



A Plan for Prosperity

UDIA National's 2022
Federal Election Policy Platform

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From the UDIA National President

With Federal and State debt climbing to over \$1.5 trillion, housing construction will play a key role in Australia's post-pandemic economic recovery.

The development industry's significance has never been more evident than over the past two years as Australia battled both the health and economic effects of COVID-19. We were vital in keeping Australians employed and the economy stimulated through this incredibly challenging time.

Development and construction is an important engine room of the economy, critical to productivity. The construction sector delivers some 9% of Australia's GDP and creates jobs for 1.145 million Australians - one of Australia's largest employers. And every dollar invested into residential housing construction delivers \$2.90 in broader economic activity.

As Australia gets back on track, and with international borders now opening, immigration will need to recommence to address the growing skill shortage. Housing development and construction will be vital to underpinning the economy and meeting accelerating demand created by an increasing population.

Now is the time to continue leading Australia's economic recovery by providing jobs, raising productivity and a creating housing opportunities for all Australians.

Strong demand through stimulus such as HomeBuilder has exposed a historically thin and declining supply pipeline. Pandemic-driven material and labour shortages mean Australia is set to experience further deterioration in housing affordability unless the market is primed now to deliver a healthy supply of new housing.

This will take a concerted effort across all of government to combat the long-term structural issues which continue to increase the timeframes and the costs of delivering new housing across the spectrum. These issues need to be addressed urgently - now is not the time for complacency - else we risk falling behind further in the housing affordability stakes.

Housing supply shortages continue to be a long-running issue in Australia. Prior to the onset of the pandemic underlying dwelling demand across Australia was around 192,400 per annum - a gap of around 26,000 homes against the long-run average of supply of 166,400. NHFIC's State of the Nation's Housing 2021-22 report predicts that after a few years of abatement, underlying demand will again outstrip supply from 2025 onwards by circa 20,000 homes per year - 160,000 short in total by 2032. With NHFIC data also showing it can take up to six years for new supply to reach the market, this problem will only continue to grow if significant reforms are not implemented now.

This document outlines UDIA National's clear plan to address the issues that impact our industry which, if properly implemented, will boost housing supply and affordability and help lead to greater prosperity for all Australians.

Maxwell Shifman

President

Urban Development Institute of Australia (National)



A Plan for Prosperity - Six Priority Pillars

UDIA National has identified six priority areas for Commonwealth Government leadership that will help drive recovery, boost housing supply and supercharge the national economy:



1. A Home for Everyone

Strategic incentives for greater housing supply choice and affordability.



4. Make Planning Systems Work More Effectively

Incentivise better planning for efficient delivery of cities and housing.



2. Population for Prosperity

Restart immigration, close the pandemic population gap and plan for growth.



5. Streamline Environmental Approvals

Design a single point of contact system to improve the EPBC.



3. Infrastructure for Liveable Communities

Overhaul planning, funding and delivery of infrastructure to grow cities and housing supply.



6. Keep Capacity & Create Efficiency

Keep credit available, expand the first home deposit scheme. Develop broad based tax reform.

Many of the priorities comprising UDIA National's election platform have been discussed for several years. UDIA National believes now is the urgent time to tackle these challenging issues because the speed in which our economy recovers from the pandemic depends on it.

By focusing on solutions to unshackle the development industry, we can continue to lead Australia's recovery through housing construction, counter the housing affordability crisis and come out of the pandemic stronger than we began.



Housing and Construction - The Economic Engine Room



9%

of **national economic activity** is generated by development construction (and was higher at the peak of the housing construction cycle).



1,145,000

total workers employed in the construction sector - making it one of the largest employers in the nation.



\$360bn

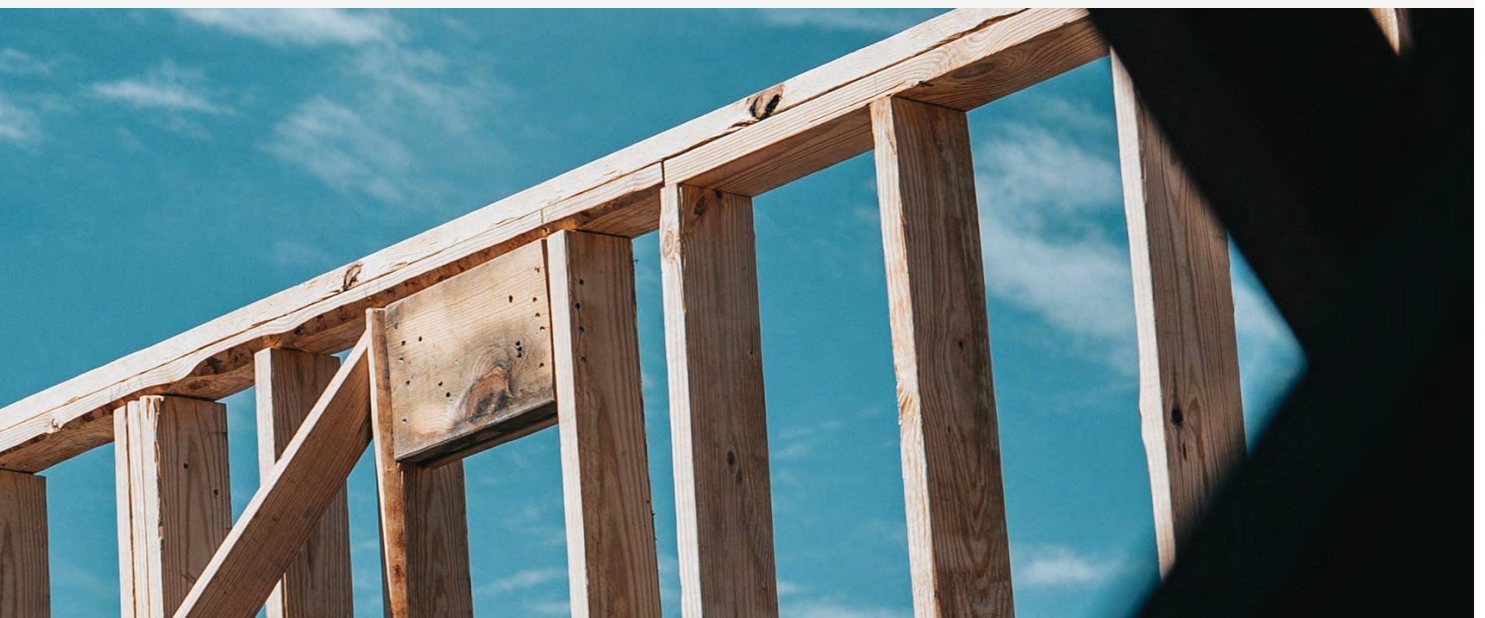
in direct and indirect **economic output** from new housing and construction (not including associated infrastructure).

Every dollar spent in housing and construction delivers **\$2.90** to the Australian Economy

Supports **11% of Australia's workforce**

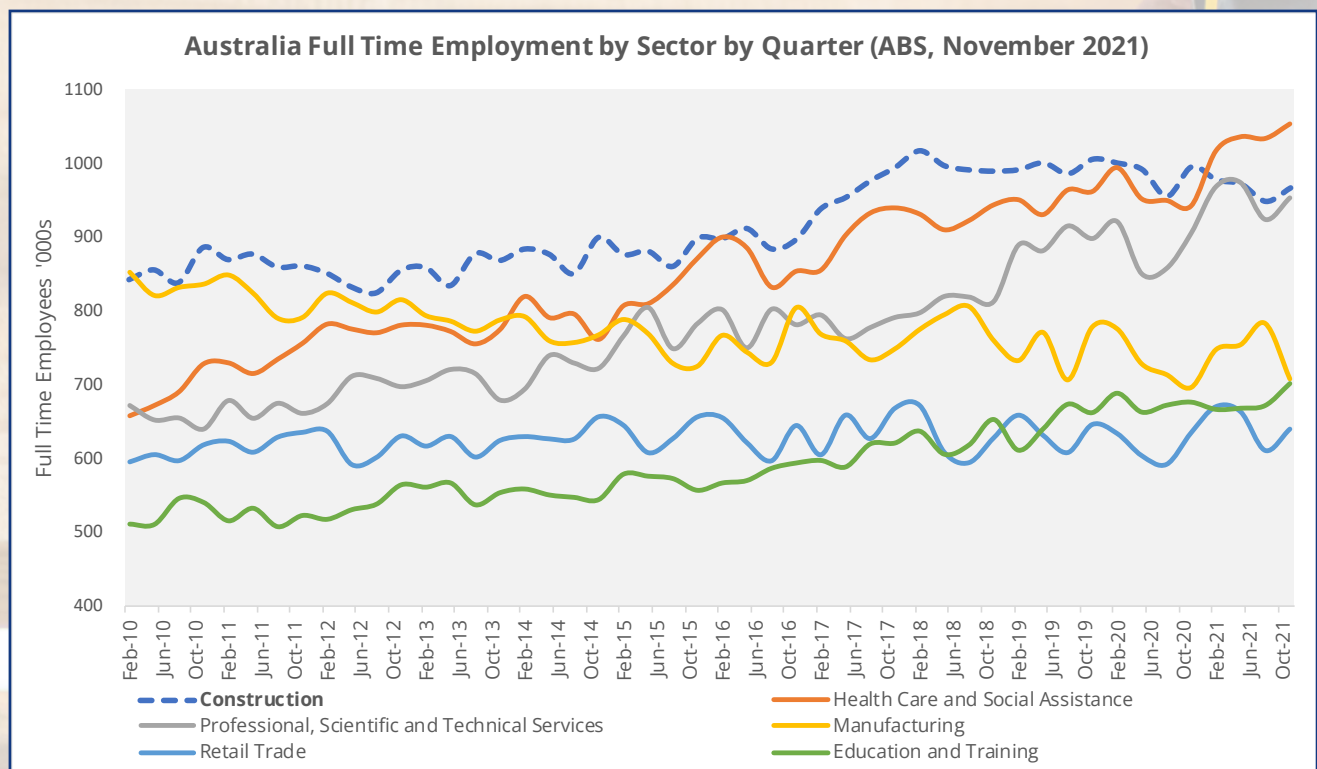
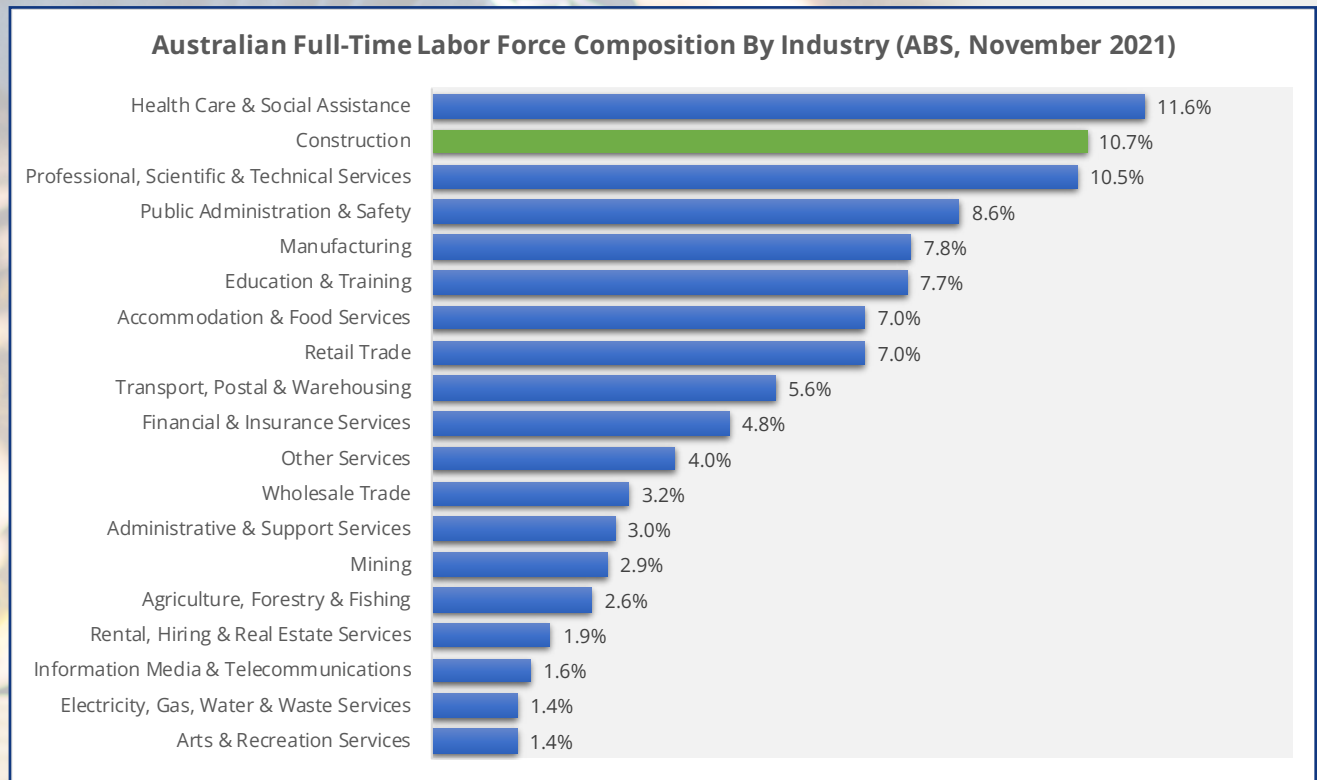
Every dollar spent on housing and construction is distributed between **40+ trades and businesses**

The industry significantly **boosts secondary markets** including manufacturing and retail



Housing and Construction - The Economic Engine Room

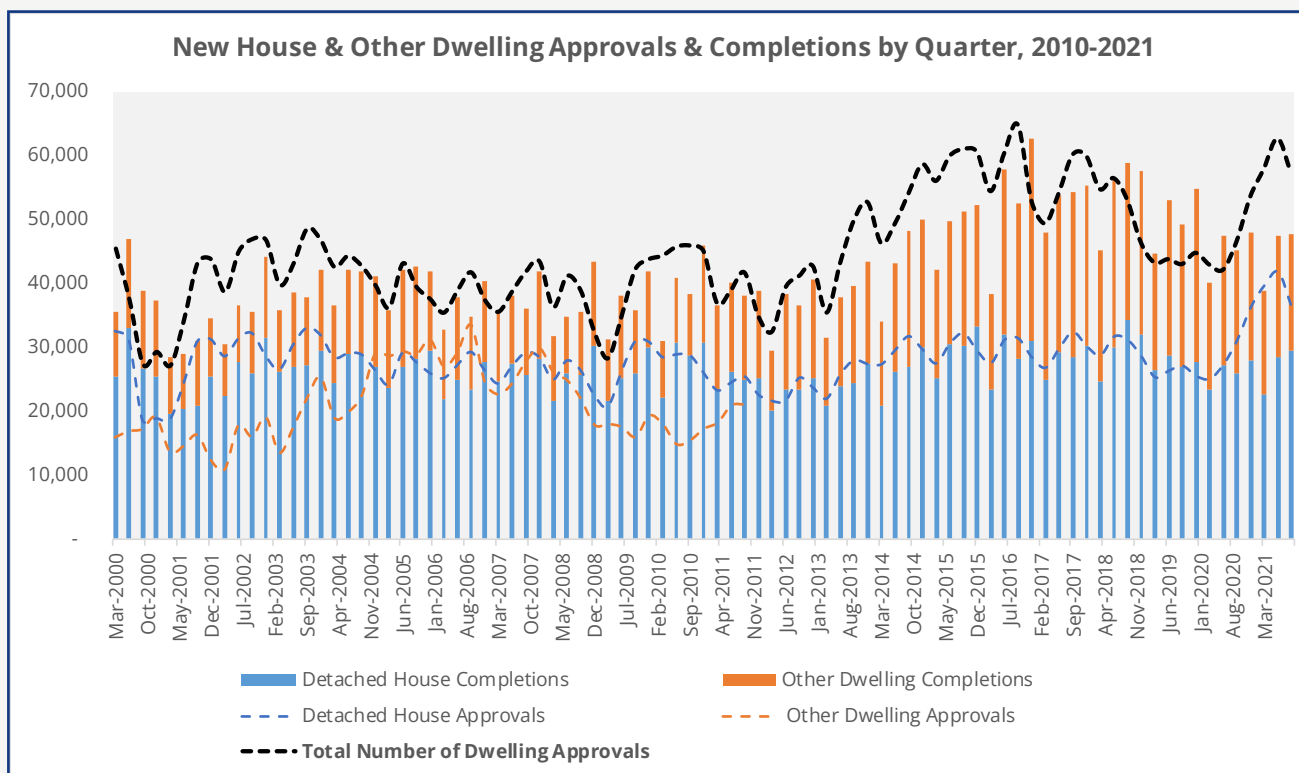
Largest historical full time employer & second highest during COVID



Housing Construction - Driving jobs from Starts but Supply Constrained

Residential construction is a vital component in Australia's economic resilience through COVID, with elevated levels of new dwelling commencements but declining completions & supply.

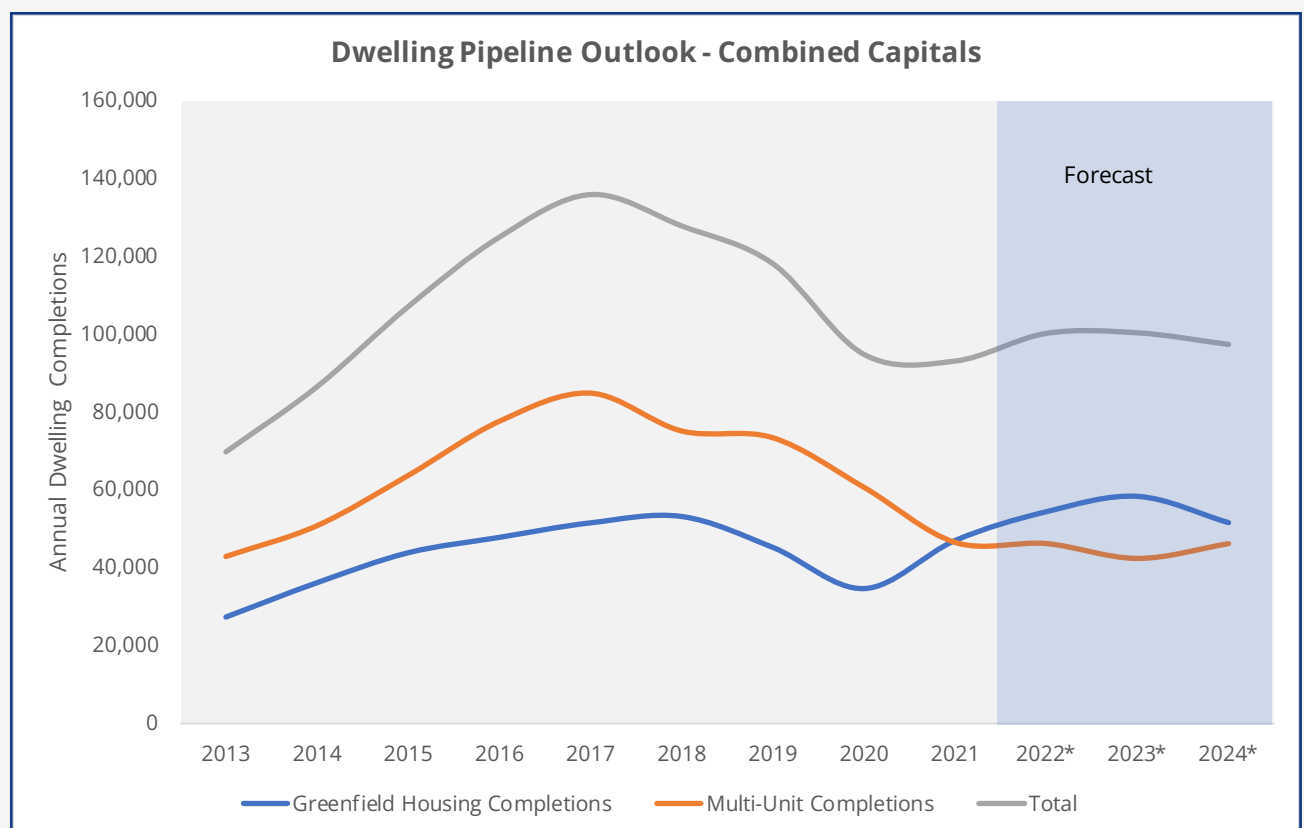
- The strong performance by the sector is underscored by the June 2021 quarter where **64,800 dwelling starts were made, the highest recorded nationwide since the early 1980s and 61% higher than the long run average.**
 - A total of **316,200 new homes were completed** across the March 2020 to September 2021 quarters, with average new supply production of 45,180 per quarter which is **7.1% higher than the long run average.**
 - Prior to the pandemic the construction sector generated more full-time jobs than any other industry segment, **comprising around 11% of total jobs across the nation.** While the
- Health Care & Social Assistance sector has temporarily surpassed construction as the pre-eminent jobs producing industry, **the construction sector employs circa 970,000 full time workers** (1.145m total workers) which is 51% more than the retail sector, 38% more than the education and training sector and 37% more than the manufacturing sector.
- New housing commencements have underpinned jobs and economic growth, but systemic issues block completions and stymie supply.



Housing Construction - Falling Supply

Pipelines continue to dwindle in the face of increasing market demand

- Since 2017 (pre-pandemic), new dwelling supply (houses and units), has been in a steady overall decline.
- Except during COVID, new house demand has consistently outstripped supply and now market demand substantially outstrips supply.
- New unit demand consistently outstrips supply in all years except 2016 -2020 and now outstrips supply again.
- The long run average for new supply is still some 30,000 per annum below the annual demand for dwellings (192,400).
- Despite high residential construction in 2017-2019, overall new supply only outpaced demand by 4,500 dwellings pa on average according to NHFIC – there was negligible impact on the imbalance.
- NHFIC predicts that underlying demand will outstrip supply by a total of 163,400 from 2025.
- NHFIC confirms supply is now taking up to 6 years to come to market affordability is set degrade still further.
- The problem of housing affordability is worsening with significant flattening of full-time weekly earnings in Australia at the same time as housing prices bounced back after the GFC in 2012.
- There is less total housing coming onto the market year on year but total demand for new and existing housing consistently increases. 2022 looks to shape up as the lowest total supply and highest demand in several years.

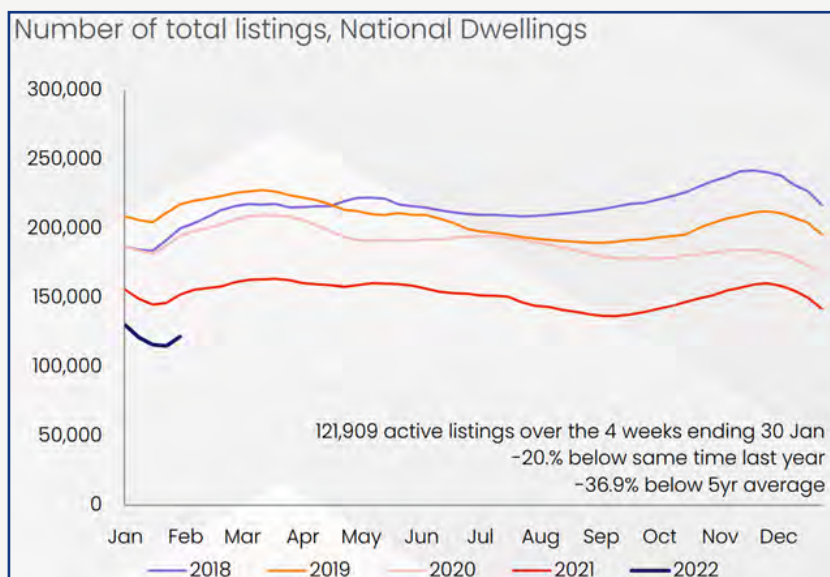


Source: UDIA 2022

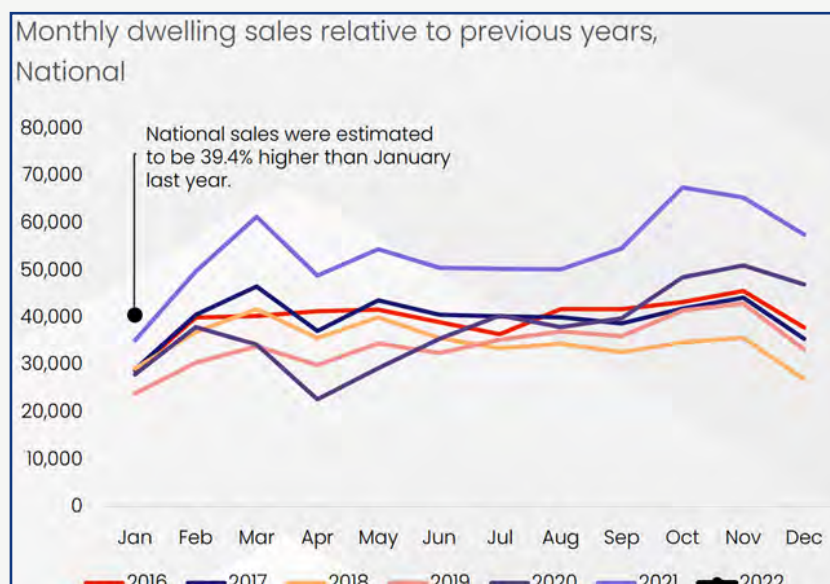
Housing Construction through COVID - Pressure on Prices

Supply continues to fall as demand continues to rise year on year

- In the post pandemic environment, for Australia to get back on track with economic growth, both housing market supply and immigration will need to open.
- Population growth will mean stronger housing demand, yet at the same time housing supply is declining across the country.
- **Housing affordability issues are not a problem of increased population, but simply the symptom of failing to plan for growth.**
- The lag time in developing new housing supply means that, unless the housing market is primed now with strategies to stimulate supply to match demand, we will see increasingly chronic affordability issues across the Australian housing spectrum.
- Critically, even if there is a delay in growth, the diminishing supply pipeline means Australia will still face increasing housing affordability issues.



Source: Corelogic 2021

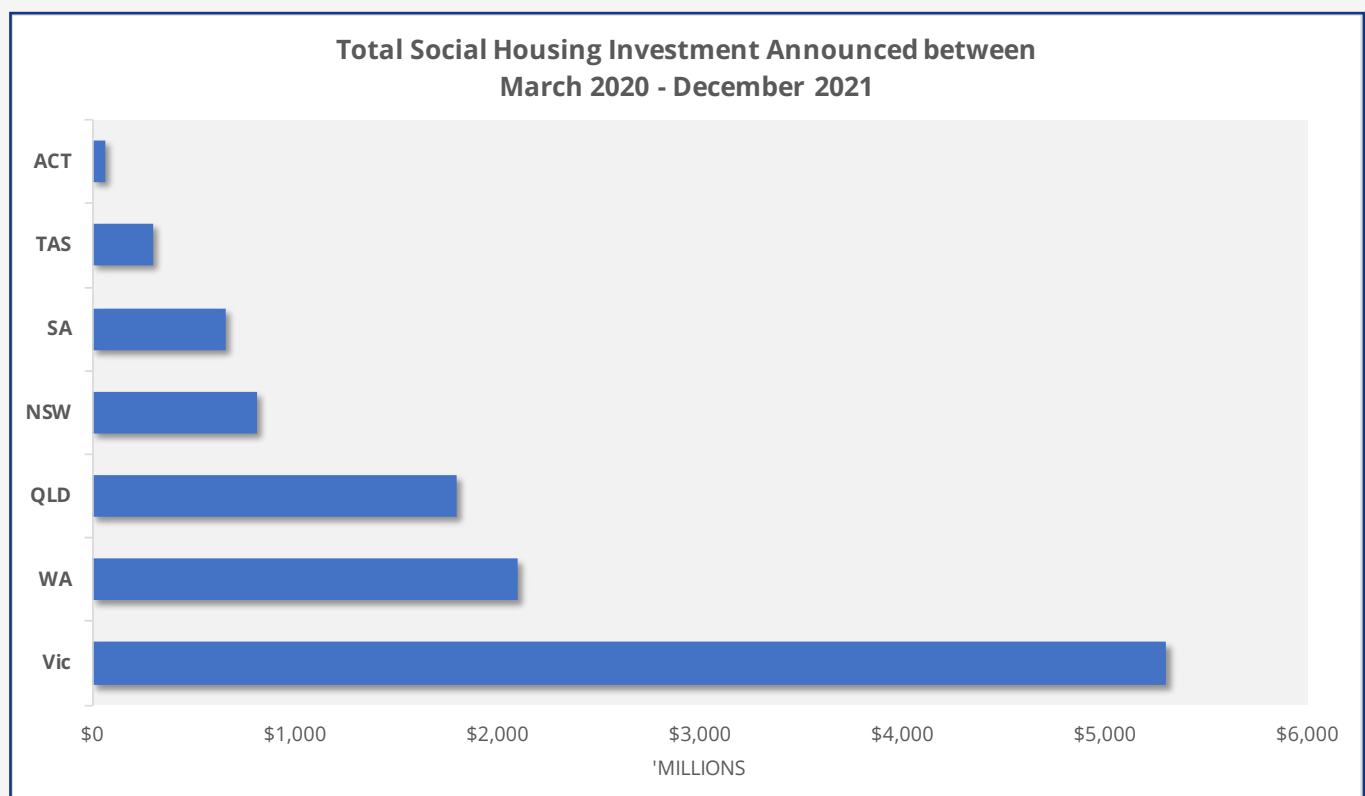


Source: Corelogic 2021

Housing Vulnerable Australians

States turn to social housing

- Over the past 18 months, State and Territory governments have allocated an additional **\$10 billion to increase social and affordable housing over the next 4 to 5 years.**
- The combined investment is scheduled to deliver around **25,000 new social and affordable housing units.**
- Whilst a welcome and important investment, this represents just 3% of expected supply over this period based on the long-run average - it simply isn't enough.
- **This underscores the critical importance of a healthy private housing development market creating houses across the spectrum.**
- The three highest spending states are Victoria, Western Australia and Queensland.
- The Victorian Government's Big Housing Build is comfortably the largest investment package, with **\$5.3 billion allocated to deliver 12,200 new social & affordable housing units.**
- The QLD government's Housing Investment Growth Package is allocating **\$1.8 billion to deliver 6,365 new social housing units, and WA's \$875M Social Housing Investment Package will deliver 3,300 new units.**
- **Boosting housing supply will combat the housing affordability crisis and take the pressure off social housing.**

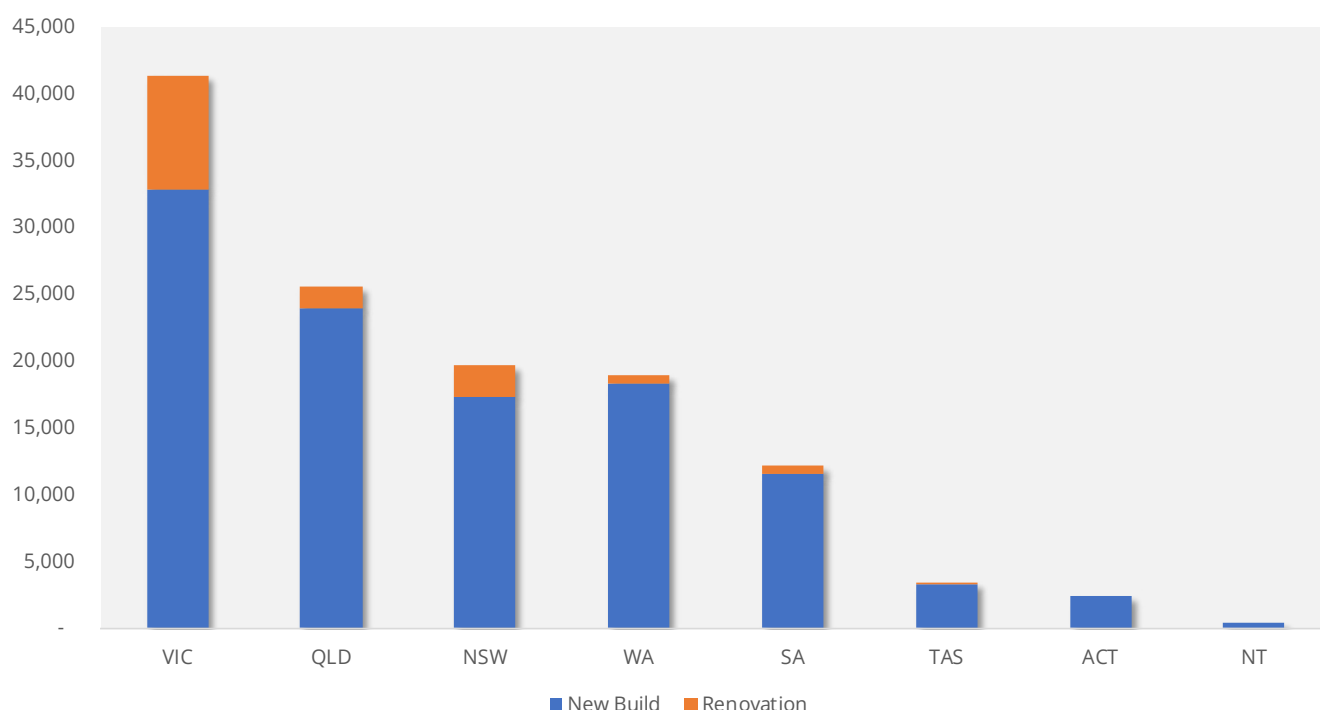


HomeBuilder Drives Construction During COVID

The HomeBuilder stimulus was highly effective

- The Federal Government's \$2.5 billion HomeBuilder program has proven to be a highly effective stimulus investment, with Commonwealth Treasury reporting that almost **109,938 applications for new builds and 25,158 application for renovations** had been received up until the second application window was closed in April 2021.
- NHFIC analysis shows that residential building construction has the second-largest economic multiplier of all 114 industries that make up the economy. **The analysis highlights that each \$1 million of residential building construction supports around \$2.9 million of industry output and consumption across the economy.**
- The residential construction industry generates nine jobs across the economy **for every \$1 million invested, and each new home built would support three jobs** (on average) across the economy based on these newly constructed multipliers and current average dwelling costs. (Source: NHFIC – Building Jobs: how Residential Construction Drives the Economy - July 2020).
- Using these multipliers **the \$2.5 billion HomeBuilder program can be expected to support some \$40 billion of development & construction activity and over \$120 billion of total economic activity, supporting some 360,000 jobs across the economy**, while the State and Territory government social and affordable housing programs will produce circa 90,000 jobs.
- The ability for the residential construction sector to not just rally but out-perform through the pandemic has been nothing short of remarkable with **180,340 new homes delivered in 2020, and circa 170,000 dwellings delivered in 2021**. Maintenance of this solid supply has ensured that the national housing shortage gap has not grown through the pandemic (at an aggregate level), but underscores the importance of continuing to deliver a commensurate level of new dwelling supply over the coming years.
- **Properly targeted new housing stimulus, helps Australians into home ownership faster and drives economic growth.**

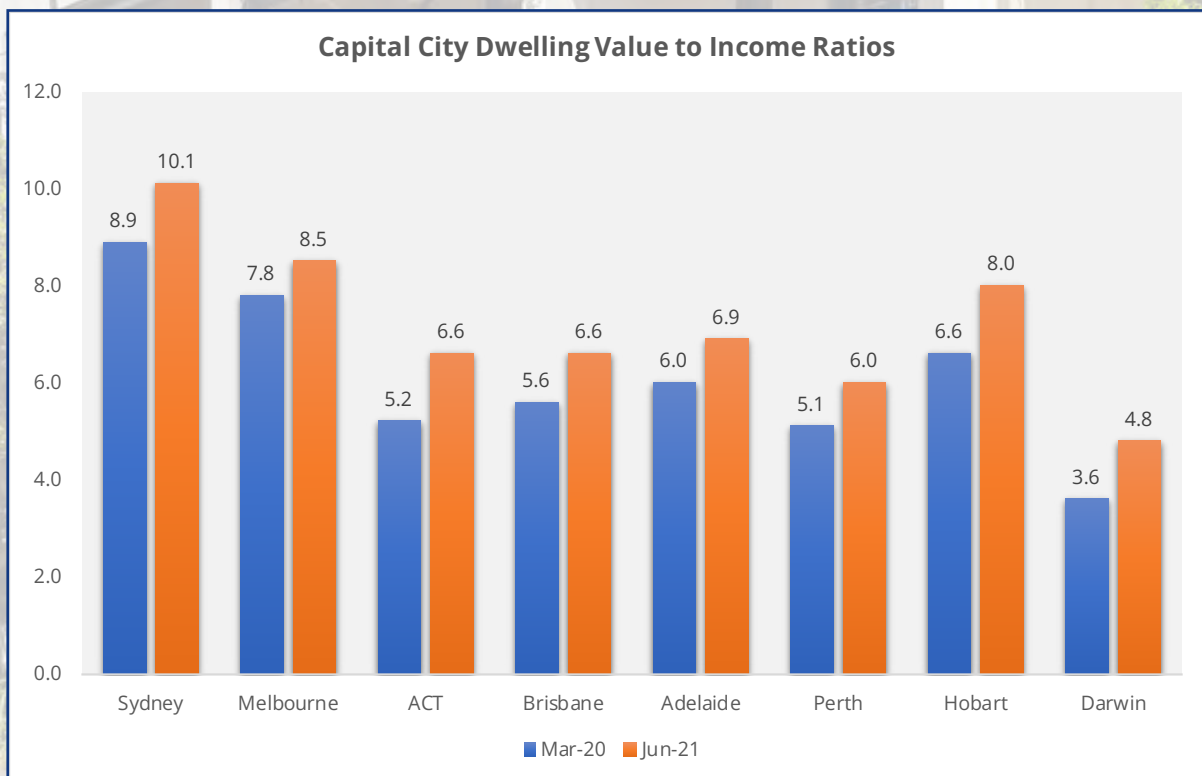
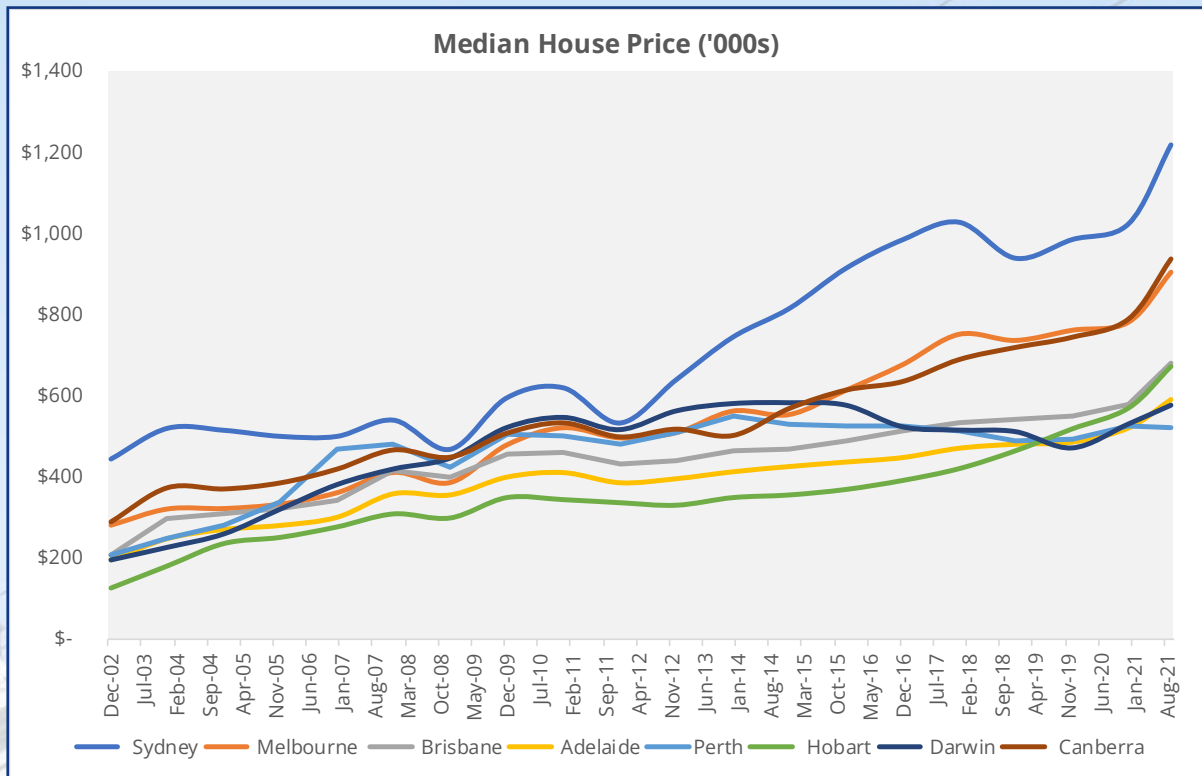
HomeBuilder Applications Received





The Affordability Crisis

Median dwelling prices have escalated dramatically over the past 20 years



The Affordability Crisis - Declining Supply

Housing completions show a declining trend in supply against an already large accumulated supply shortfall

Supply in Context

Since 2001 the total stock of Australia's residential property has grown by **34% or 2.8 million dwellings**.

This represents an **average yearly increase of approximately 166,400 dwellings** and is the most significant 20-year growth in our nation's history.

Demand in Context

The historic under supply problem emerged acutely from the 2005-2012 period when the then-National Housing Supply Council (2013) determined that a **national accumulated dwelling supply shortfall was over 200,000 dwellings**.

Prior to the onset of the pandemic, underlying dwelling demand across Australia sat at around 192,400 per annum – revealing a **gap of almost 30,000 homes** against the long-run average of supply of 166,400.

According to NHFC, despite the record levels of residential construction over the 2017-2019 period, **supply outpaced demand by only 4,500 dwellings on an annual average** - a negligible effect.



The Affordability Crisis

Imbalance of Supply and Demand

Over the last 10 years (2012-2021), median dwelling prices have escalated dramatically with all capital city markets recording strong aggregate price growth:

Hobart

92%

increase to a median dwelling sale price of **\$652,000**

Melbourne

79%

increase to a median dwelling sale price of **\$870,000**

Brisbane

47%

increase to a median dwelling sale price of **\$647,750**

Canberra

84%

increase to a median dwelling sale price of **\$875,000**

Sydney

116%

increase to a median dwelling sale price of **\$1.23m**

Perth

14%

increase to a median dwelling sale price of **\$525,000**

Adelaide

38%

increase to a median dwelling sale price of **\$550,000**

Source: CoreLogic



The Affordability Crisis - Key Metrics

House Prices Versus Income

As a consequence of the rapid house price growth recorded over the last 10 years, Australia remains one of the least affordable housing markets in the world, according to the 2021 Demographia International Housing Affordability Survey.

| Major Housing Market | Global Affordability Rank |
|----------------------|---------------------------|
| Sydney | 3rd least affordable |
| Melbourne | 6th least affordable |
| Adelaide | 13th least affordable |
| Brisbane | 18th least affordable |
| Perth | 23rd least affordable |

Source: Demographia 2021

While the nation's smaller cities continue to provide considerably more affordable housing than Sydney and Melbourne, rapid dwelling price growth over the pandemic period has negatively impacted on each city's affordability profile.

Housing Affordability Measures (as of March 2021)

| Capital City | Median Dwelling Price | Dwelling Value to Income Ratio | Years required to save for 20% deposit | % household income for mortgage repayments | % household income to rent a home |
|--------------|-----------------------|--------------------------------|--|--|-----------------------------------|
| Sydney | \$994,298 | 10.1 | 13.5 | 49% | 31% |
| Melbourne | \$753,100 | 8.5 | 11.3 | 41% | 26% |
| Canberra | \$770,873 | 6.6 | 8.8 | 32% | 28% |
| Brisbane | \$586,142 | 6.6 | 8.8 | 32% | 28% |
| Adelaide | \$508,712 | 6.9 | 9.3 | 34% | 31% |
| Perth | \$523,673 | 6.0 | 8.0 | 29% | 28% |
| Hobart | \$607,960 | 8.0 | 10.6 | 39% | 34% |
| Darwin | \$475,083 | 4.8 | 6.4 | 23% | 29% |





The Plan - A Home for Everyone

The Issue

The goal of home ownership is intrinsic to the Australian psyche, yet it is becoming increasingly out of reach. There is increasing pressure across the housing continuum to fund safe, affordable housing.

The Federal Government needs to put the aspiration of home ownership and supply across the spectrum, permanently at the centre of its thinking to help more Australians realise their dreams.

The Context

The gap between the home ownership aspirations of Australians, and our capacity to meet them has never been wider.

Housing affordability continues to deteriorate. Housing supply pipelines are thin, policy settings stymie housing choice, and the urgency to fix the underlying issues is missing, particularly between the policies of the three levels of government in Australia.

Australia is one of the least affordable housing markets in the world – with four of our five major capital cities ranking among the top 20 least affordable on a global scale.

The shrinking affordability of housing also has the effect of restricting access to the home ownership and housing choice across different socioeconomic groups.

CoreLogic has recently analysed the quantum of housing stock that households in different income brackets can 'afford' to purchase at current pricing levels. Deteriorating affordability has hit the poor the hardest, just 18% of the nation's housing stock is affordable for low-income households, and 57% is affordable for medium income households.

Housing for rentals and social/affordable housing is similarly affected by price rises constraining supply. Affordable rental helps Australians gain a foothold to transition faster into home ownership.

The Housing and Construction Sector

The housing and construction sector is one of the nation's most significant industries – creating 1.145m total jobs. Our industry helped sustain Australia's economy during COVID-19, but with the right policy settings, could deliver so much more again for our future prosperity.

We showed during the economic downturn caused by the pandemic that we can play a crucial role in sustaining Australia's economy.

The industry quickly catalysed the stimulus from the Government's HomeBuilder initiative – helping convert over 140,000 applications in projects, jobs, activity and wages across the supply chain.

The Opportunity

As Australia emerges from the pandemic, now is the time to lead Australia's recovery through housing construction across a diverse range of housing choices.

We also need to get ahead of the surge in demand as international borders reopen and kick start growth.

The Government's own forecasts show a looming housing shortfall once Australia emerges from COVID pandemic, fuelled by a return of overseas migration

NHFIC predicts that underlying demand will soar to 194,900 within two years – which is well in excess of the long-run average production of 166,400 homes per annum. The distortionary effect on prices will inevitably be severe if we do not act now.

This should be accompanied by efforts to lock in what we know works, including the allocation of dedicated places to support the purchase of a new home or newly constructed home under the First Home Loan Deposit scheme.

The Plan - A Home for Everyone

Action Plan

The Commonwealth Government must commit to a wholesale transformation of housing policy, including:

1. **Convening a National Housing Affordability Summit** for a coalition of leaders and experts to design housing affordability initiatives.
2. **Appointing a Commissioner for Housing** to monitor planning performance capacity and housing delivery.
3. Turning recommendations from the **Federal Parliamentary Inquiry** into Housing Affordability and Supply into priorities and actions.
4. **Linking Federal infrastructure spending with delivery of supply targets** at the state and local level to maximise the return on investment.

We also recommend **developing a National Housing Strategy**, which includes:

1. Setting national housing supply targets in consultation with the states, requiring meeting agreed supply targets. Metrics and league tables should be produced to measure and account for performance.

2. Working with the states to release more development-ready land and bringing more supply to the market.
3. Ensuring supply of well-located, suitably zoned and development-ready land with new transport infrastructure.
4. Encourage a discussion about greater diversity and housing choice to help with affordability.
5. Develop new targeted financial incentives to boost housing supply and affordability.
6. Regearing the \$1 billion fund from NHFIC to unlock enabling infrastructure that can support the delivery of all housing.
7. Expand NHFIC's role, fostering better partnerships with the private sector to participate in the creation of more affordable and social housing.
8. A matching population settlement strategy that allows all tiers of government to begin the long-term strategic planning needed to seed the next generation of housing, infrastructure, jobs and communities.

UDIA also recommends the Commonwealth Government make permanent the annual allocation of 15,000 places available under the First Home Loan Deposit scheme exclusively for the purchase of new homes.





The Plan - Population for Prosperity

The Issue

Population growth is intrinsic to Australia's prosperity as the least populated continent in the world.

It powers our economy, improves our global competitiveness, supports the growth of new markets, balances our demographic profile and sustains the tax base.

The Context

Immigration is crucial for the economy - with Net Overseas Migration (NOM) historically accounting for approximately 60% of the population growth needed to sustain a vibrant economy, and all its elements. Overall immigrants own 1 in 3 small businesses - that's 620,000 businesses and 1.4 million employees.

In 2018-19 alone, each permanent migrant contributed \$127,000 more to GDP than the general population.

COVID-19 represents the biggest disruption to Australia's population trajectory since World War II.

Net Overseas Migration (NOM) plunged into the negative during the pandemic, reaching -100,500 in FY2021 and is forecast to be -40,900 during FY2022, rebounding in 2023 to 180,000.

These numbers represent a huge slump against the pre-pandemic annual target of 160,000-190,000 per annum. The closure of international borders was the right move for managing the pandemic, however it comes with substantial costs.

The collapse in NOM is leading to serious impacts on our economy, including worker and supply shortages that are hurting businesses especially within the property industry.

The Centre for Population estimates that **Australia's population will be 1.1 million lower by 2031 than pre-COVID forecasts.** This is a significant reduction in economic activity.

The Housing and Construction Sector

Population growth is integral to the housing and construction sector's strength as a pillar of economic activity.

In September 2020, UDIA National partnered with Urbis to test the impact of reduced demand arising from lower NOM and population growth, and its implications for housing markets and the economy.

The headline findings include:

- Australia's **average annual population growth will reduce by approximately 32%** to 2025 compared with pre-pandemic forecasts.
- **Net Overseas Migration (NOM) accounts for 56% of Australia's dwelling demand**, with natural domestic population increases accounting for 44 percent.
- **An average per annum reduction of over 50,000 homes per year** will occur in the number of new homes being constructed over the next five years, with the greatest reductions occurring in FY2022 and FY2023.
- **\$17.9 billion less direct gross value added (GVA)** being contributed to the Australian economy between 2020 and 2025 from the decline in residential construction.

The Opportunity

Australia is one of the most successful nation's in the world at managing both the economic and health effects of the pandemic.

We have the opportunity to leverage our reputation to attract international students and skilled workers back to our shores.

This starts with a population policy that sets immigrations targets aimed at addressing labour and skill shortages and boosting economic opportunities.

We will also need a matching settlement strategy that allows all tiers of government to begin the long-term strategic planning needed to seed the next generation of housing, infrastructure, jobs and communities.

The Plan - Population for Prosperity

Action Plan

The Commonwealth Government must establish short, medium and long-term initiatives to recapture strong migration flows and boost population growth, including:

1. The Commonwealth develop short, medium and long-term targets for the restoration of net overseas migration and population growth.
2. The targets should be shaped around the goal of seeking to close the gap of population lost due to the closure of international borders.
3. Australia should set a new target for NOM well above the pre-pandemic goal of 160,000-190,000 per annum – aiming to double NOM until it has closed the gap caused by the pandemic.
4. Dedicated streams of work be developed to focus on preferred immigrants, with a particular focus on foreign students, as well as skilled migrants in areas of worker shortages.
5. The Australian Government Centre for Population being tasked with producing fresh projections built around these goals to inform land use and infrastructure planning by all tiers of government.



Migration and population growth is a complex issue

- As the least populated continent in the world, Australia depends on migration for economic growth and prosperity.
- Many industries are already feeling the pressures from worker shortages and the economy will continue to struggle if bold migration targets are not established.
- Housing new migrants will also be challenging if the government doesn't address housing supply and affordability.
- Reducing migration hurts our economy and negatively impacts Australia - migrants also produce more GDP than the general population.



The Plan - Core Infrastructure for More Liveable Communities

The Issue

Great cities and regions are productive, liveable and sustainable. They continue to evolve under the influence of demographic change, technology, climate, economic and social factors.

But they don't just happen automatically. They demand foresight, planning, investment and the capacity to respond to the needs of people who live in them and aspire to live in them.

The Context

UDIA National believes that in the wake of the pandemic and changes to the office landscape, **a new plan is needed to develop more livable cities and regions.**

Developing a plan that puts core infrastructure as its central focus will enable Australia to come out of the pandemic stronger than when it began.

To capitalise on this opportunity, the Federal Government needs to recognise that **funding is needed to support cities and regional towns to adapt to the rapid transition.**

This includes support for housing, transport, urban spaces, technology and social services like schools and hospitals.

It also requires integrated investment in transport infrastructure and urban planning, with the goal of delivering globally competitive cities.

The Housing and Construction Sector

The sector's capacity to deliver the housing Australia needs is intrinsically linked to the strategic planning, funding and delivery of core infrastructure.

Long term growth corridors should be identified and secured, aligned to population forecasts and strategic plans.

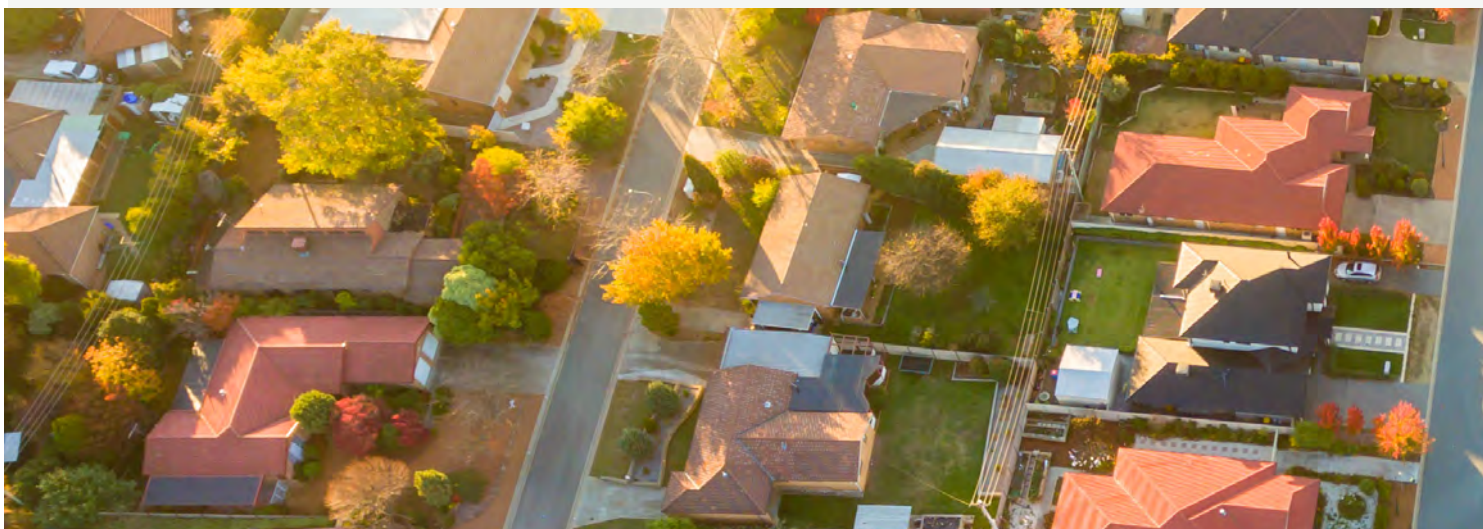
We also need to see major transport investments synchronised with the objectives of long-term strategic land use and infrastructure plans for our cities and regions.

A stronger focus on local-scale infrastructure which can generate significant improvements based on a relatively small spend and in-turn quickly kick start new housing should also be encouraged.

The Opportunity

We need to begin the hard work now to plan for what our major cities and regions look like in 2030 and the decades beyond.

Too often, the lack of alignment between all three tiers of government produces disjointed planning around the trajectory of growth that will underpin our cities, as well as the land use and infrastructure pipelines needed to service them. Productivity suffers without an integrated plan and supply is constrained.



The Plan - Core Infrastructure for More Liveable Communities

The Commonwealth Government's ongoing and expanding infrastructure spend is essential for economic prosperity, the liveability of our cities and unlocking potential housing supply.

Infrastructure Australia has made it consistently clear in its suite of reports and audits that the densification of our cities will continue to accelerate, and there is a need to invest in both large and small-scale infrastructure that better connects communities and improves urban amenity.

The Commonwealth should seize the opportunity to yield a stronger dividend from this investment and accelerate a better mix of housing outcomes when it invests heavily in large projects like urban rail (that lends itself to urban renewal and city-shaping growth).

Action Plan

1. The Australian Government Centre for Population's forecast be used as the baseline for all infrastructure and land use planning across all spheres of government.
2. Short, medium and long-term strategic plans are in place for each of our major capital cities and regions (ie: population greater than 40,000), that map the infrastructure and land use requirements to properly and rapidly service growth.
3. Ensure infrastructure pipelines sit beyond the political cycle by ensuring all major investments are subject to business case scrutiny by Infrastructure Australia and linked to housing growth targets (where appropriate).
4. The Commonwealth secure a better return on its investment in major infrastructure projects by requiring dedicated land use plans, integrated development approvals to create development ready land with the commitment to rollout enabling infrastructure and the plan for housing supply outcomes.
5. Clearly charting the base level of services expected for key elements of liveability, including housing, transport, social infrastructure and the environment documented in the National Strategic Population Plan. This should include all levels of government delivering their statutory obligations in a timely manner in conjunction with the private sector undertakings.
6. Review the City Deals framework to ensure it is more effectively delivering a streamlined system for tripartite agreements that enable better infrastructure delivery, urban planning and a comprehensive strategy for delivery and oversight for future cities.
7. Prioritise a further phase of City Deals to stimulate growth and kick start productivity.





The Plan - Planning Systems that Work More Effectively

The Issue

Housing supply pipelines remain out of sync with short and long-term demand and population projections, and the increased pressure for housing diversity. We need a systematic effort to make planning systems work better, to cut the barriers that act as a hand brake on the economy, and housing supply and affordability.

The Context

When the National Housing Supply Council was abolished in 2013, Australia lost a critical capability to tracking the underlying dynamics of housing markets. We need to understand the market performance, so we can remove impediments in a timely way.

The emergence of the National Housing Finance and Investment Corporation (NHFIC) has been a welcome re-addition to the public policy landscape with the ability to invest where needed.

Importantly, NHFIC has begun to produce a regular reporting deck that analyses housing supply, demand and affordability – as well as some elements of underlying market drivers.

These are positive first steps – however there is a strong case to go much further.

Given Australia has one of the least affordable housing markets in the world, urgent attention is needed to transform market engagement, policy settings, planning, accountability, and the performance across government.

The Housing and Construction Sector

Many state and local planning systems are inefficient and unmanageable. The groups tasked with the actual delivery of new development are stymied by process, conflict and poor processes – all of which worsen an ever-diminishing development pipeline.

The endless time, red tape and costs imposed on new projects are ultimately baked into the cost of new housing, also increasing the time it takes to deliver housing and raising the price for home buyers.

Jurisdictions also often overestimate supply – working from broad area assessments, often lacking ground truthing as to actual capacity.

These barriers undermine project viability through inconsistent application and this blows out costs/time for new projects. Industry needs a simple, clear framework that is easy to navigate.

Likewise, the single largest barrier to housing supply at a Commonwealth level is the Environment Protection and Biodiversity Conservation (EPBC) Act which remains unreformed.

Crafting a better balance between environmental, social and economic objectives is possible – but it requires leadership and commitment to a reform agenda that will support the transition to a new, more efficient and streamlined system.

The Opportunity

There is a need to incentivise planning reform and develop accurate broad-based data. NHFIC's agenda should be expanded and accelerated, with a greater focus on accounting for performance across housing and planning systems and enabling the reform of policy settings that will help yield a sustained supply of housing.

There is a particular need to focus on the cost of new housing – both via the regulatory barriers that inhibit projects, but also tax reform. Taxes, charges and fees can account for more than 40% of the cost of new housing for purchasers in major capital cities.

The Commonwealth is uniquely placed to incentivise changes necessary to guide the refocus of planning systems and supply with the states and territories.

The EPBC is capable of being an efficient system for coordinating environmental issues but it needs an overhaul – reducing duplication and delay. The whole planning system fails if EPBC stalls the process.

The Plan - Planning Systems that Work More Effectively

Action Plan - NHFIC Framework

NHFIC should be tasked with designing a new incentives-based framework that accompanies its analysis and reporting to help transform the performance of housing markets to meet supply needs.

This should include:

1. Setting housing supply targets for each state and territory, including housing supply targets for the major capital cities and targets for key regional growth areas (such as Geelong, Newcastle, Wollongong, Gold and Sunshine Coasts, Ipswich etc.), given this is where the largest pressures and demand fall.
2. Develop an independent, concise set of metrics that measure performance and identify barriers to delivering on the targets, and assist states and territories to focus reform endeavours on elements of planning systems that stymie supply, including:
 - a. The completion of new housing, consistent with a targets-based approach;
 - b. The pipeline of zoned and serviceable land (i.e. with enabling infrastructure such as water, sewer, roads and energy in place) that can be developed efficiently to meet the supply targets;
 - c. Time frames for approval of rezoning applications and time frames for development assessment approvals;
 - d. The cumulative cost of taxes, charges and levies built into new housing.
3. The production of annual 'league tables' that compare and contrast the relative progress and success (or otherwise) of states and territories.
4. Identifying and recommending removal of inefficient red and green tape, as well as statutory charges, that act as a handbrake and cost impost on the delivery of new housing.
5. Map the existing development taxes and charges imposed on new housing, including their relative efficiency and equity.
6. Making available a pool of financial incentives to states and territories for productivity-inducing reforms that ensure they meet housing supply targets and improve housing choice - paid on delivery of development-ready housing supply, rather than just future plans.

Action Plan - EPBC Streamlining

The EPBC should be reformed, including:

1. Fund and develop the precise design of new environmental standards to underpin the potential new EPBC system.
2. Creation of a single-point of contact system to avoid duplication across governments.
3. Funding of strategic assessments on national important environmental issues.
4. Implement clear unambiguous response timeframes with "deemed to comply" approvals.





The Plan - Keep Capacity and Create Efficiency

The Issue

The supply of housing across the spectrum is shackled and dragged down by:

- taxes and charges that create a costly distortion of housing decisions; and
- increasing uncertainty in availability of credit that jeopardises the market's ability to deliver critical supply at scale.

The Context

The current tax system is not sustainable and is proving a heavy burden on home buyers. Recent Federal Reserve Bank discussions on interest rates introduce further uncertainty into the market.

Together, these issues erode confidence and purchasing capacity of people wanting to buy a home or seeking development funding.

With Federal and State debt climbing to \$1.5 trillion during the pandemic, it's likely that the tax system will be reformed to balance budgets again and the market needs confidence to keep credit flowing for housing supply. Reforms must not push an increasing burden to the property industry which is already taxed more than any other sector.

A plan for a more equitable and efficient tax system and market confidence measures for reliable, dependable credit is critical to promote housing affordability.

The Housing and Construction Sector

The weight of taxation that falls on housing production is very high – and ultimately baked into the cost of new and existing housing paid exclusively by home buyers, including first home buyers. The entire supply chain is taxed by all three spheres of government; on each of the land acquisition, project development and acquisition phases of housing; and on both the ownership and transfer of land and housing.

Taxes, statutory charges and levies combine with regulatory barriers to add as much as 42% to the cost of new housing. With the average price of a dwelling in Australia being between \$475,083

and \$994,298, that means \$190,000 to \$397,700 is being scooped up by government taxes and charges from new home buyers. There are also new taxes emerging, such as imposts on foreign investment and value capture. Collectively, they have added to the affordability woes facing home buyers and developers alike. House prices have grown way beyond the tax brackets, and governments have become addicted to the revenue streams.

The central purpose of tax reform is to lift economic growth, productivity and prosperity right across the economy – so naturally, it needs to involve all tiers of government. In the case of transitioning away from stamp duty for example, the entire national economy would benefit from the elimination of one of the most inefficient taxes in our system which actively discourages housing “rightsizing”.

Stamp duty distorts economic choices and mobility, burdens home buyers, reduces housing choice and compromises the stability and reliability of government balance sheets, given stamp duty fluctuates wildly with housing cycles.

The nation would be better off with stamp duty's abolition, and broad-scale tax reform is required to achieve it. In the meantime, reduction of the stamp duty burden is a useful and necessary step.

The Opportunity

The states are trying to find a solution on their own to retire inefficient taxes but it requires a concerted effort across all spheres of government to solve this issue.

The NSW Government, for example, has embarked on a process of seeking to modernise its tax base, improve economic productivity, reduce the barriers to entry to home ownership and boost choice across housing markets. Its Progress Paper – released in June 2021 – detailed myriad reforms, but the centrepiece is a shift from stamp duty and annual land tax to an annual property tax, with phasing provisions to offer home buyers choice on the way through. The paper also highlights however, there are substantial transitional costs, and the proposal is also under heavy professional scrutiny.

The Plan - Keep Capacity and Create Efficiency

Rather than individual state efforts, a broad-based Federal tax approach to incentivise and support broader reform will give Australia better reform options and the best chance to improve productivity and quality of life for all Australians.

Critically, as the Governments together work towards broad based reform, they can take measures now on stamp duty to unshackle industry, including, increasing the stamp duty thresholds so the median house price does not attract the highest stamp duty tax brackets. Equally, the Commonwealth can incentivise states or territories to increase stamp duty thresholds that ensure median house prices attract lower rates.

The longer the economy remains uncertain, the greater the chance of this feeding into perceived risk of the market, tightening of credit and increased costs. The Commonwealth Government is able to take action now to further drive growth and implement measures to build credit confidence.

Action Plan - Efficient Tax Systems

UDIA recommends that the Commonwealth Government commence a wholesale tax reform process that includes:

1. Delivering a roadmap to progress broad based tax reform in partnership with state, territory and local government to retire inefficient taxes imposed on new housing like stamp duty, foreign investor taxes and developer charges.
2. Introducing a requirement to conduct economic and regulatory impact statements to be publicly disclosed on proposals for all existing and any new statutory charges and levies.
3. Ensuring any proposal for federally sponsored value capture is only considered in the context of wholesale tax reform.
4. Recognising the value of capital gains and negative gearing tax settings in supporting the rental market.
5. Removing tax-related barriers to new or emerging product, such as the rules that

discourage institutional investment in affordable Build-to-Rent over other asset classes, but also maintaining a level playing field for private investors and those looking to purchase to owner-occupy.

6. Agreement under NHHA that the states and territories will increase stamp duty thresholds to ensure median house prices attract materially lower rates and sit outside the highest tax brackets.
7. Incentivise increasing the stamp duty thresholds across the States and Territories ensure median house prices attract materially lower rates.

Critically, these measures should be coordinated with other key initiatives the boost supply by incentivising land release, zoning/rezoning, enabling infrastructure for development-ready land.

Action Plan - Productivity and Credit

UDIA recommends bolstering policy settings that can underpin confidence in housing markets, including:

1. Provide an annual allocation of 15,000 places under the First Home Loan Deposit Scheme for exclusive use on new or newly constructed homes, with the scheme to become a permanent feature of Federal Budgets.
2. Establish a Property Finance Reference Group comprised of the Federal Government, RBA, APRA, API and Industry representatives including the UDIA to monitor and examine property market indicators and headwinds.
3. Financial regulators implement rules that ensure changes to lending regulations consider regional and local circumstances beyond major housing markets, to avoid disproportionate impacts and, where possible, avoid blanket changes that worsen circumstances for regional markets.



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