

29th April 2020

The Hon Josh Frydenberg MP
Treasurer
The Treasury
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c/- josh.frydenberg@aph.gov.au



FIRB approvals for residential land and apartment acquisitions

Dear Treasurer

I am writing in relation to the application of temporary changes to Australia's foreign investment framework during COVID-19 and its implications for approvals of the acquisition of individual land lots and off-the-plan apartments.

The Urban Development Institute of Australia (UDIA) understands the logic of the temporary framework – announced on March 29th, 2020, and reinforced subsequently through amended regulations; that is, to provide sufficient scrutiny of all investment during the pandemic to ensure it is in the national interest.

However, its application is now having implications for the sale of house-and-land packages and off-the-plan apartments. Evidence from member companies selling new stock is that purchasers are receiving advice that approvals may take as long as six months in response to applications for exemption certificates.

As you are aware, the housing and construction sector is crucial to the nation's economy – generating 7.5 percent of national output and supporting more than 212,000 jobs directly and over 700,000 when indirect jobs are added.

Housing construction is also one of the few elements of the economy that can continue to function at full capacity (subject to health and safety and social distancing rules) and will be central to the economic recovery phase.

Likewise, Australia's foreign investment framework has always recognised the valuable role foreign investment plays in generating new housing construction and deliberately sought to channel offshore capital into new dwellings given it supports jobs, state and ultimately federal revenues. Importantly, foreign investment into new dwellings provides a critical component of pre-sales on many projects enabling finance conditions present to be reached for projects to commence development.

Given the evidence of a slowing construction pipeline and very low levels of new project approvals, we believe it is essential to maintain continuity of supply and settlements as much as possible during the pandemic.

Prior to the pandemic, supply pipelines were already soft, according to the UDIA State of the Land 2020 Report. Combined new residential supply across major capital cities market was down 7 percent from 2018 to end 2019, with major markets including Sydney (-16 percent) and Melbourne (-6 percent) in retreat. This will be further exacerbated with the low levels of approvals in the system.

As a result, UDIA National would urge the Government to consider a regime for exemption certificates that involves:

- Waiving the requirement for foreign residents seeking to acquire individual house-and-land lots, or individual off-the-plan units to obtain FIRB approval; or, alternatively
- Guaranteeing that a maximum assessment period of 30 days apply to the approval of claims for exemption certificates for foreign resident purchases of individual house-and-land or individual off-the-plan units.

We would be happy to meet with you, your office or relevant officials to further discuss the issue and ensure a satisfactory resolution can be achieved to sustain the flow of investment needed to underpin construction activity.

I can always be reached on 0411 468 741 or udia@udia.com.au.

Yours sincerely



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