

MEDIA RELEASE

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State of the Land 2020: Challenges ahead for housing markets

A flagship report released by the Urban Development Institute of Australia (UDIA) today shows long-term challenges facing housing markets and housing affordability remain.

The *State of the Land Report* was released today and represents the most comprehensive overview of the nation's capital city housing markets.

Prepared in partnership with CoreLogic and Research4, the report flags a looming supply shortfall that risks feeding into the affordability equation facing homebuyers.

“At a time when credit is once again beginning to flow, we potentially face a mismatch between buyer demand and the capacity to deliver supply,” said UDIA National President Simon Basheer.

“There are also broader economic consequences, given new housing construction is a major engine of economic growth that we need to support at a time when activity, jobs and growth are paramount.

“The Government's stimulus package in the light of current global events will hopefully provide some stability to the economy over the next three to six months.

“However, we do urge them to keep an open mind on initiatives geared towards crucial sectors like housing – including expanding the First Home Buyers Deposit Gap scheme to target new housing, and red tape cuts to stimulate activity and growth.”

Key findings of the 2020 *State of the Land Report* include:

- 117,000 new homes and apartments were completed in major capital cities 2019 – which represents a fall of 7 percent on the prior year, and is the lowest since 2015
- Greenfield lot production dropped by 25 percent in 2019, down to 35,740 lots across the major capital cities in 2019
- Greenfield lots sales also fell – down to 28,000 in 2019, almost half the number recorded just two years ago
- The peak of apartment construction has passed, with 69,090 new units completed in 2019 – but multi-unit stock is the dominant product in the market, accounting for 60 percent.
- New multi-unit sales fell 11% over the year to just 16,570 units, which is only 26% of the new unit sales recorded in 2015.
- The pipeline of new supply is under threat with only 113,980 dwelling approvals recorded in 2019, down 27% on the year.

Mr Basheer said the state of flux in housing markets has an impact across housing affordability, economic growth and employment.

“Housing markets have witnessed a slow recovery in loan approvals and house prices in established markets since changes to loan serviceability rules were introduced last year,” said Mr Basheer.

“However, the 2020 State of the Land Report highlights that we are yet to see any bounce in housing approvals and construction activity – and in fact, the signs point to thin construction pipelines.

“The falls in lot production, lot sales and new home completions means the market faces a significant lag between the return of buyer demand and the servicing it with new supply.

“Homebuyers moving back into the market need confidence that there will be a better balance between supply and demand to ensure housing affordability remains within reach.”

Independent research undertaken for UDIA by EY last year also reinforces the importance of new housing construction to the nation’s economy. The EY report’s key findings included:

- The housing and construction sector accounts for 7.5 percent of the nation’s GDP
- The sector generates 212,000 direct jobs – with indirect benefits adding another 542,000 jobs
- The direct and indirect value add of the industry equals \$122 billion
- The multiplier effect across the supply chain and broader economy stimulates \$312 billion in total output.

“At a time when governments are looking to crank up activity across the economy, policy solutions that remove the impediments to new housing construction should be a priority,” said Mr Basheer.

“Reforms to the Environment Protection and Biodiversity Conservation (EPBC) Act that scale back the excessive and complex red tape facing new housing projects are a headline concern for the industry.

“We are also keen to see the Commonwealth and States work on an incentives-based model that prompts an overhaul of inefficient planning systems acting as a brake on supply.

“The Government’s First Home Buyers Deposit Gap Scheme has also been a clear plus, but there is an opportunity to create a second tranche that is exclusively geared towards new housing product and better match medium housing prices in capital city and regional locations throughout Australia.