



# HELPING AUSTRALIA BOUNCE BACK

A Plan for Economic Revival



May 2020

# FOREWORD

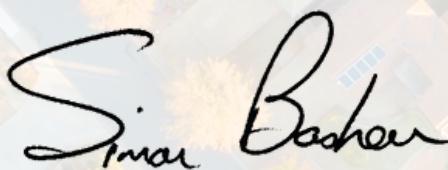
The residential development sector seeks to play a constructive role in both sustaining Australia's economy during the COVID-19 related downturn and supporting a swift recovery.

We applaud the Government's endeavours in sustaining healthy capital and financial markets, supporting economy-wide stimulus and undertaking targeted intervention where appropriate – as well as providing a world-leading response to the health risks. This includes allowing construction sites to continue, subject to the application of appropriate health and safety rules. The housing and construction sectors play a crucial role in the nation's economy – accounting for 7.5 percent of growth, and generating 750,000 direct and indirect jobs, according to independent research undertaken by EY on behalf of UDIA.

A vibrant housing and construction sector – with its multiplier effect for demand and services generated across supply chains – is more crucial than ever given the short- and medium-term forecasts for economic growth and unemployment. That is why UDIA National has prepared the attached briefing paper on policy initiatives that are tangible, measurable and can be easily implemented – consistent with the approach the Government has taken during the pandemic.

They are also focused exclusively on the immediate term given the economic task at hand, whereas our more medium and long-term policy goals were articulated in documents such as the Budget Submission and earlier COVID-19 action plan. These recommendations position the industry to partner with governments on moving from 'economic stabilisation' to turbocharging the recovery – with the priority being immediate stimulus to new housing construction.

Government leadership and action, in partnership with the states, will foster a swifter, stronger, more sustained recovery across both the housing and construction sector, and the broader economy.



Simon Basheer  
UDIA National President

# INTRODUCTION

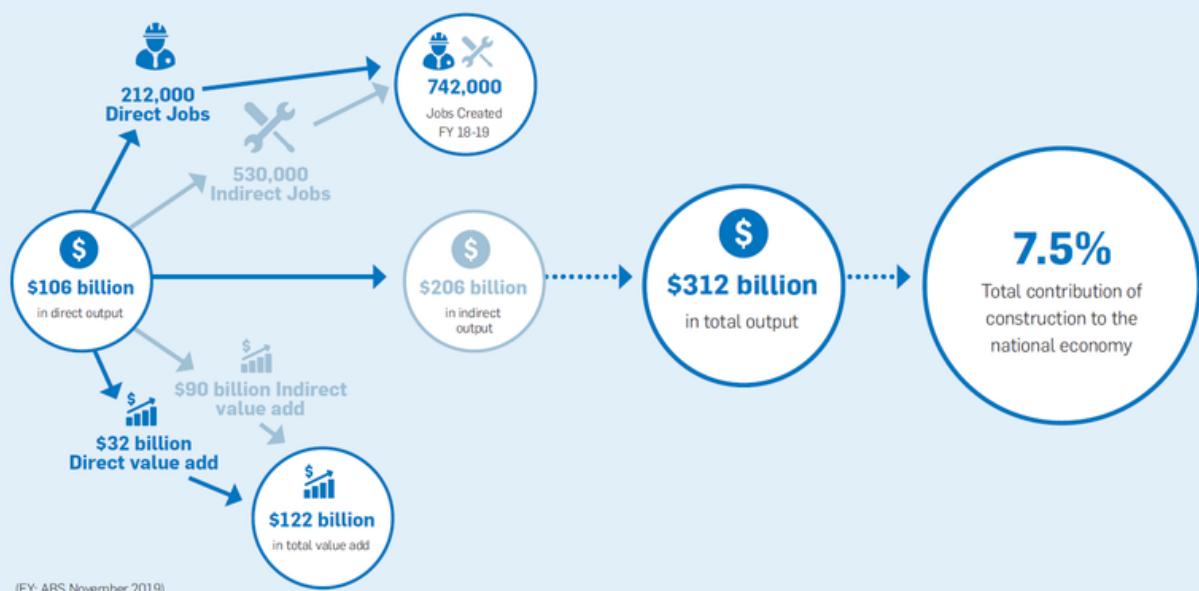
UDIA's National's "Bounce Back" advocacy plan focuses on a set of tangible and implementable policy priorities and reform areas to enable the housing and construction industry to be a major springboard sector for the Australian economy to rebound from COVID-19.

The nation's urban development sector is well placed to play a vital role in the economic recovery of the nation and with targeted collaboration from Federal, State and Local governments, the platform for recovery is available.

Development and construction generate 7.5% of the nation's economic output according to independent research undertaken by EY on behalf of the Urban Development Institute of Australia (UDIA) – along with 750,000 direct and indirect jobs (212,000 jobs directly).

The property industry is the nation's largest employer with the multiplier effect for demand and services generated right across its supply chains, it is crucial for domestic consumption and economic growth resulting in \$312 billion in direct and indirect output across the economy.

The current industry benchmark for the jobs multiplier is that for every \$1 million spent in construction: 2 direct FTE construction jobs would be created, 3 indirect FTE jobs in supporting industries such as engineering, machinery and materials, and 2 induced FTE jobs would be created in sectors which provide the goods and services to meet the consumption needs of the direct and indirect jobs created.



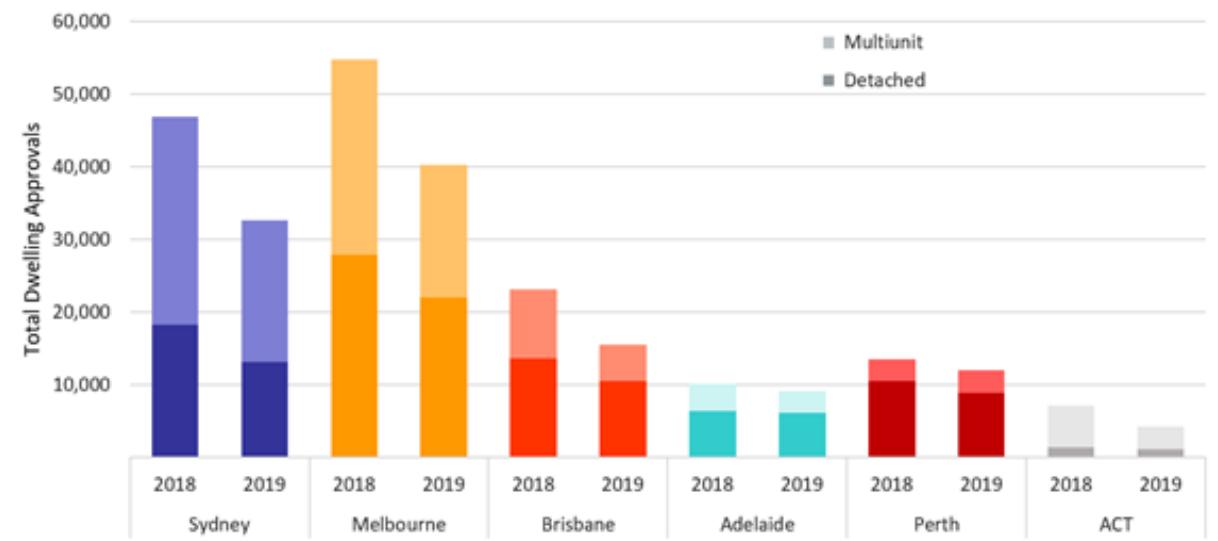
# INDUSTRY STATE OF PLAY

The impacts of COVID-19 are being felt far and wide across the economy and the property industry is not immune. With some positive signs emerging in the industry in the six months leading up to mid-March 2020, the industry was experiencing some much-needed stabilisation moving into a growth phase following on from the challenges felt over the past 2 years. With the onset of COVID-19 this all changed with a short period of time.

## Member feedback and research published indicates:

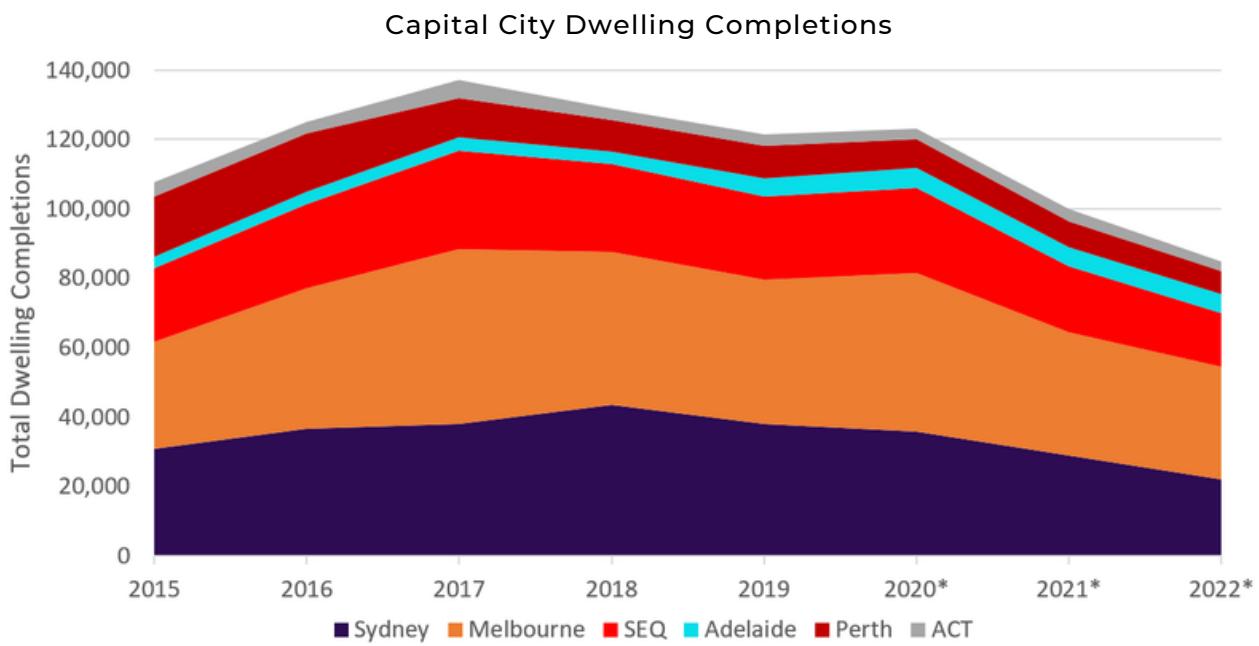
- Enquires have decreased by 50%+ across most new projects and there has been a corresponding fall in sales conversions.
- Contract cancellations and settlement defaults have increased significantly (which in some markets, members estimate this being up to 25-30%) – in the case of finished stock this impacts developer cash flows restricting new development, and in the case of “off-the-plan” sale projects, this will significantly delay new construction activity at a time of already diminishing supply.
- Most of the major financial institutions are now placing more onerous credit conditions on consumers (especially for self-employed applicants) in order to manage their loan book risk.
- UDIA’s 2020 National State of the Land report indicates that dwellings approvals across all regions are in decline and with a demand lull at present and lead indicators all pointing to minimal recovery without intervention for new pipeline projects, this trend is unlikely to reverse in the short-medium term.

Capital City Dwelling Approvals - 2018 & 2019



Source: UDIA State of the Land (2019); ABS

- Major home builders order books are relatively solid until the middle of this year (from contracts signed 6-12 months ago) but then ‘drop off a cliff’ from this time onwards. New home starts are forecast to fall to c.110-120,000 for this financial year (near lowest on record) well down on the historical run rate of c.180,000 starts that the industry delivers.
- Inner city apartments under construction is now trailing its mid-2018 peak by 30%. Completions in 2020 are expected to be c.37% below 2017 levels and fall further into 2020 to be c.60% below the peak.
- Rents and rental yields for housing have fallen – and are likely to see exaggerated effects as the concentration of job losses in part-time employment takes hold, posing a further risk to the investor market. This will be further amplified when the moratorium on tenancy evictions current in place in many states ceases later this calendar year.
- With the timeframe of new projects commencing being extended, low buyer confidence will likely not commit to a project several years from completion, hence many more projects will be delayed or abandoned further impacting the already poor supply in the pipeline for 2022 onwards.
  - **Sydney** - approvals down 23% in the 12 months to March 2020, and 43% since the peak in September 2016
  - **Melbourne** - approvals down 8% in the 12 months to March 2020, and 32% since the peak of June 2018
  - **Brisbane** - approvals down 18% in the 12 months to March 2020, and 50 percent since the peak of April 2016.
- Many of UDIA’s developer, consultant and contractor members have already been forced to downsize their businesses with redundancies, stand-downs and reduced working hours being common.
- Forward estimates of completions through to 2022 (summarised prior to the impacts of COVID-19), indicate a significant deterioration across all regions.



Source: UDIA; ABS; CoreLogic; Research4

# A CLEAR CASE FOR IMMEDIATE FEDERAL GOVERNMENT STIMULUS

The current adverse leading indicators is compelling and UDIA believes there is an urgent need for Federal Government intervention to introduce new housing stimulus measures to kick start activity and employment and mitigate further downside scenarios. A significant proportion of the 212,000 direct and over 740,000 direct and indirect jobs this industry employs will continue to be at risk.

Without this intervention, there is a risk that a severe downturn in housing construction will add to the economic malaise caused by COVID-19, undermine the pace of needed recovery place at risk a significant proportion of the 212,000 direct jobs and over 700,000 direct and indirect jobs the industry creates.

## **Federal Government Actions to date**

The Government has been proactive in emergency economic measures over the past few months with initiatives such as Job Keeper/Seeker, targeted industry intervention, instant asset write offs and a resolute focus on the health and wellbeing of the Australian population.

However, most developers are unable to hibernate their businesses and have not received assistance from JobKeeper and their willingness to invest is now crucial for the ongoing economic contribution and multiplier of jobs in the supply and delivery chain.

UDIA applauds these measures which had a significant impact in slowing the 'free-fall' of the Australian economy. These include:

### **Capital Markets & Liquidity**

- Bond market intervention
- Interest rate reduction
- Lower capital requirements
- SME and household lending

### **Economic Stimulus**

- Job Keeper
- Job Seeker Supplement
- Income support
- Superannuation access
- SME cashflow payments
- Instant asset write off
- Deduction offsets
- Apprentice retention support

### **Targeted Intervention**

- Aviation industry support
- Tourism-specific package
- Interim IR award reforms
- Accelerated infrastructure pipeline

### **State-based**

- Land tax relief
- Waiving payroll tax
- Waiving energy and water charges
- Accelerated planning approvals
- SME grants



# LOOKING AHEAD: THE NEED FOR ACTION

Given the current environment, UDIA National believes it is now time to move from the trajectory of economic stabilisation to one of economic recovery with immediate federally led stimulus to re-kick start the housing market to deliver immediate economic benefits, which will flow through to a recovery in the medium term.

Without this intervention, the Federal government's current economic "defensive" measure will likely need to continue for an extended period costing billions and adding further to the budget deficit.

A demand stimulus to an industry as wide reaching as housing construction and development will have a strong and swift economic multiplier on employment and the economy. As one of the nation's largest employer, our industry is ready and able to rise to the challenge.

There is a myriad of actions a Federal government could implement however UDIA recommends that a focussed and targeted approach rather than a large set of initiatives that will take time to have approved and implemented is warranted given the difficult current operating environment.

Stimulus to housing development carefully calibrated with investment in enabling infrastructure projects – roads, power, water and sewer that can be delivered within the next 12 months (using the established investment processes for NHFIC) can then directly stimulate "shovel ready" housing, will enable a pipeline for growth into the future. This delivers a 'double dividend' for government investment with new infrastructure delivering immediate jobs during the construction phase and then a pipeline of housing and jobs delivered in the next twelve months.

UDIA has consulted widely throughout our extensive federated structure and is recommending a targeted range of initiatives that are measurable, tangible and immediately implementable at the Federal level as well as a series of actions that should also flow from other tiers of government.

## A STIMULUS FOR IMMEDIATE HOUSING CONSTRUCTION

\$4.5BN Housing Stimulus Fund

## MAJOR PROJECT ASSESSMENTS

Clearing the EPBC blockages

## A FOCUS ON FIRST HOME BUYERS

Expand First Home Buyers Deposit Gap Scheme

## IMMIGRATION AT THE CENTRE OF ECONOMIC RECOVERY

Increase immigration levels consistent with health protocols



# A PLAN FOR ECONOMIC REVIVAL

## A STIMULUS FOR IMMEDIATE HOUSING CONSTRUCTION

### DETAILS

- Direct federal government of a \$50,000 consumer new “Home starter” incentive for dwelling construction targeting 60,000 new starts in 24 months.
  - 10,000 new slabs down - 30th September 2020;
  - A further 10,000 new slabs down - end Dec 2020;
  - A further 10,000 new slabs down - end March 2021;
  - A further 10,000 new slabs down - end June 2021;
  - Balance of 20,000 to occur by Dec 2021.
- This should not be means tested, rather encourage the construction of new housing at all levels.
- Incentive payable at housing slab stage within stated timeframes of signing a contract
- Split the allocation between capital cities and regions on a two-thirds to one-thirds basis, and tailored to reflect local market and geographic conditions.
- Prioritise and accelerate investment in enabling infrastructure projects with \$1 billion of Federal funding to be matched by State co-funding to deliver \$2 billion for roads, power, water and sewer that can be delivered within 12 months, which can then directly stimulate “shovel ready” housing that provides:
  - A focus on targeted interventions that will enable new housing to be delivered now and a pipeline for growth into the future.
  - Deliver a ‘double dividend’ for government investment with new infrastructure delivering immediate jobs during the construction phase and then a pipeline of housing and jobs delivered in the next twelve months.
- Implement a \$500m ‘red tape’ fund (managed by NHFIC) to reward states and territories that cut major project assessment regime timeframes in half currently stalling “shovel ready” housing projects

### BENEFITS

- Create a sustained cycle of housing construction that also boosts affordability.
- Generate immediate employment opportunities right across the supply chain.
- Fast-track investment in infrastructure and generate “double dividend” for government.
- Initiate greater efficiency in planning systems and deliver development activity.

# MAJOR PROJECT ASSESSMENTS

## DETAILS

- The Commonwealth Government accelerate a series of deadlines for major housing projects currently caught in the EPBC assessment regime.
  - All projects that entered the assessment regime prior to July 1, 2019, be guaranteed a decision by July 1, 2020
  - All projects that entered the assessment regime prior to January 1, 2020, be guaranteed a decision by October 1, 2020; and
  - All projects that enter the assessment regime prior to June 30, 2020, be guaranteed a decision by January 1, 2021.

## BENEFITS

- Create a pipeline of major housing projects to meet demand and maintain economic activity.
- Match the Government's red tape reduction agenda.



# A FOCUS ON FIRST HOME BUYERS

## DETAILS

- The Commonwealth Government release a second tranche of 10,000 places under the First Home Buyers Deposit Gap Scheme with an exclusive focus on generating new housing and apartment stock.
- The commencement of this scheme should coincide with the start of the new financial year – July 1, 2020.
- Better match the price thresholds embedded in the scheme to median house prices in each capital city or geographic zone.

## BENEFITS

- Maximise the gains already made by the FHB Deposit Gap Scheme.
- Support new housing construction to boost employment.

# IMMIGRATION AT THE CENTRE OF ECONOMIC RECOVERY

## DETAILS

- Support Immigration level of 200,000 persons per annum for FY21 and FY22, recognising the need to:
  - Apply mandatory 14-day isolation and a rigorous healthy testing regime to ensure appropriate protection measures in place.
  - Focus on incentivising and attracting skilled and student migration to boost economic output.
  - Focus on streamlining permanent migration assessment timeframes and criteria to improve balance of the proportion of taxpayers and non-taxpayers given Australia's rapidly ageing population.
  - Ensuring the revised immigration plan is factored into updates of the National Population Plan.

## BENEFITS

- Economy-wide demand and skills generator.

# WORKING COLLABORATIVELY WITH THE STATES

## SMARTER INFRASTRUCTURE

### DETAILS

- Prioritise and accelerate investment in major infrastructure projects that can also be leveraged to immediately stimulate “shovel ready” housing. This would incorporate a Federal and state focus on social and affordable housing delivery measured against key targets.
- Auditing all major infrastructure projects currently underway to ensure land use opportunities are being maximised.
- It will also allow the Commonwealth and State Governments to scan the Infrastructure Australia Priority List for projects to be accelerated.
- Re-establishing the Asset Recycling Scheme will broaden the pool of capital available for the Commonwealth and States to seed investment.

### BENEFITS

- Stimulate demand and construction, including jobs and wages up and down supply chains.
- Fast-track investment in major infrastructure.
- Maximise the housing and land use opportunities from infrastructure investment, including affordable and social housing.

## RE-ATTRACT FOREIGN CAPITAL

### DETAILS

- Eliminate federal and state foreign investor charges to recapture offshore capital as the global economy recovers, with a 12-month review trigger.
- Ensure the Foreign Investment Review Board strictly adheres to the 30-day ceiling on applications for exemption certificates for the purchase of new house-and-land or apartment dwellings.

### BENEFITS

- Re-emergence of global capital and international buyers to underpin projects as and activate new supply.

## PROMOTING HOUSING INVESTMENT AND AFFORDABILITY

### DETAILS

- Remove stamp duty on new home purchases for the next 12 months to mitigate the impact of this punitive transaction tax.
- Incentivise state and local governments to cap developer contribution regimes at their current levels and place a 24-month moratorium on any increases.
- Balance the MIT regime for Build-to-Rent with a focus on land and withholding and other taxation incentives to support the emergence of a strong mix of product in the rental market.
- Develop a process for commissioning and identifying the pathway to longer-term tax reform.

### BENEFITS

- Broad economic dividend from diminishing the application and effect of one of the nation’s most punitive taxes.
- Build to rent sector to be an avenue to deliver much needed quality rental stock.
- Lower the cost of housing.

# ABOUT UDIA NATIONAL

UDIA is the development industry's most broadly representative industry association with more than 2,500 member companies – spanning top tier global enterprises and consultants to local governments and small-scale developers.

We have a long history of engaging positively with the Federal Government on issues critical to the property industry – spanning tax, population, infrastructure, land use planning and beyond.

UDIA National's advocacy is defined by our National Council – but informed by a diverse membership base, extensive network of state councils and committees and businesses on the frontline of housing development. Our voice is backed by real experience and quality research designed to support good policy making and dialogue with governments, oppositions and the bureaucracy.





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