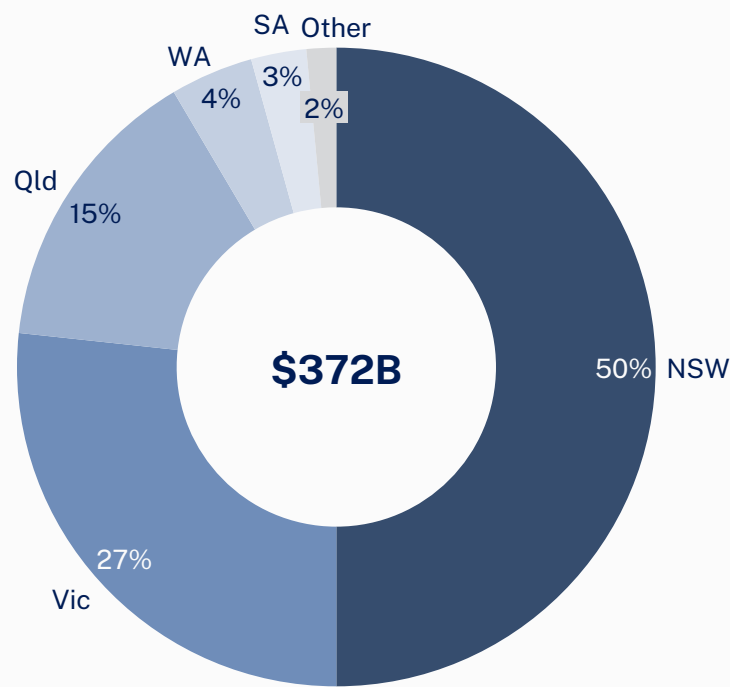


Note: 1. EMEA refers to the Europe, Middle East and Africa region.
Source: MSCI Capital Trends Q1 2025 Report; Mandala analysis.

Historically, global institutional investment in the property sector has been centered in NSW and focused on office assets

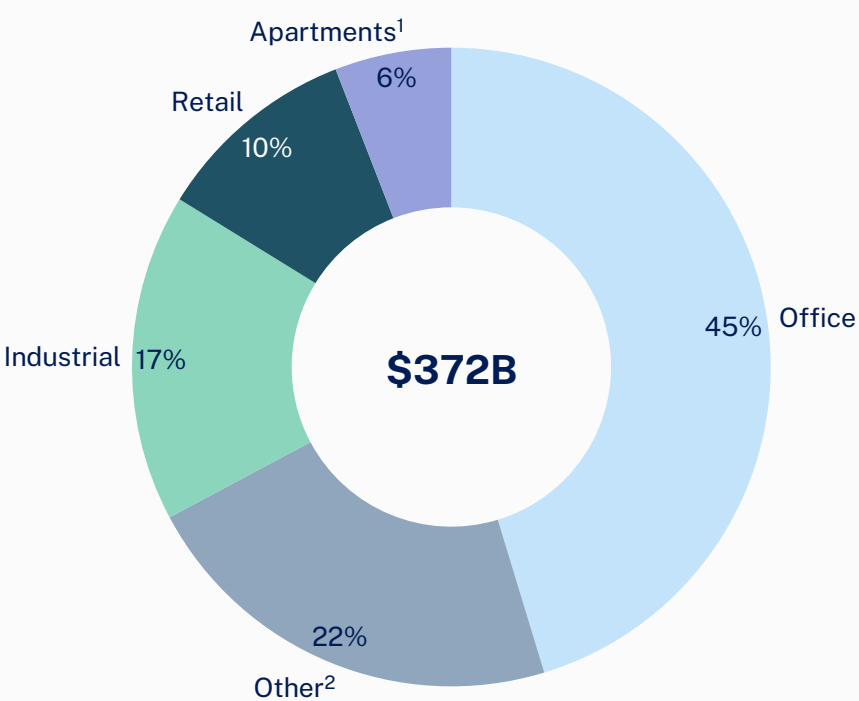
Global institutional investment by state

\$2025, billions (adjusted for inflation); FY2011 – FY2025



Global institutional investment by property type

\$2025, billions (adjusted for inflation); FY2011 – FY2025



Note: 1. Apartments include build-to-rent developments and purpose-built student accommodation.2. Other includes types of property such as seniors housing and care, development sites and hotels. Source: MSCI data; MSCI Capital Trends Q1 2025 Report; Mandala analysis.

Global institutional investment supports the economy by expanding access to credit, driving construction activity and increasing Australian employment



Access to more credit



Global institutional investors facilitate greater access to credit and **lower financing costs**. Increased capital flows from transactions of existing properties **drives asset renewal and improves liquidity**.



More construction



Global institutional investment **can facilitate more construction, particularly for innovative or higher-risk projects**.



Increased Australian employment



Global institutional investors **boosts employment and skills** by supporting construction jobs and sustaining ongoing roles in sectors such as retail and hospitality once projects are completed.

The Queen Victoria Building was saved by global investment, securing 370 jobs

Timeline of the investment and restoration of the Queen Victoria Building

1960-1970s: Demolition threat

In 1959, the Lord Mayor announced demolition plans. Following the backlash, the building was saved but was ‘urgently in need of acquisition and preservation’.

2000s: Continued usage and interest

Ipoh invested another \$48 million to refurbish the building in 2008. In 2021 Link REIT (Singapore) acquired a 50% interest for \$0.5 billion.



1983: Global investment

With no other funding available, Malaysian firm Ipoh signed a 99-year lease agreement with an associated \$86 million in restoration funding. The restoration was completed in 1986.

Global investment was required due to the limited availability of domestic funding in both private and public markets. There was also limited appetite for large-scale heritage restoration.

Note: 1. Estimate based on QVB gross lettable area and the average employees per square metre in retail and personal services.
Source: QVB (2025) History of QVB; NSW Government (2025) State Heritage Inventory; LinkReit (2021) Link Acquires Prime Iconic Retail Properties in Sydney, Australia; City of Sydney (2022) Floor space and employment survey 2022; Mandala analysis.



90,000 daily visitors



370 employees¹



2nd highest annual turnover per square metre in Australia

Queen Victoria Building
Sydney CBD

Global investment enabled the construction of a 365-bed student accommodation in Sydney

Project timeline

Project conceived in 2018

Property purchased in 2018 for the development of 365 student accommodation beds.

Project operational by 2025

By 2025, the \$232M project had been completed and was fully operational.

Capital raising required FDI

\$63M capital raised, of which \$50M was from global investment. Construction commenced by 2022.

- The project contributed \$26M to government revenues:**
- \$10.5M in capital gains tax
 - \$7M in council contributions
 - \$6M in stamp duty and land tax

Source: Stakeholder consultation; Mandala analysis.



Homes for 365 residents



\$82M in construction activity



100 construction workers



20 ongoing employees

Student accommodation

Inner-Sydney



1

Global investment makes up 29% of institutional investment in the property sector and has increased access to credit, boosted investment and supported Australian jobs

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Taxes imposed on global institutional investors in Victoria and Queensland are deterring investment

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Removing taxes on global institutional investors will unlock \$8.1B in investment, add \$3.6B to GDP and support 8,400 Australian jobs. It delivers up to \$10 in GSP growth per \$1 invested

4

Appendix

Victoria and Queensland have introduced specific taxes on global investors, which are the most burdensome out of all jurisdictions

State or Territory	Land taxes – ongoing, paid every year			Duty rates – paid once-off at purchase			Impact of taxes and duties on global institutional investors	
	Are there additional taxes on global investors?	What do these taxes apply to?	What is the rate?	Are there additional rates on global investors?	What do these rates apply to?	What is the rate?	What is the impact?	What is driving the impact?
Vic	Absentee owner surcharge (AOS)	All land with exemptions for build-to-rent properties	4%	Foreign purchaser additional duty	Residential and development land only	8%	Very high	Annual land taxes in Victoria and Queensland cover all property including offices and industrial. While Queensland's tax applies when foreign ownership reaches a 50% stake, Victoria's land tax applies when any foreign ownership exists. These taxes increase costs for investors, deterring investment and reducing economic activity.
Qld	Foreign surcharge	As in Vic, but does not apply if <50% foreign ownership	3%	Additional foreign acquirer duty		8%		
NSW	Surcharge land tax for foreign owners	Residential only	5%	Surcharge purchaser duty	Residential and land development only	9%	Medium	Global institutional investors invest relatively small amounts in residential property (6% in apartments). These residential-only land taxes and duties centre on improving housing affordability for Australians.
Tas	Foreign investor land tax surcharge		2%	Foreign investor duty surcharge		8%		
ACT	Foreign ownership surcharge		0.75%	N/A	N/A	N/A		
WA	N/A	N/A		Foreign buyers' duty	Residential and development only	7%		
SA				Foreign ownership surcharge		7%		
NT				N/A	N/A	N/A	N/A	N/A

Note: Development refers to land that is to be modified for residential purposes. All rates are shown as the current value as of August 2025.
Source: Victorian Government (2025) Foreign purchasers of property; Queensland Government (2025) Foreign companies and trusts; NSW Government (2025) Land tax; Clayton Utz (2024) Increases to surcharges for foreign investors in Qld and NSW and to land tax in the ACT: update; Mandala analysis.

Victoria and Queensland already receive 40% less in global institutional investment per capita than NSW

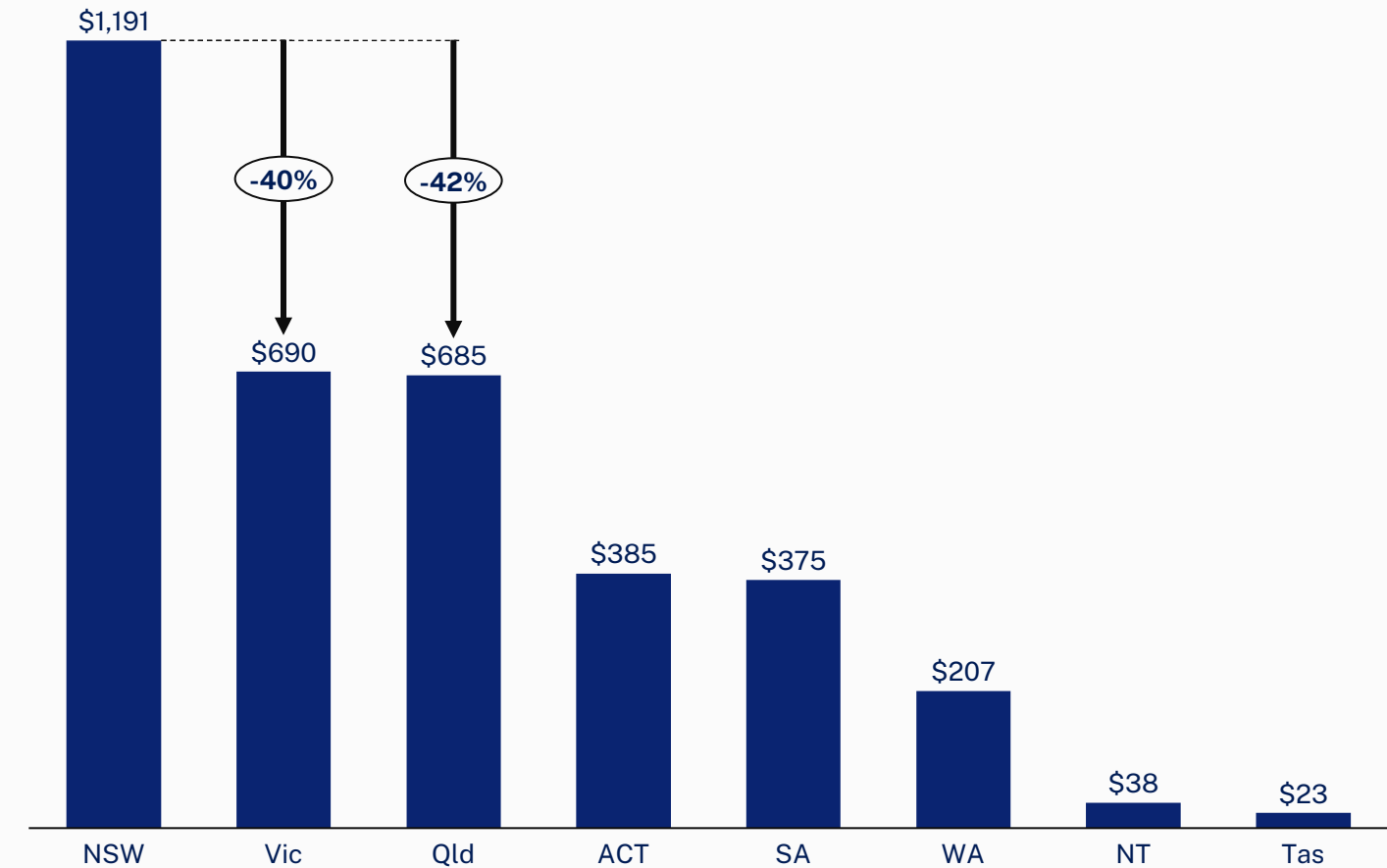
On a per capita basis, Victoria and Queensland receive 40% less global institutional investment in the property sector than New South Wales. While New South Wales attracts \$1,191 in global institutional investment per person, Victoria and Queensland only attract \$690 and \$685 per person respectively.

Other states attract even smaller average amounts of global investment, with figures ranging from \$23 per person in Tasmania to \$385 per person in the Australian Capital Territory.

With the vast majority of global institutional investment being in commercial properties, lifting this investment has economic benefits for the development of more industrial facilities, offices, city precincts and retail outlets.

Global institutional investment in the property sector by state

Average annual global institutional investment by state; \$2025 (adjusted for inflation) per capita; FY2023 – FY2025



Note: Figures are rounded to the nearest \$1.
Source: MSCI data; ABS (2025) National state and territory population; Mandala analysis.

AOS is driving down industrial rental yields, triggering global investors to exit the Victorian market

Project timeline

Asset purchased

International investor acquired an industrial asset for \$100M, anticipating rental yields of 6% (\$6M per annum).

Victorian investment ceased

International investor made a commercial decision to invest in no new Victorian projects and began selling industrial assets in the state.



Rental yields compromised

AOS cost \$1.6M a year, reducing rental yield to 4.4%, equating to a \$27M reduction in property value.

Industrial assets have a particularly high AOS exposure due to land value comprising a large proportion of the overall property value, making them less attractive to global investors. **Reduced global institutional investment may constrain supply of industrial stock in the long run, leading to higher rents for Victorian businesses.**

Source: Stakeholder consultation; Mandala analysis.



1.4ppt reduction in rental yield on the investment



\$27M in lost property value on the investment

-Industrial estate

Outer-Melbourne

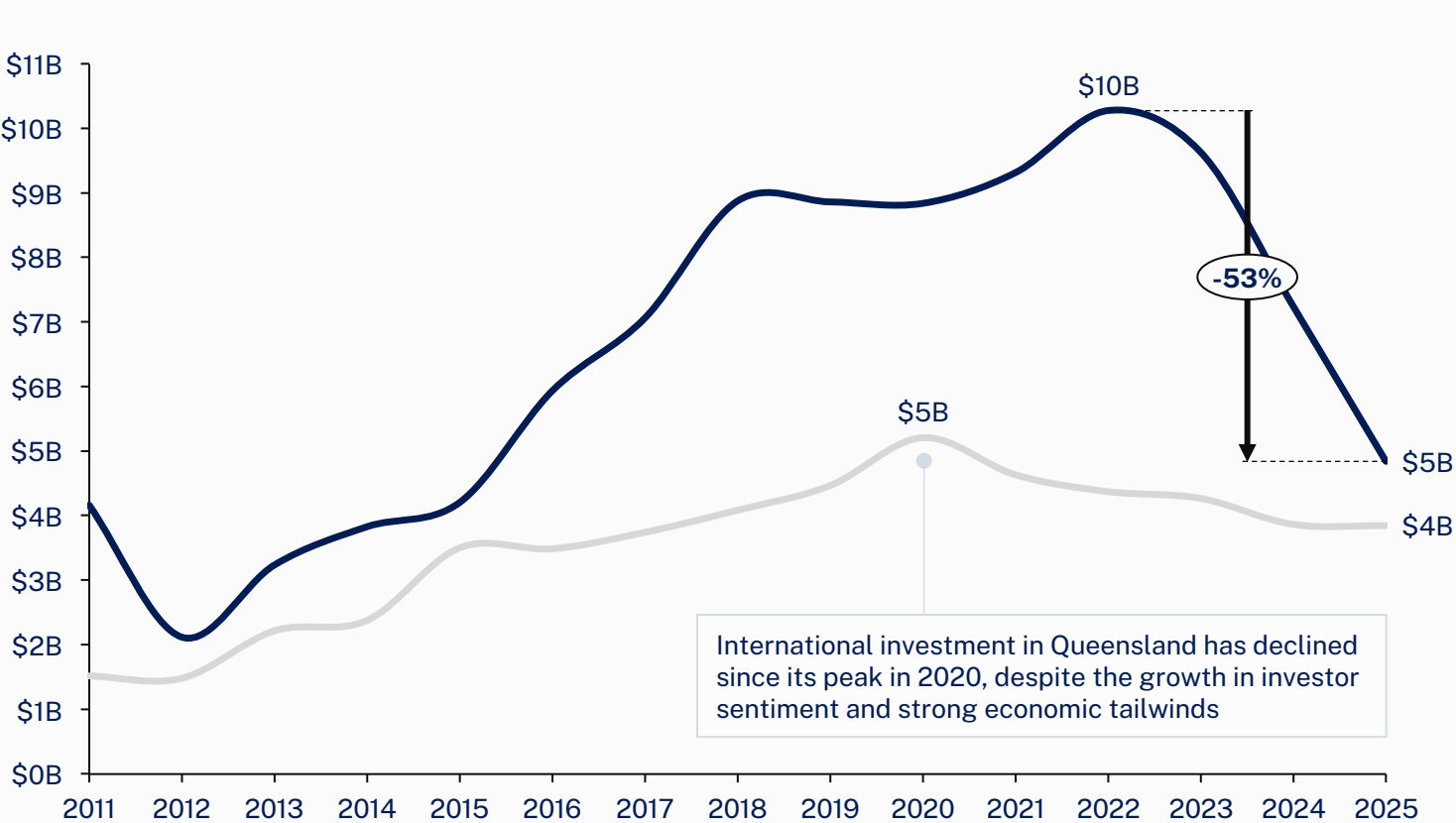
Victoria and Queensland have experienced lower FDI inflows, coinciding with rising surcharges

Global institutional property investment in Victoria continued to grow after land taxes were introduced in 2016, reaching \$10 billion by 2022. The gradual phasing-in of the taxes meant their initial impact on investment was minimal. However, as rates increased, investment dropped sharply, falling 53% between 2022 and 2025 from \$10 billion to \$5 billion.

Queensland shows a smaller but notable decline since the introduction of the foreign surcharge in 2020. This decline has occurred despite strong economic tailwinds. This timing suggests the tax changes are beginning to deter investment.

Global institutional investment in the property sector by state

\$2025 (adjusted for inflation), billions; 3-year rolling average; FY2011 – FY2025



Vic's AOS (%):	0.5%	1.5%	2%	4%
Qld's foreign surcharge (%):			2%	3%

Note: Investment decisions are impacted by a broad range of economic factors.
Source: Mandala analysis

Source: Victorian Government (2025) Foreign purchasers of property; Queensland Government (2025) Foreign companies and trusts; Stakeholder insights; MSCI data; Mandala analysis.

The impact of foreign surcharges has yet to fully materialise in Victoria, as land taxes are mostly passed onto tenants

Global institutional investors have typically recovered land tax on commercial properties from tenants via lease outgoing. The impact is most acute in single-tenant industrial and logistics sites, where annual bills on large-format properties can exceed \$100,000, raising occupancy costs and squeezing margins. These higher costs make it harder to do business in Victoria, increasing the risk of downsizing or relocation, and ultimately flowing through to higher consumer prices. In marginal locations, the additional land tax burden can force sites into vacancy, reducing economic activity.

There are two factors that disrupt this cycle. First, it is unlawful to pass land tax through to tenants in residential or retail leases. Second, sophisticated commercial tenants are increasingly negotiating caps or “carve-outs” that limit pass-through of foreign land taxes. As these clauses become more common, they reduce investor returns, which in turn undermines future investment and risks eroding Victoria’s pipeline of projects and tax revenues.

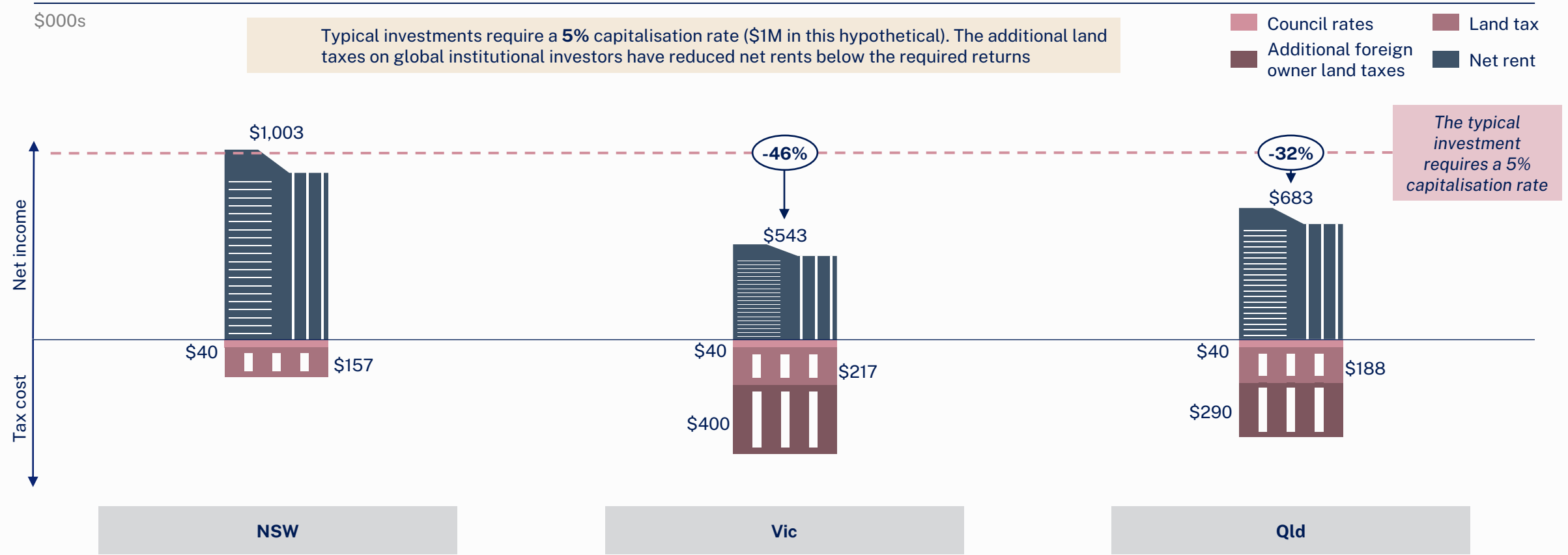
Commercial property land tax pass-through process



Sources: Legal Practitioners' Liability Committee (2025) *Practice Risk Guide*, PCL Lawyers (2025), *Outgoings in Retail Leases in Victoria*, Victorian Government (2025) *Residential Tenancies Act*, Victorian Government (2024) *Retail Leases Act*, Expert Consultation.

As leases increasingly exclude foreign-owner surcharges, costs shift back to global institutional investors, reducing inbound investment in Victoria and Queensland

Return on a hypothetical investment pre- and post-tax by state



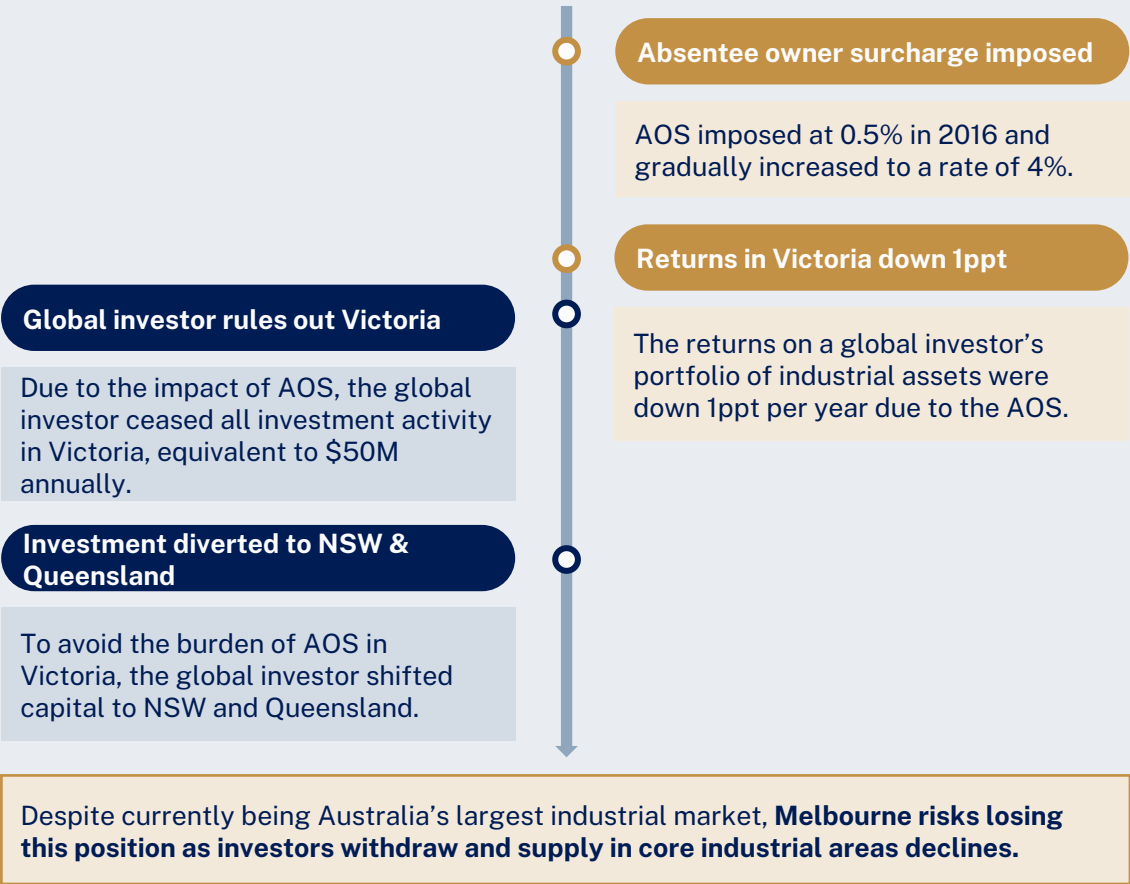
Note: Net rent calculated on a foreign owned industrial investment 100% leased to a logistic business. The site value of the investment is \$10M, the total value of the investment is \$20M, and it receives a net rent pre-tax of \$1,200,000. For each state we have calculated the net rent post tax. Assumed a council rate of 0.4% per annum. Land taxes were applied as specified by the state government.

Sources: NSW Government (2025) Land tax; State Revenue Office Victoria (2025) Land tax; Queensland Revenue Office (2025) Land tax; Mandala analysis.

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Global institutional investment in industrials is contracting due to the AOS

Project timeline



Source: Stakeholder consultation; Mandala analysis.



50 construction workers
per annum



\$50M lost investment
per annum

Industrial investor
Melbourne



1

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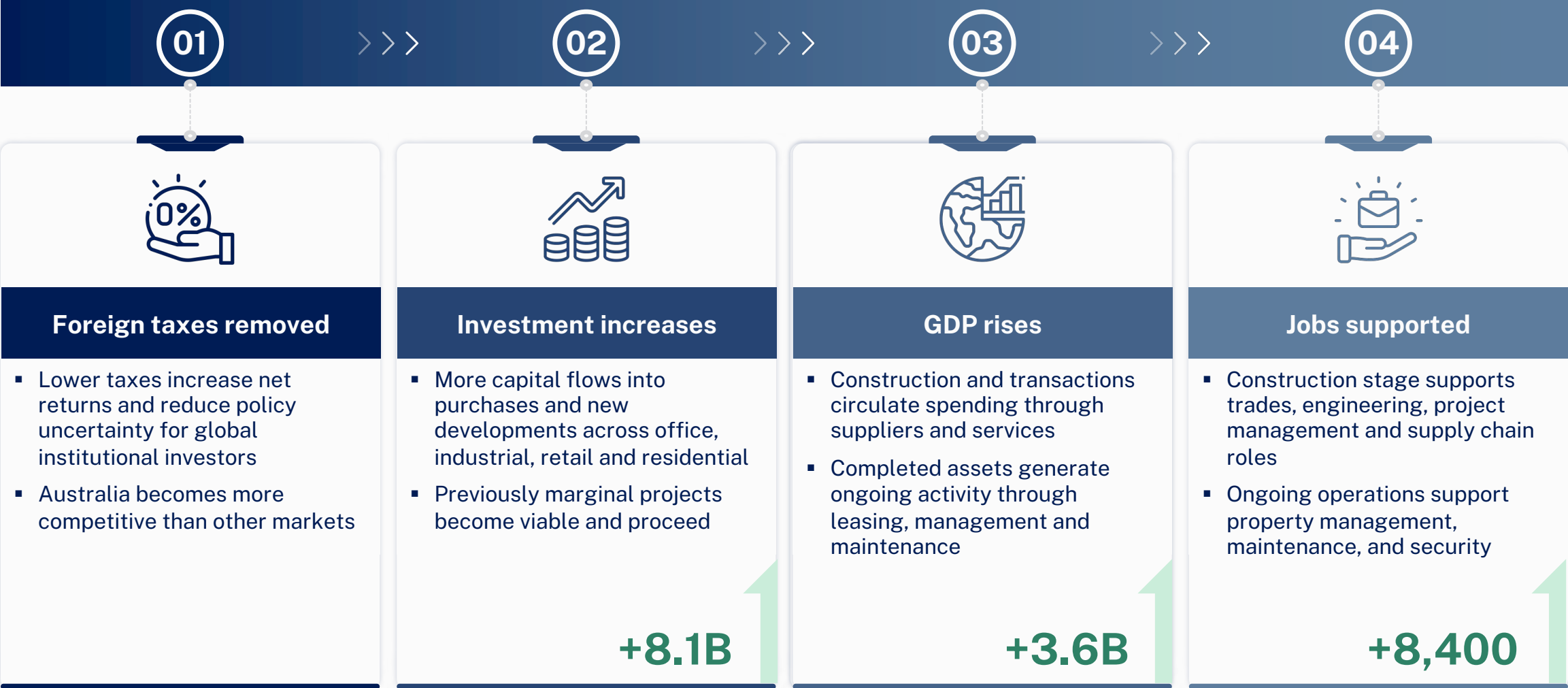
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Removing taxes on global institutional investors will unlock \$8.1B in investment, add \$3.6B to GDP and support 8,400 Australian jobs. It delivers up to \$10 in GSP growth per \$1 invested

4

Appendix

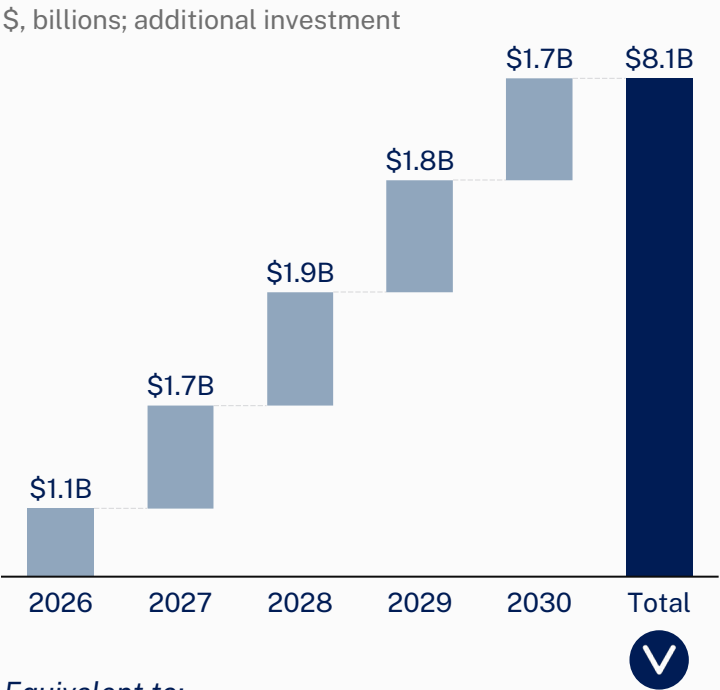
Removing land taxes on global institutional investors will support \$8.1B in cumulative investment, \$3.6B in cumulative GDP and 8,400 jobs in 2030



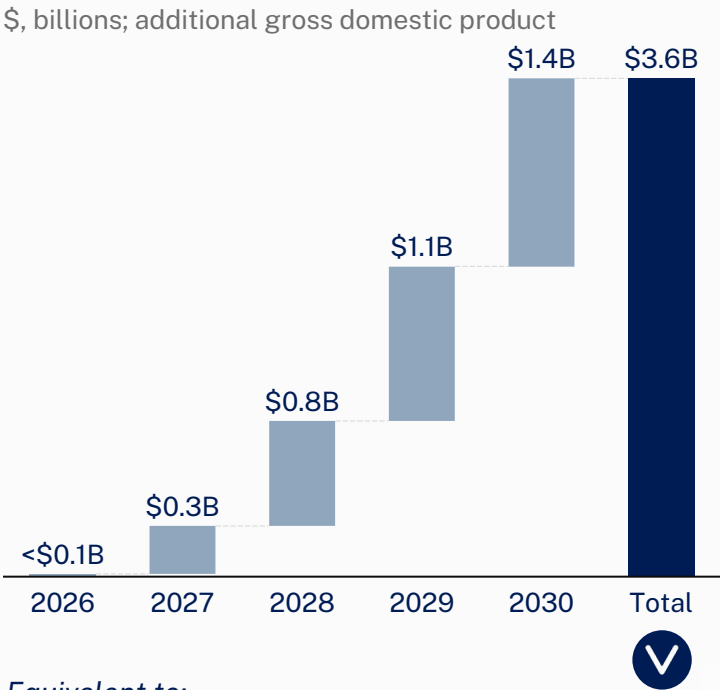
Source: MSCI data; Victoria Treasury Budget (2025) Victorian Budget 2025-26 Statement of Finances; Mandala analysis.

Removing the taxes will support up to 6x the GSP contribution of the Australian Open and more jobs than the Victorian West Gate Tunnel project

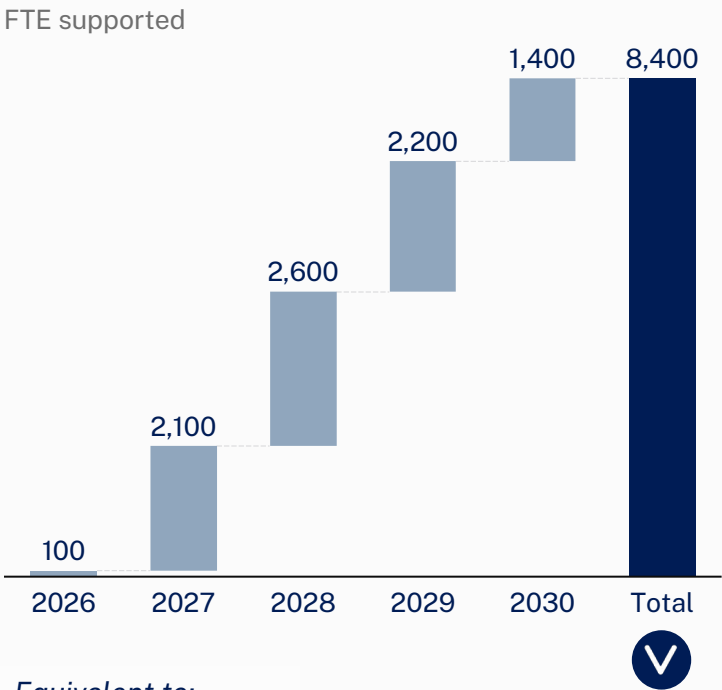
Removing taxes can increase investment ...



this will support economic growth ...



... and increase employment across Australia



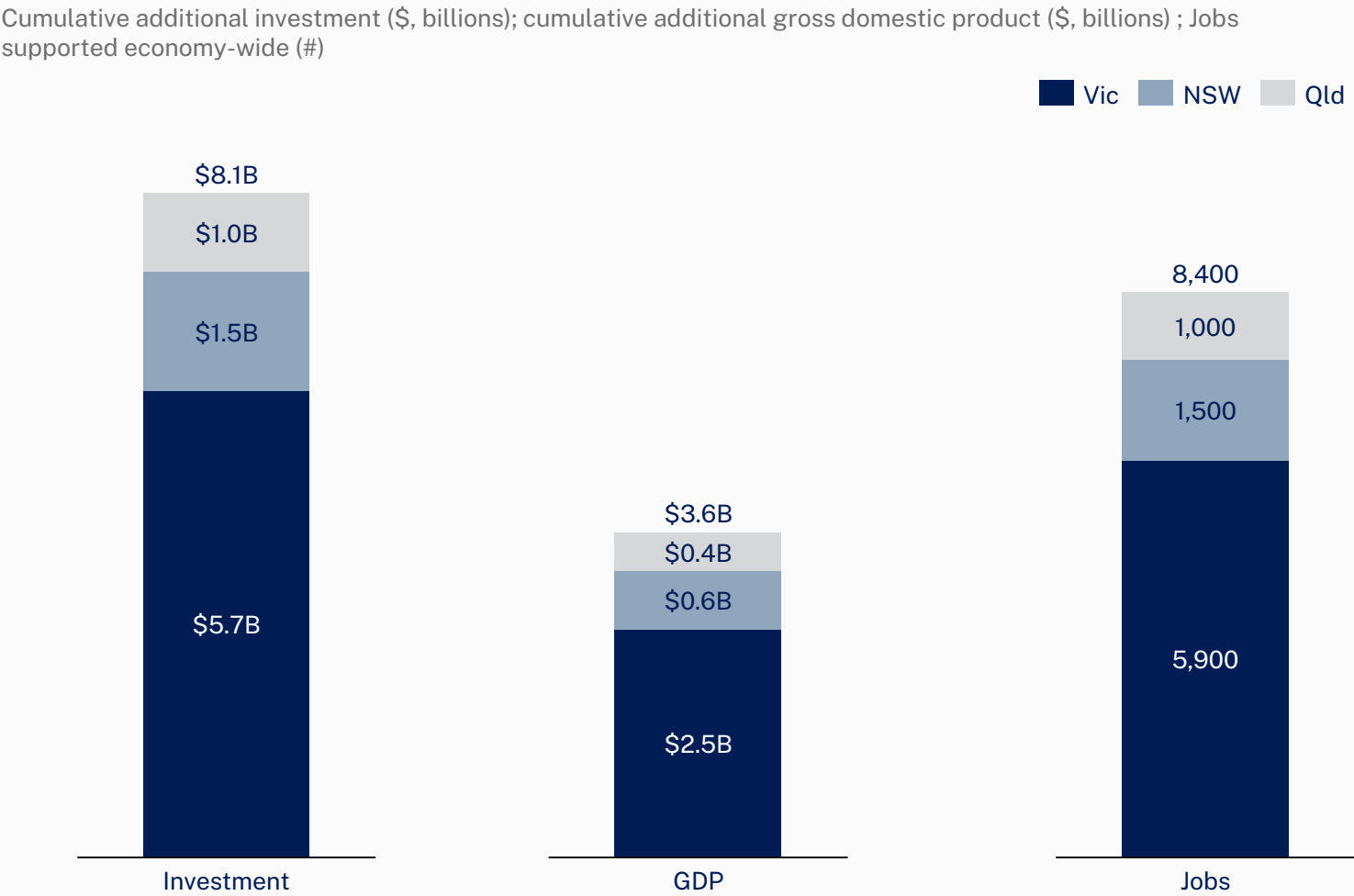
Victoria will benefit the most, capturing \$5.7 billion in investment, \$2.5 billion in GDP and 5,900 jobs by 2030

Victoria will benefit the most from removing global investor taxes, capturing \$5.7 billion in additional investment by 2030. This translates to \$2.5 billion in additional GDP and supports 5,900 jobs across the state's economy.

Queensland is also expected to see substantial gains, with \$1.0 billion in additional investment, generating \$0.4 billion in GDP growth and supporting 1,000 jobs by 2030. NSW receives \$1.5 billion in investment, contributing \$0.6 billion to GDP and creating 1,500 jobs.

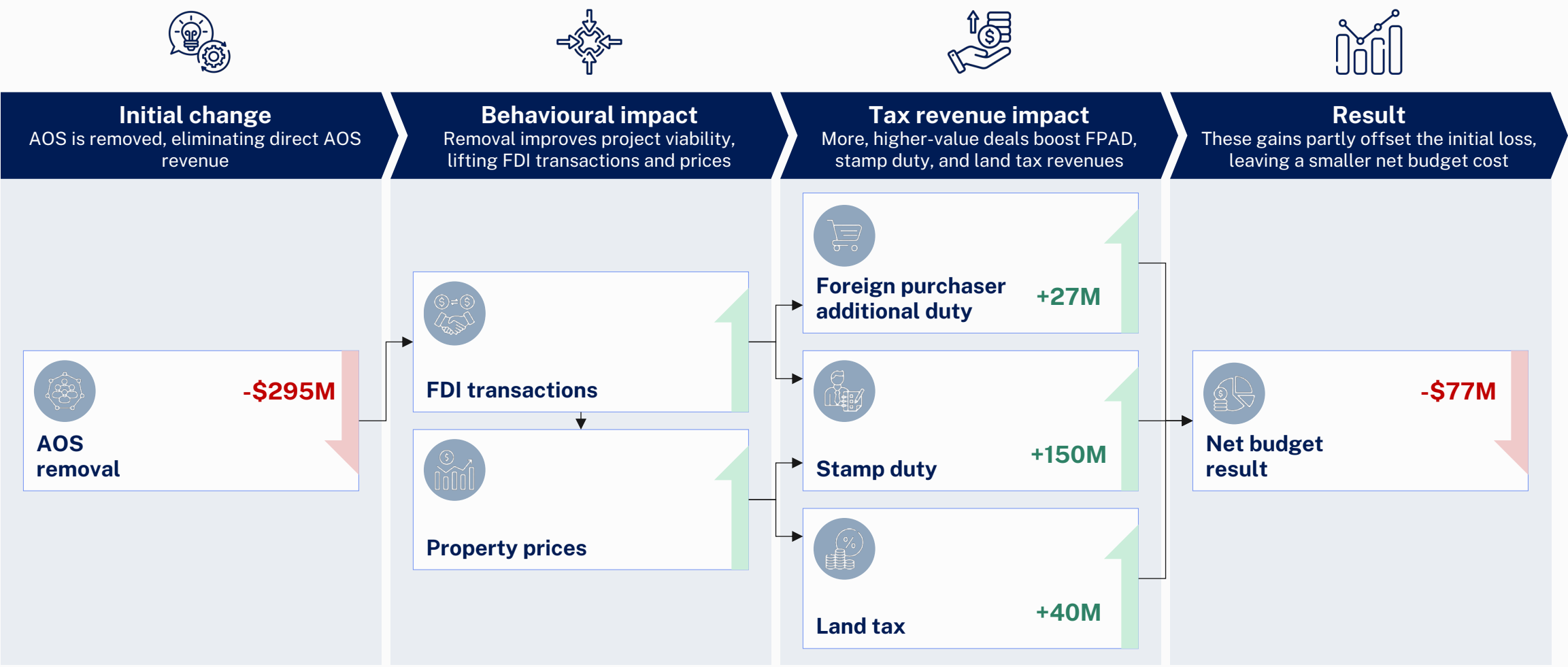
The economic benefits are apportioned according to each state's tax burden on global institutional investment and its historic ability to capture investment. Victoria captures the largest share as its tax has the largest base and the highest rate. Queensland receives moderate benefits due to its marginally lower tax rate. NSW secures a relatively large share because, although its tax applies only to residential property, it has historically drawn the most global institutional investment.

Impact of removing global investor land tax surcharges on institutional investors by state



Note: The ACT and Tas receive a small increase in investment.
Sources: McKibbin Software Group (2025) 20C Model; Mandala analysis.

Abolishing the AOS in Victoria would lift FDI transactions and raise secondary tax revenues, offsetting about 75% of the budget cost in FY2026



Source: MSCI data; Victoria Treasury Budget (2025) Victorian Budget 2025-26 Statement of Finances; Mandala analysis.

The benefits of abolishing the AOS in Victoria far outweigh the cost, delivering up to \$10 in GSP for every \$1 of net cost

Removing the global institutional investor surcharges unlocks new projects, lifts expected returns and brings capital back to Victoria. Investment rises by \$781 million in FY2026 as feasibility improves, reaching \$1.28 billion in FY2029 as approvals convert to construction and operations. Across FY2026–29, the policy draws an additional \$4.54 billion of private investment into the state.

The GSP impact builds gradually as projects mobilise. GSP lifts by \$14 million in FY2026 before reaching \$789 million in FY2029 as activity peaks across construction, professional services and supply chains. The cumulative GSP over the period is \$1.58 billion, reflecting both the scale of the pipeline and the timing of delivery.

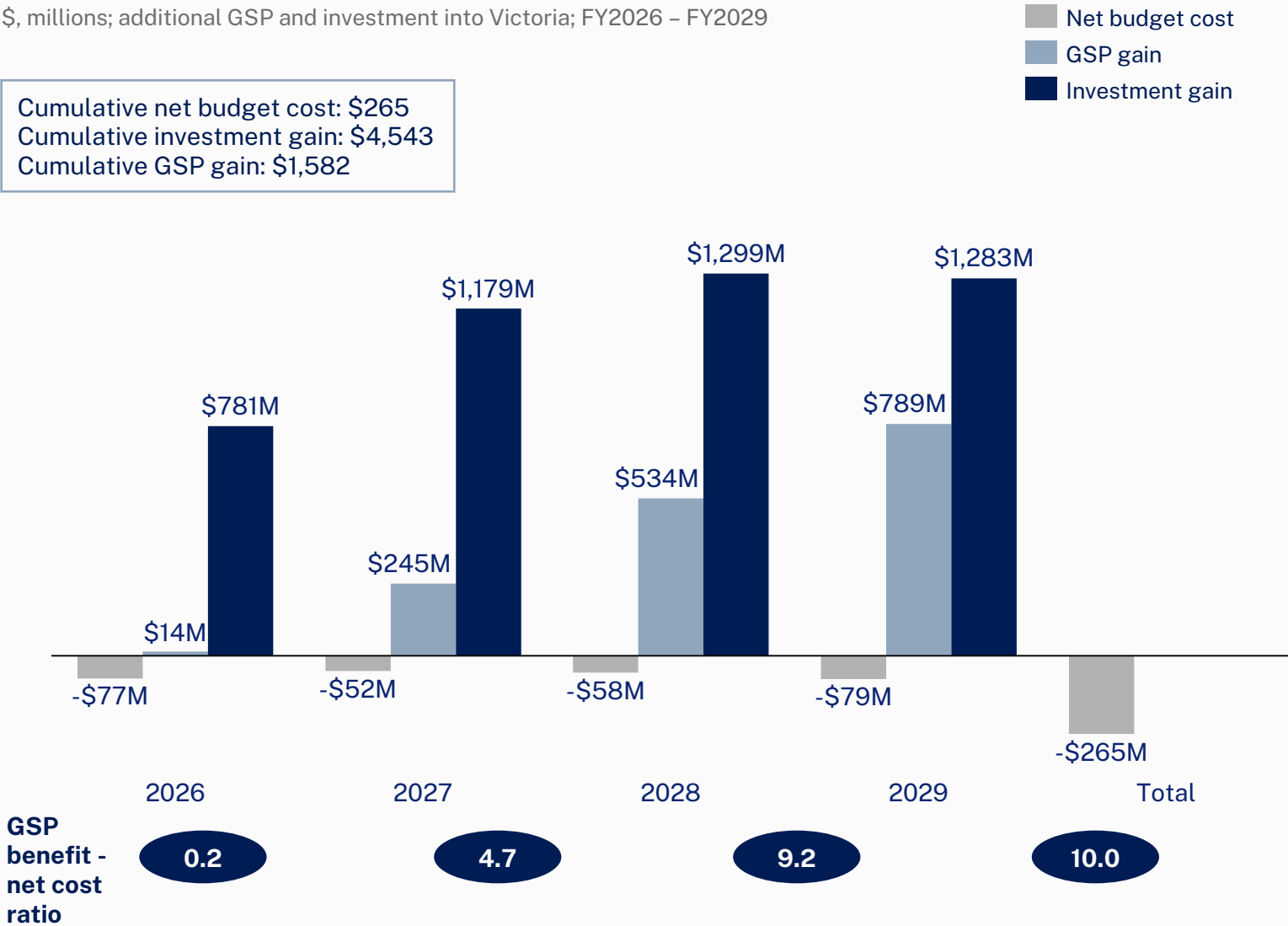
The budget trade-off is small relative to the payoff. Net budget costs are between \$52 and \$77 million annually, totalling \$265 million. This translates to a GSP-to-net-budget-cost ratio that peaks at 10:1 in FY2029, with a cumulative ratio of ~6:1 across the four-year period.

Note: National gains are produced using a CGE model, then apportioned across states according to each state's tax burden on global investment and its historical ability to capture investment.

Economic impact of removing global investor surcharges on institutional investors in Victoria

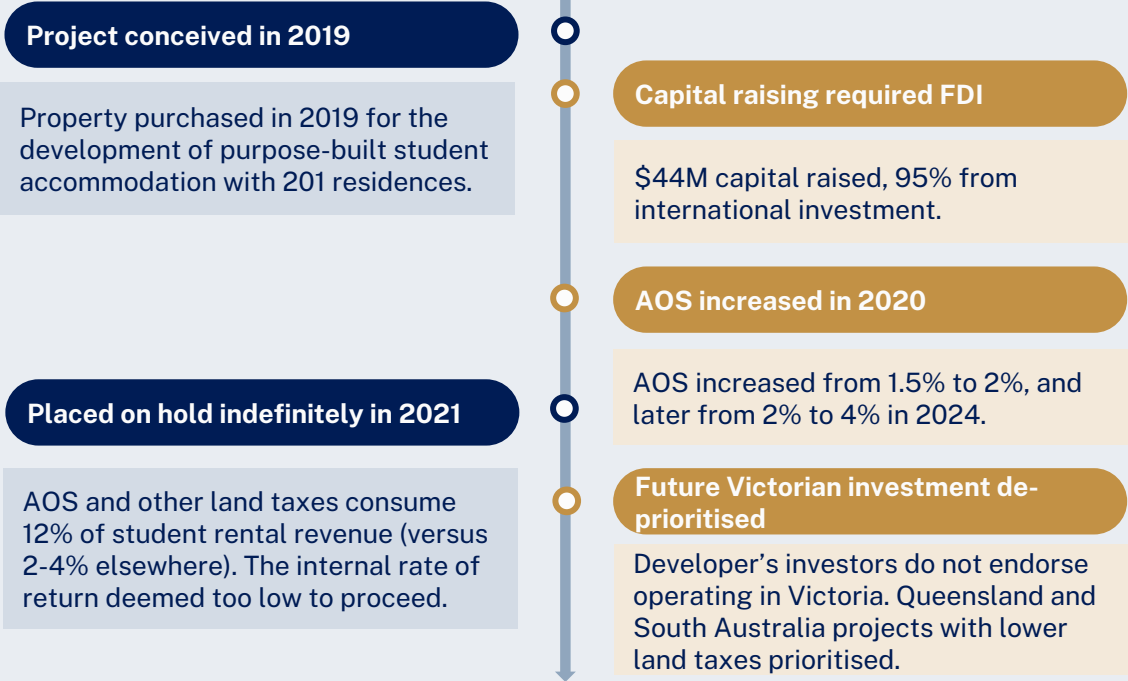
\$, millions; additional GSP and investment into Victoria; FY2026 – FY2029

Cumulative net budget cost: \$265
Cumulative investment gain: \$4,543
Cumulative GSP gain: \$1,582



The AOS has prevented the development of a 201-bed student accommodation in Melbourne

Project timeline



- The postponement of the project resulted in a loss of:**
- \$2M in capital gains tax
 - \$1.5M income tax from construction jobs
 - \$0.3M income tax during operational phase

Source: Stakeholder consultation; Mandala analysis.



201 homes lost



\$60M in lost construction activity



50 construction workers

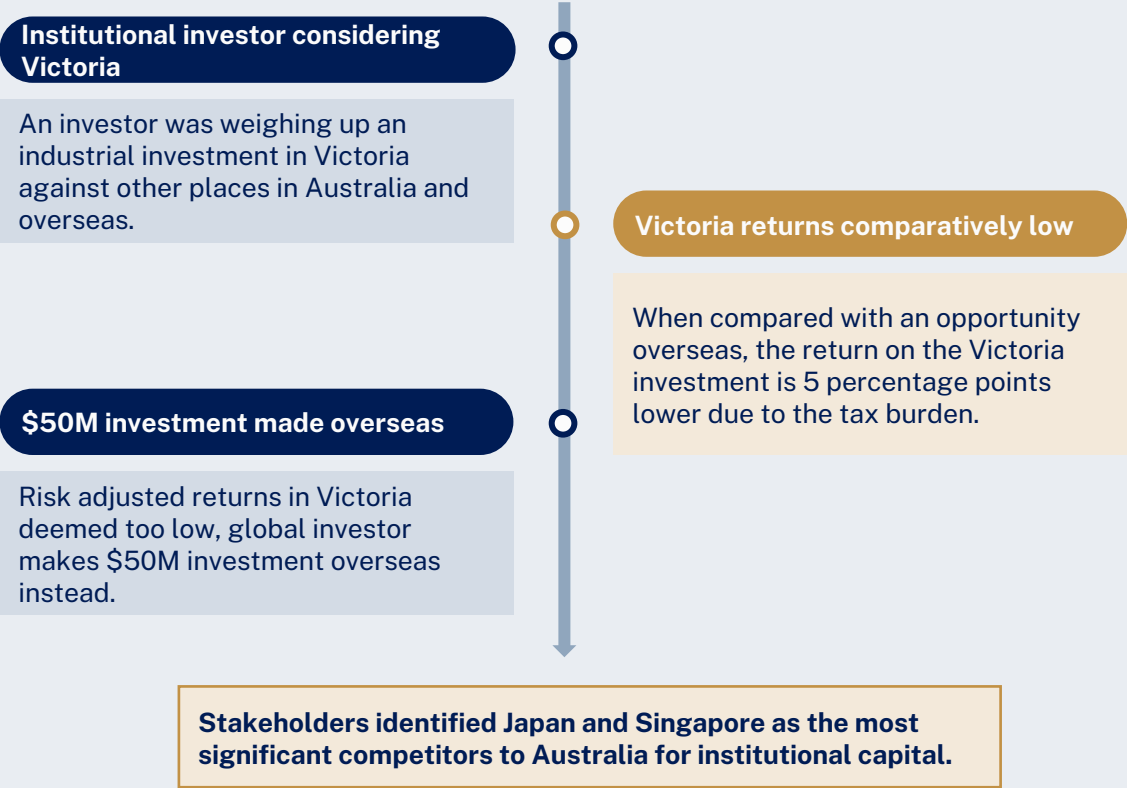


10 ongoing employees

Student accommodation
Melbourne CBD

Global institutional investors are shifting to overseas markets in response to low returns in Victoria

Project timeline



 **\$50M in lost investment redirected to overseas markets**

 **Loss of employment opportunities for Victorians**

Industrial Estate

Victoria



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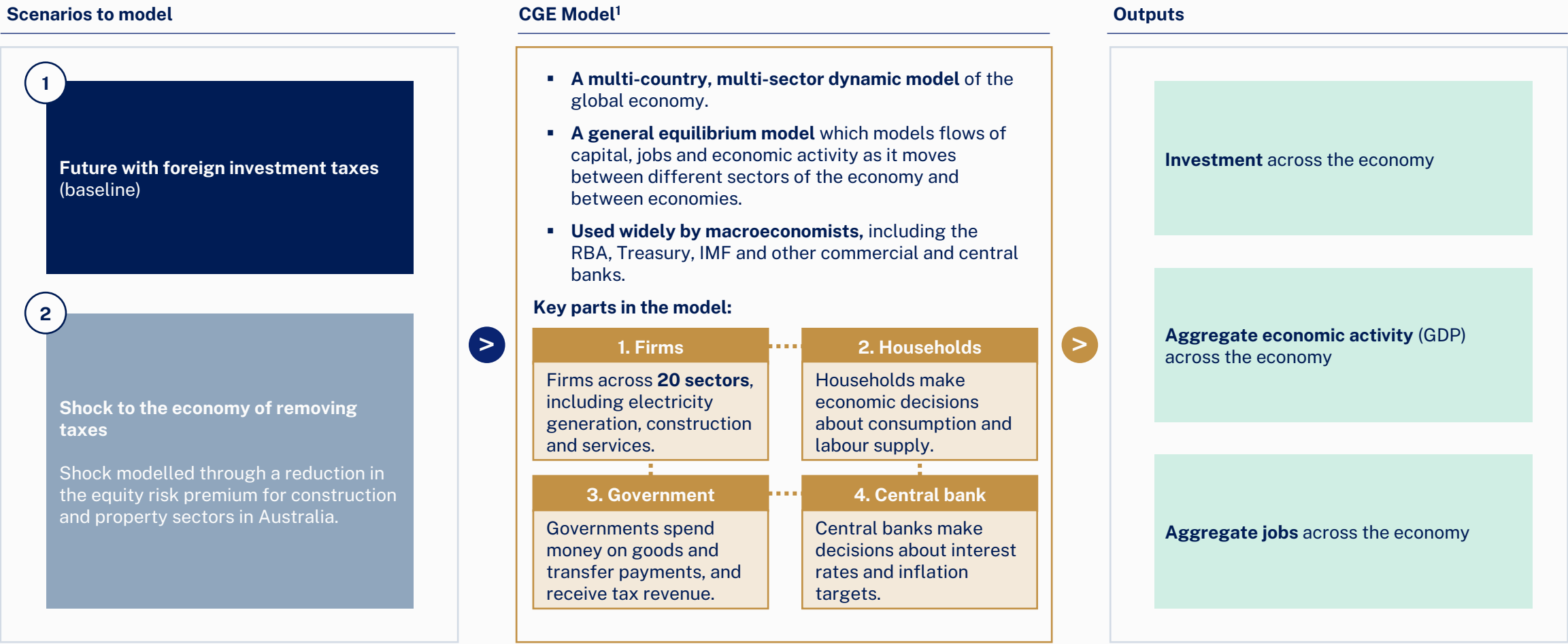
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Appendix

Glossary and Definitions

Term 	Definition in the context of this document 
FDI (Foreign Direct Investment)	Investment from overseas investors into Australian assets or projects. Often measured as flows into property acquisitions and developments.
Global institutional investment	FDI from large professional investors such as pension funds, sovereign wealth funds, insurers, and REITs; not individuals.
Land tax	An annual tax on the unimproved value of land, applied by states.
AOS (Absentee Owner Surcharge) - Victoria	An annual land tax charged to foreign owners of Victorian property, on top of standard land tax.
Foreign Surcharge - Queensland	An additional annual land tax on foreign owners in Queensland, covering most commercial land.
Stamp duty (transfer duty)	A one-off tax paid on a property purchase.
FPAD (Foreign Purchaser Additional Duty) - Victoria	Extra stamp duty for foreign buyers of residential land in Victoria.
AFAD (Additional Foreign Acquirer Duty) – Queensland	Extra stamp duty for foreign buyers of residential land in Queensland.
GDP (Gross Domestic Product)	The total value of goods and services produced in Australia. Used to show national economic impact.
GSP (Gross State Product)	State-level equivalent of GDP. Used to show state economic impact.
CGE (Computable General Equilibrium) model	A multi-country, multi-sector Computable General Equilibrium model used to estimate economy-wide impacts of policy changes on investment, GDP, and jobs.

Mandala has used a CGE modelling approach to assess the impact of removing additional taxes on global investment



Note: 1. McKibbin and Triggs (2018) *Modelling the G20*.
Sources: McKibbin Software Group (2025) *20C Model*; Mandala analysis.

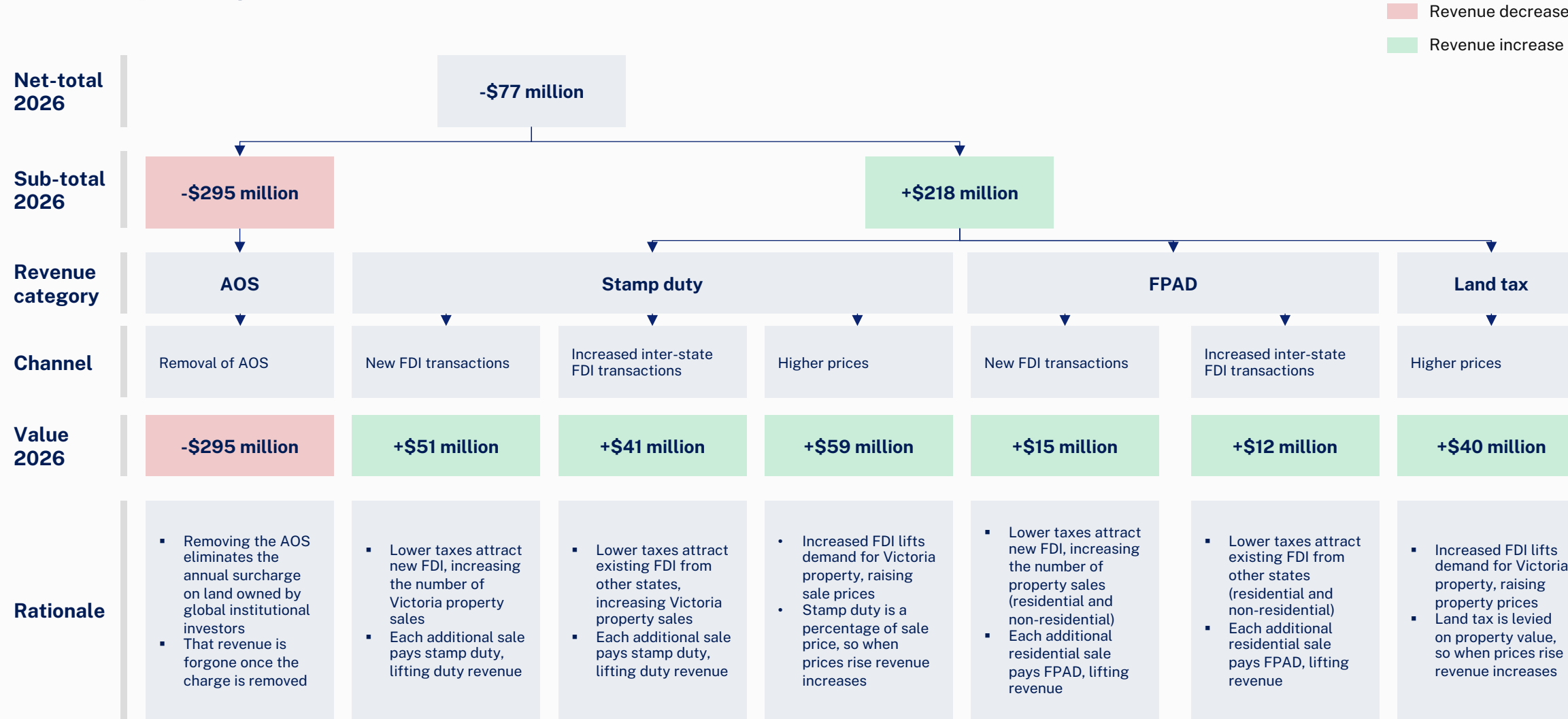
The input to the CGE model is calculated using components sourced from state governments, MSCI and research papers



CGE Input: The input is a reduction in the equity risk premium for construction and property sectors, representing lower required returns due to decreased foreign investment taxes. The CGE model then determines the economic response of this change.

Component	ACT	NSW	Qld	Tas	Vic	Source	Notes
Expected return of property sector	8.4%	8.4%	8.4%	8.4%	8.4%	Vanguard, ASX300 A-REITS property index (VAP)	Average total return over 10 years
Proportion of total investment that is global in property	29%	29%	29%	29%	29%	MSCI, % total investment that is foreign 2016-2025	
Tax rate of each state	-0.75%	-5%	-3%	-2%	-4%	State government websites	Only covers additional land taxes levied on foreign investors
Proportion of investment that taxes apply to	6%	6%	29%	6%	55%	% of investment residential for ACT, NSW and Tas - Qld and Vic based on budget papers and MSCI	- Vic has build-to-rent exemptions of 100% relief - Qld has some build-to-rent exemptions, however, they are difficult to receive
Proportion of total value that is land	61%	66%	51%	61%	66%	RBA, The Effect of Zoning on Housing Prices	Other states are the average values of NSW, Qld, Vic and WA
State proportion of overall foreign investment	1%	50%	15%	<1%	27%	MSCI, % total investment 2011-2025	

The net budget impact of removing the AOS was estimated by analysing changes in stamp duty, FPAD and land tax revenues

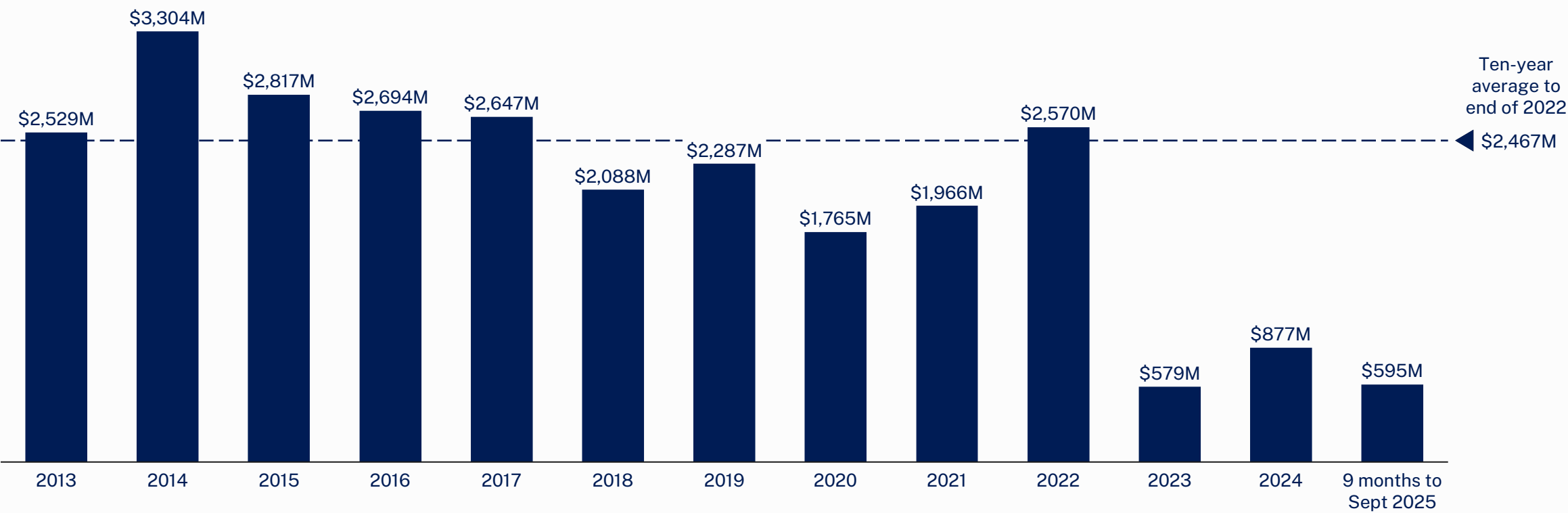


Source: MSCI data; Victoria Treasury Budget (2025) Victorian Budget 2025-26 Statement of Finances; Mandala analysis.

Transaction volumes in the Melbourne CBD office market have declined significantly

Melbourne CBD Office transaction volumes by year

\$, millions; 2013 – 2024



Source: JLL REIS data analysed by Mirvac Research (disclaimer next page)

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