

# RESILIENCE. RECOVERY. REFORM

...building the economic bridge to recovery

Urban Development Institute of Australia  
Post Election Edition - 2022





# ABOUT UDIA NATIONAL

The Urban Development Institute of Australia is the development industry's oldest and most representative peak body. UDIA's members span the entire housing market across 2,500+ member organisations – from top tier global enterprises, large and small developers, community housing providers, specialist consultants and local governments.

The construction and development industry drives 9% of Australia's GDP, creates 1.156 million jobs and generates over \$360 billion in economic activity each year.

UDIA's members deliver new homes across the spectrum for all Australians, including the majority of affordable housing. Most housing created by our members is sold at or below median house prices.

We have a long history of engaging positively with the Federal Government on issues critical to property and development.

UDIA National's advocacy is defined by our National Council – informed by our diverse membership base, extensive network of state councils, committees and businesses on the front line of housing construction, and city and region shaping.

Our voice is backed by real experience and quality research designed to support good policy making and dialogue with governments, opposition and the public service.

Front Page: WEST by Commercial & General  
Page 2: The Amble Estate by Yolk Property Group





# OVERVIEW

Australia has long been the envy of the western world. We have witnessed decades of economic prosperity, are host to vibrant cities and regions, and enjoy a lifestyle few countries can match.

Our international desirability and growth has also created housing affordability challenges, predominantly due to historically thin dwelling supply pipelines across the housing spectrum.

The development and construction industry is an economic engine room for jobs and growth. During COVID, our industry was vital to keeping Australian jobs and the economy moving.

Now, the combination of increased demand, diminishing supply, and pandemic driven material and labour shortages, threatens to stall economic recovery and accelerate the affordability crisis. This means fewer new homes at ever higher prices.

The development industry has the capacity to positively propel the economy whilst simultaneously delivering affordable housing for all Australians. All we need is the adoption of some straightforward, mostly inexpensive policy choices to ensure the supply of new housing across the spectrum keeps pace with demand.

## *DEVELOPMENT AND CONSTRUCTION AS AUSTRALIA'S ECONOMIC ENGINE ROOM*

The post pandemic focus will be on economic recovery. Increasing inflation and interest rates are escalating costs for Australians and their businesses. Impacts are being felt across the economy and we need to boost domestic productivity.

In our industry, rapidly increasing housing costs caused by land, materials and skilled labour shortages are holding back projects. The rising risk of contract failure is constraining finances and this further restricts supply – increasing costs yet again.

Development and construction plays a crucial role in keeping Australian's employed and the economy moving forward – as it did during COVID. It is critical to productivity.

It delivers some 9% of Australia's GDP and creates jobs for 1.156 million Australians as one of Australia's largest employers. NHFIC confirms every dollar invested into residential housing construction delivers \$2.90 in other economic activity.

As Australia gets back on track, and international borders open, immigration must normalise to address the growing skills shortage. Housing development and construction will be vital to underpinning the economy and meeting demand created by an increasing population. Perilously low housing supply across the spectrum must be reversed to free up productivity and bring down prices.

The Towers at Elizabeth Quay  
by Cottee Parker & Far East  
Consortium



# UDIA NATIONAL'S POLICY AGENDA SEEKS TO:



**A Home for Everyone** – Strategic incentives for greater supply, development ready land, choice and affordability



**Population for Prosperity** – Restart immigration, close the pandemic skills gap and plan for growth.



**Infrastructure for more Liveable Communities** – Overhaul planning, funding and delivery of infrastructure for fit-for-purpose cities, regions and grow housing supply.



**Make Planning Systems Work more Effectively** – Incentivise better planning for efficient delivery of cities, regions and housing.



**Streamline Environmental Approvals** – Design a single point of contact system to improve environmental, social and economic outcomes.



**Keep Capacity and Create Efficiency** – Keep credit available with smart lending practices, deliver housing initiatives that balance supply, develop broad based tax reform.

West Village by Sekisui House



# STATE OF HOUSING MARKETS

Australia's housing markets have been beset by continuous under-supply for the past two decades – causing an erosion of development-ready land pipelines, deterioration of housing affordability and inequality of access across the housing spectrum.

These unresolved problems have cascading effects across the entire housing spectrum. Shortages of suitable land to deliver new dwellings, together with planning and approval restrictions and delays, drive up prices, forcing ordinary Australians to rent for longer at higher prices, and inevitably pushing more and more people into social and affordable housing that suffers from the same scarcity.

Declining supply is impacting all forms of housing:

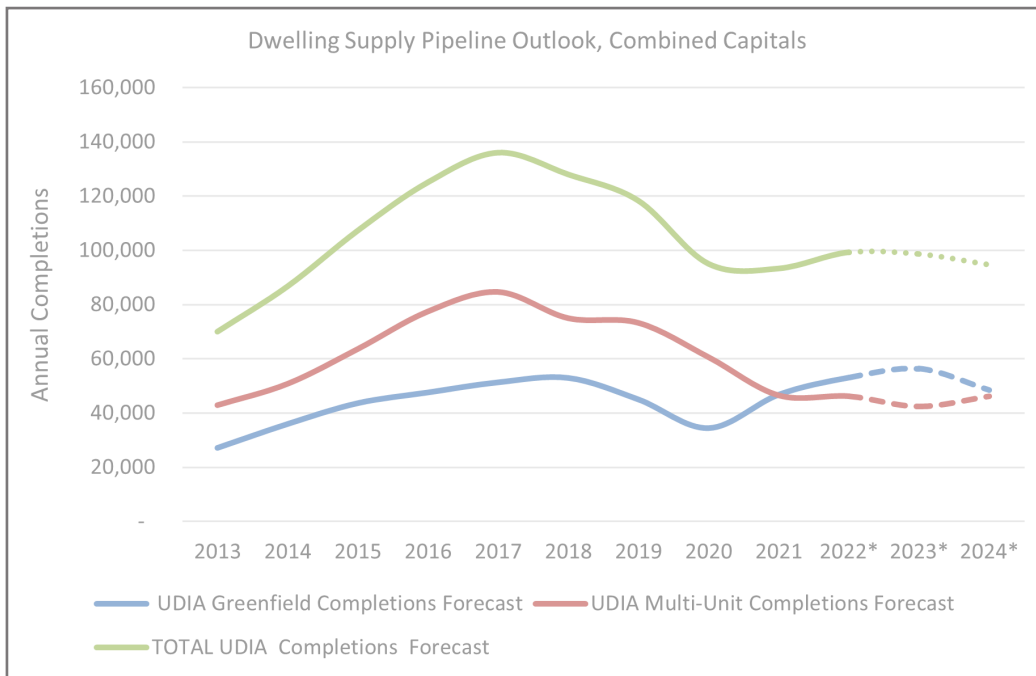
- Pre-pandemic underlying dwelling demand across Australia was circa 192,400 per annum – a gap of around 26,000 homes p.a. against the long-run average of supply of circa 166,400.
- Based on NHFIC commentary from 2020, by 2010 the total housing supply gap widened to 200,000. This gap continues to grow.
- In 2017- 2019, despite high construction activity, new supply only outpaced demand by 4,500 dwellings pa and had negligible impact on the imbalance.
- In 2020 a total of 180,340 new homes were delivered, followed by approximately 157,600 in 2021, which means at least an additional 46,000 dwellings shortfall.
- With the gradual return to normal levels of migration and an impending cyclical downturn in dwelling supply, NHFIC predicts new household demand will exceed dwelling supply by 163,400 over the years 2025-2032.
- The proportion of home ownership is at 67% and declining, despite over 72% of Generation Z or young adults aspiring to own a home (McCrinkle).
- Even if governments across Australia hit their social housing delivery targets, there will be a shortfall of 102,883 dwellings this year (Compass Housing 2022).
- 727,000 more social and affordable dwellings are needed (2016-2036) for projected demand (NHFIC).
- The current affordable housing shortfall alone is about 173,000 dwellings (AHURI).
- Access to home ownership across different socio-economic groups is shrinking, with just 17.6% of the nation's housing stock affordable for low-income households, and 57% for medium income households.
- NHFIC data confirms new supply is taking at least 6 years to come to market – and UDIA's data suggests this is much longer in many places.

These numbers sit in the context of tight supply pipelines, with the availability of development-ready land in major capital cities on the slide, approval timeframes blowing out further, and the weight of regulation and taxes adding to the time, cost and complexity of new projects.

Lack of skilled labour and materials together with increasing inflation is accelerating costs and further constraining housing supply. Materials shortages from timber to plasterboard and aluminum are pushing out construction by months and raising costs upwards of 40%. This puts further pressure on capacity. It is a feedback loop that can only be corrected by productivity improvements.

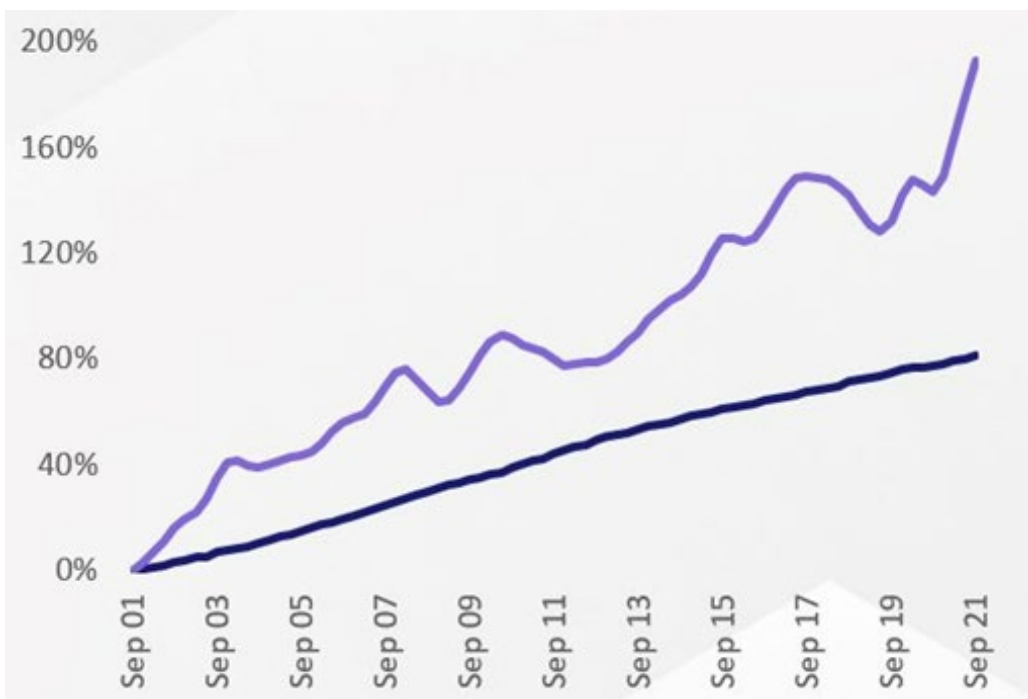


**BOOST HOUSING SUPPLY: DECLINING NEW HOME SUPPLY PIPELINE SINCE 2017**



Source: UDIA State of the Land 2022

**TO BREAK THE SPIRALLING AFFORDABILITY CRISIS, THE GAP BETWEEN WAGES AND HOUSE PRICES NEEDS TO NARROW**



Source: UDIA; ABS; CoreLogic; Research4



Lucent Claremont by Celsius

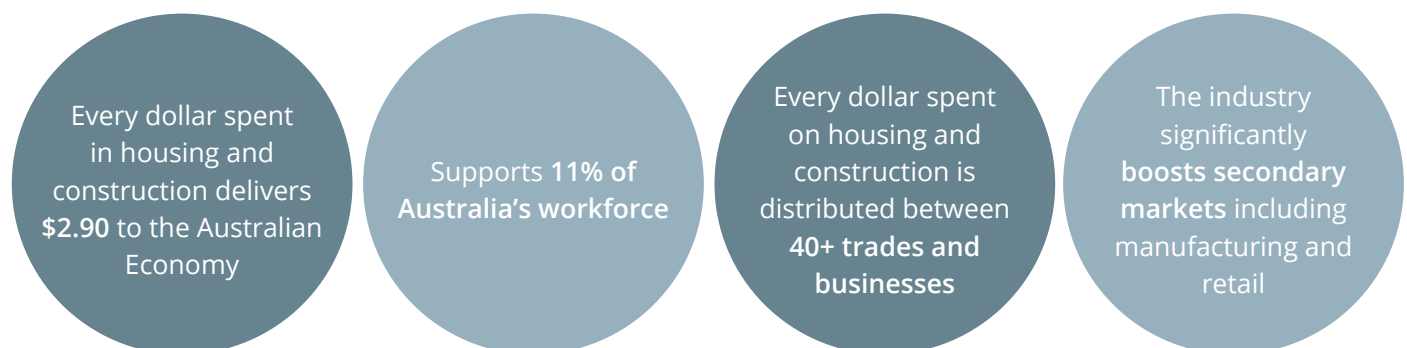


# OUR ECONOMIC SIGNIFICANCE

The housing and construction industry's contribution to jobs, activity and wages was central to Australia's ability to recover from the first phase of the pandemic induced economic downturn.

Its contribution to jobs, activity and wages is historically integral to Australia's ability to recover from downturns and can pull the economy into the next phase of growth with the right policy changes.

This capacity is now being threatened across several fronts, and urgent action is needed to ensure this contribution to both key social infrastructure and the broader economy can be maintained.





# BUDGET & ELECTION POLICY:

UDIA National supports the 2022 Federal budget and the election commitments from the new Commonwealth Government, including:

- **50,000 places annually under the Home Guarantee Scheme** (budget measure) – Govt guarantee to allow anyone to purchase a new home sooner with as little as 5% deposit, avoiding Lenders Mortgage Insurance. Announced expansion to 35,000 and an additional 5,000 for single parents at 2% deposit or less as of 1 July 2022.
- **\$128.5 million Environmental Protection and Biodiversity (EPBC) Act reforms** (budget measure) - including a single point of contact system for a simplified and streamlined approvals.
- **Increase National Housing Finance and Investment Corporation's (NHFIC) liability cap by \$2.0 billion** (budget measure) - delivery of 10,000 affordable dwellings.
- **Increase of net overseas migration** (budget forecast) - 180,000 expected in FY23 and 213,000 arrivals in FY24, to bolster the economic recovery following labour shortages across all sectors.
- **\$37 billion in city shaping infrastructure funding commitments** (budget measure) - road and rail projects over 10 years, boosting jobs, paving the way for house-enabling infrastructure.
- **\$2.8 billion to support Australian apprenticeships** (budget measure) - \$5,000 payments to new apprentices and up to \$15,000 in employer wage subsidies.
- **\$3.7 billion for a new skills agreement** (budget measure) - deliver up to 800,000 training places.
- **\$10 billion Housing Australia Future Fund** (election commitment) – 30,000 social and affordable homes in 5 years.
- **10,000 places annually under the Regional First Home Buyer Support Scheme** (election commitment) – a government guarantee targeted at Regional Australia to buy a first home sooner with a smaller deposit, and avoiding Lenders' Mortgage Insurance.
- **10,000 places annually in the Help to Buy scheme** (election commitment) - Federal Government will co-purchase up to 40% of new homes and 30% for existing homes, with a 2% deposit and no mortgage insurance.
- **NHFIC to be rebranded as Housing Australia** (election commitment) – to set targets, collect, monitor and report on housing supply and land use.
- **New National Housing Supply and Affordability Council under NHFIC** (election commitment) – to manage housing supply boosting incentives, targets and data.
- **National Housing and Homelessness Plan** (election commitment) - coalition of Government, industry and agency leaders developing the next national home ownership, affordability and homelessness strategies.
- **Red tape cutting and productivity initiatives for small business** (election commitment) – reduce transaction fees, business boosting investment, better payment mechanisms/terms and buy Australian plans.

Parkville by Oliver Hume





# UDIA POLICY PLATFORM

UDIA National's policy blueprint is a suite of actionable policies and reforms that will drive economic recovery, boost housing supply and affordability.

Harvest Rise by Intrapac Property



# 1. A HOME FOR EVERYONE

## WHERE WE ARE

Access to housing is integral to the economic and social fortunes of every Australian but is becoming increasingly out of reach.

Thin and declining supply pipelines, inflation, combined with pandemic driven material and labour shortages, threaten to stall economic recovery, constricting the housing market and accelerating unaffordability.

Simply put, shortages of land for new dwellings drives up prices. Ordinary Australians are forced to rent for longer, at higher rates, inevitably pushing others into social and affordable housing that suffers from the same supply challenges.

Affordability issues in regional and urban areas are largely the result of a chronic shortage of development-ready land. This is not simply about zoning, although significant in some places. It is also a lack of enabling infrastructure, approval systems which are not fit for purpose causing timeframes to blow out. The ever-growing weight of regulation and taxes are also adding to the time, cost and complexity of projects which prevent the market from appropriately responding to demand.

Boosting development-ready supply pipelines across the housing spectrum will have the greatest impact on housing access and help avoid the need for Government support for many. We also need to support businesses to deliver the materials and skilled labour to make it happen.

Solving housing affordability and homelessness requires coordinated policy across government-supported and at-market housing. It needs consistent from federal, state and territory Governments.

The Federal Government can incentivise this through the NHHHA and NHFIC to cover the gamut of the housing spectrum - Homeownership, Build to Rent, Rent to Buy, Shared Equity, private rental, affordable housing (private and CHP), social housing and homelessness plans

## WHERE WE NEED TO GO

Government's National Housing Strategy should incentivise delivery and access to housing across the spectrum. This will ensure housing choice, population growth, housing affordability and drive economic progress.

We must boost small business, manufacturing and investment to support productivity, skilled labour and affordable materials.

Capital City	Median House Price (12m to Feb 22)	Dwelling Value to Income Ratio	Years required to save 20% deposit	% household income on mortgage repayments	% of household income required to rent a home
Sydney	\$1,300,000	10.6	14.1	51.3%	30.5%
Melbourne	\$895,000	8.6	11.4	41.3%	25.9%
Canberra	\$920,000	7.2	9.7	35.1%	27.2%
Brisbane	\$675,000	7.9	10.5	38.3%	28.6%
Adelaide	\$575,000	7.9	10.5	38.3%	31.6%
Perth	\$530,000	5.8	7.7	28.2%	27.6%
Hobart	\$693,000	9.1	12.1	44.2%	34.4%
Darwin	\$575,000	3.9	5.2	19.1%	23.1%

Source: CoreLogic; ANU Centre For Social Research and Methods (2021)



# RECOMMENDED ACTIONS:

- Adopt recommendations from the Inquiry into Housing Affordability and Supply that incentivise enabling infrastructure and housing supply across the spectrum, expand NHFIC to monitor housing, investigate BTR housing, reform planning and stamp duty.
- Use the National Housing and Homelessness Agreement (NHHA) funding to incentivise more housing, infrastructure and labour supply.
- Use NHFIC (Housing Australia) to map, monitor and incentivise state and territory performance on supply boosting targets and development-ready land metrics:
  - Tie incentives to a National Housing Strategy – boosting enabling infrastructure, manufacturing and worker capacity, streamlined/reform planning/approvals, affordable/at-market housing, streamlining stamp duty and taxes.
  - Monitor performance - supply targets, planning and approval timelines and improve housing delivery – payment tied to development-ready housing supply delivery.
- NHFIC to use funding to unlock enabling infrastructure to support housing delivery.
- Enhance NHFIC's role, boosting private partnerships for affordable and social housing.
- Hold a National Affordable Housing Summit with leaders - investigating permanent government funding across the spectrum, direct CHP development funding, affordable BTR, affordable private rental, manufactured housing and strategies to ease costs.
- Use the Housing Future Fund to drive affordable housing at scale, mobilise private capital and infrastructure through partnerships between private enterprise and CHP's.
- Prioritise cutting red tape and boosting productivity for small business- reduce transaction fees, boost business investment, provide better payment mechanisms.
- Boost Australian construction manufacture - expand government guaranteed loans to onshore construction material manufacture and manufactured housing - Fast track the "Future Made" government spend on Australian goods and materials - Incentivise release of more land for industrial logistics and manufacture.
- Fast track new Government initiatives to boost training and apprenticeships – in addition, include a new initiative to promote career paths in skilled work, trades and emerging jobs within industries including property and construction.

## THE WHY

Demand-side incentives have been welcome, but Government must tackle the problems hobbling housing supply to break the back of Australia's housing affordability crisis and allow industry to boost economic recovery. We need to act now, while the issues are still manageable on existing Government budgets.

Newenham by Burke Urban



## 2. INFRASTRUCTURE FOR LIVEABLE COMMUNITIES

### *WHERE WE ARE*

Great cities and regions are productive, liveable and sustainable. They continue to evolve under the influence of demographic change, technology, climate and 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 industry's capacity to deliver housing is intrinsically linked to the strategic planning, funding and delivery of core infrastructure. Long term growth corridors should be identified, secured, aligned to population forecasts and strategic plans. Major transport investment needs to be synchronised with long term, strategic land use and infrastructure plans.

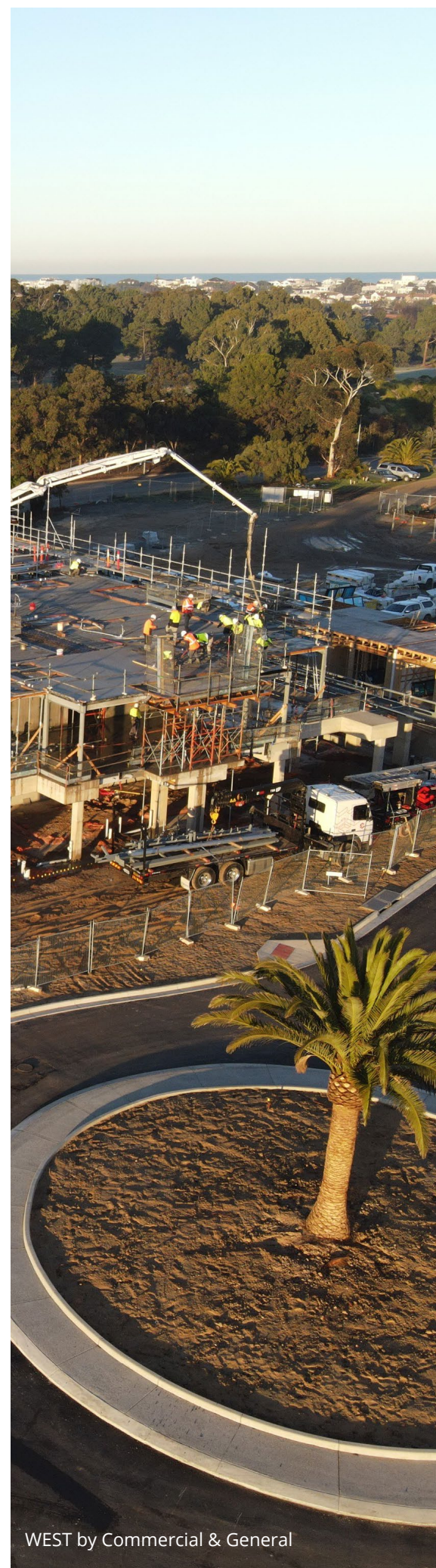
Too often, the lack of alignment between all three spheres of government produces disjointed planning for the growth that underpins our cities and regions, as well as the land use and infrastructure pipelines needed to service them. Productivity suffers without an integrated plan and supply is constrained.

Agencies like Infrastructure Australia, the Centre for Population and the National Housing Finance and Investment Corporation provide critical support. However, unless there is a seamless and coherent strategic agenda, it is impossible to efficiently deliver cost-effective new housing. There are examples where future cities have been identified without developing a strategic plan, making it impossible to anticipate the housing and development needs. This becomes inefficient and costly.

### *WHERE WE NEED TO GO*

Robust strategic plans, which blend population forecasts, early infrastructure planning and durable land use frameworks, are needed for each of our major capital cities and regions - and quickly.

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 in large projects that lend themselves to urban renewal and city-shaping growth - like urban rail.



WEST by Commercial & General



# RECOMMENDED ACTIONS:

In coordination with State and Territory Governments:

- **Secure a better return for Commonwealth investments** in major infrastructure projects by mandating dedicated land use plans, including housing supply outcomes and delivering integrated approvals for development (including enabling infrastructure).
- **Use the Centre for Population's forecasts confirmed with industry as the baseline** for all infrastructure and land use planning across governments.
- **Put in place short, medium and long-term strategic plans** for each of our major capital cities and regional centres (e.g. population greater than 30,000) that map the infrastructure and land use requirements to properly and quickly service growth.
- **Ensure infrastructure pipelines sit beyond the political cycle** by mandating all major Federal investments be subject to business case scrutiny by Infrastructure Australia.
- **Allow Infrastructure Australia** to consider and advise on the contribution of major infrastructure to meeting housing supply, in addition to the direct economic benefits.
- **Clearly chart the base level of services expected for key elements of liveability**, including housing, transport, social/major infrastructure and the environment, as documented in the National Strategic Population Plan. Include delivery on statutory obligations in a timely manner, by Governments and private sector.
- **Review the City Deals framework** to ensure it is more effectively delivering a streamlined system for better infrastructure.
- **Prioritise further City Deals** to stimulate growth and kickstart productivity.

## THE WHY

Population policy, infrastructure and land use planning for major infrastructure is critical to efficiently develop cities, housing and to ensure a stronger investment dividend for Government.

Banksia Grove by LWP Group



# 3. STREAMLINING ENVIRONMENTAL APPROVALS

## WHERE WE ARE

In 2019, the Commonwealth commenced a review of the Environment Protection and Biodiversity Conservation (EPBC) Act.

The EPBC Act remains the single largest drag – at a Commonwealth level, and in some cases, overall – on new housing projects. It undermines project viability due to inconsistent application, interpretation and governance. It adds substantially to the time and cost of new projects.

As the single largest user (by project volume) of the EPBC assessment system, the development industry needs a simple, clear framework that can be efficiently navigated.

The failure of the EPBC system deeply impacts planning and approvals of new housing developments due to the interdependency of the State and Federal systems. Equally, if any one of the EPBC, planning or approvals systems either stalls or fails, the entire framework is undermined.

The 2022 Budget package of \$128.5 million towards environmental reforms sets Australia on a trajectory towards a better system in line with many UDIA recommendations including, streamlining environmental approvals, creation of a one touch system to remove double handling, evidence-based proposed listings and transparency.

Critically, managing climate change and the need to improve environmental performance, will also require government and industry to shrewdly balance environmental outcomes with the increased cost for housing and affordability.

## WHERE WE NEED TO GO

Shepherd through the budget measures and further enhancements to provide a simple, streamlined, single-touch system for quickly and effectively determining environmental issues for all stakeholders.

Use the budgeted \$62.3 million for delivery of 10 regional plans to include housing related projects that are desperately needed.

A clear roadmap to sustained reform is essential in balancing economic, social and environmental objectives – including a timely and predictable assessment system.



Aston by Peet Limited



# RECOMMENDED ACTIONS:

- In line with Budget measures, create a single touch assessment system that avoids duplication between different tiers of governments and invest in the data and technology needed to ensure they are robust.
- In line with the Budget measures, fund and develop the precise design of new environmental standards to underpin the potential new EPBC system.
- In line with Budget measures, implement clear unambiguous response timeframes with "deemed to comply" approvals if timeframes are not met.
- Use the budgeted \$62.3 million for delivery of 10 regional plans to include housing related projects which are desperately needed.
- Fund a full Regulatory Impact Statement to test the proposed National Environmental Standards including case studies on 'live' projects – for their impacts on housing development.
- Sufficient funding to support the detailed and careful design of new National Environmental Standards and reform of the environmental offsets framework that suitably respond to the challenges of urban land use and housing development.
- Investment in national and regional-scale planning needed to appropriately manage threats, resolve competing land uses and provide certainty to industry proponents well before development is proposed. **Funding to support the efficient delivery of state-based Strategic Assessments.**

## THE WHY

An EPBC framework that is informed by efficient processes, contemporary standards and robust analysis will deliver good environmental and urban development outcomes.

Halcyon Greens by Halcyon



# 4. PLANNING SYSTEMS THAT WORK MORE EFFICIENTLY

## WHERE WE ARE

Housing supply pipelines remain out of sync with short and long-term demand, population projections, and the increased need for housing diversity to satisfy demographic shifts.

Many state and local planning systems are inefficient and unmanageable. Our industry, which is tasked with the actual delivery of new development, is stymied by conflict and poor processes - all of which contribute to a lower and ever-diminishing supply.

It now takes some six years for the first house to be built on rezoned land, meaning supply cannot respond quickly enough to demand. The endless and ever-growing processing timeframes, red tape and costs imposed on new projects are ultimately baked into the cost of new housing, 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, lacking fine-grained data on true capacity. Instead approximations are made of "zoned land" supply not "development ready land" which is fundamentally different.

UDIA supports the Government's expansion of NHFIC's mandate to set targets, collect, monitor and report on housing supply and land use, together with the new National Housing Supply and Affordability Council (NHSAC) mandate to manage supply boosting incentives, targets and data.

We need to incentivise planning reform and develop accurate broad-based data to measure the performance of the housing and planning systems. This can be achieved through NHFIC/NHSAC using the NHHA to fund incentives.

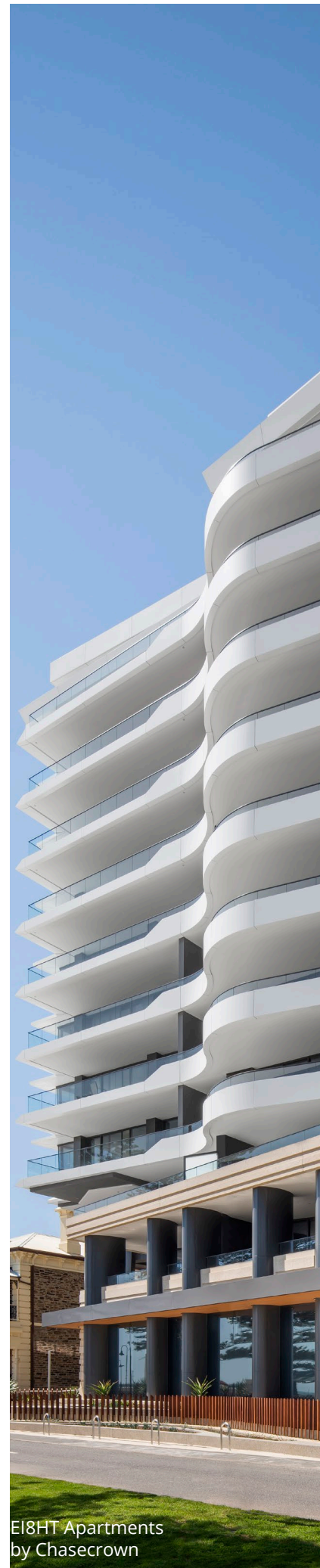
Australia's housing markets are some of the least affordable in the world - there is no time to waste.

Major Housing Market	Global Affordability Rank
Sydney	2nd Least Affordable
Melbourne	6th Least Affordable
Adelaide	13th Least Affordable
Brisbane	18th Least Affordable
Perth	23rd Least Affordable

Source: Demographia International Housing Affordability Report 2022

## WHERE WE NEED TO GO

Industry needs simple, clear planning systems that are easy to navigate with greater accountability, performance transparency and delivery of supply.



E18HT Apartments by Chasecrown



# UDIA RECOMMENDS:

- In line with Government announcements, NHFIC and NHSAC should design a new incentive based framework to assess performance of all housing markets.
- **Housing supply targets** should include the major capital cities and regional growth areas and be informed by population projections that each state and territory needs to meet to maintain affordability.
- **Independent metrics** that measure performance and identify barriers – eg: development-ready land supply, manufacturing and worker capacity, more enabling infrastructure, streamlined/reform planning/approvals, affordable/at-market housing, streamlining stamp duty, charges and taxes.
- **Map the red tape barriers**, as well as the taxes and statutory charges, that add to the time, cost and complexity of delivering new housing.
- **Produce a series of 'league tables'** to chart the performance of states, territories and local governments across the metrics, including housing supply, infrastructure servicing and approval times.
- **Introduce a pool of financial incentives** to reward states for productivity inducing reforms that ensure they meet housing supply targets, improve housing affordability and choice. NHHA is a possible incentive mechanism across all governments.
- **Ensure incentive payments are made available on delivery of key metrics** that boost supply e.g.: upon actual increases in development ready supply or real reductions in approval times, rather than the preparation of "plans" or "processes".

## THE WHY

Australia has one of the least affordable housing markets in the world. We need accurate data, targets and performance measures to understand housing supply and remove systemic problems undermining affordability.

Benson Place by BHC Creating Liveable Communities



# 5. POPULATION FOR PROSPERITY

## WHERE WE ARE

Population growth is intrinsic to Australia's prosperity as the least populated continent in the world. Australia enjoyed 27 years of continuous economic growth, the longest period recorded globally, and immigration was one of the key drivers of this success.

Immigration remains crucial for the economy - Net Overseas Migration (NOM) historically accounts for about 60% of the population growth needed to sustain a vibrant economy in Australia. Overall, immigrants own 1 in 3 small businesses - that's over 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. The Migration Council of Australia's reports that migrants add 15.7 per cent to our workforce participation rate, and 5.9 per cent in GDP per capita growth.

After decades of growth, COVID-19 represented the biggest disruption to Australia's population trajectory since World War II. NOM plunged into the negative during the pandemic - reaching (-100,500) in F2021. 2022 Budget forecasts expect 180,000 new migrants in FY2023 and 213,000 in FY2024, however we need to make up for the lost NOM during the pandemic.

The Centre for Population estimates that Australia's population will be 855,200 lower by 2031 than pre-COVID forecasts. This translates to approximately 342,000 fewer homes built, with the linked reduction in economic activity and higher house prices.

UDIA/URBIS research shows NOM accounts for 56 percent of Australia's housing demand, and up to 50,000 fewer homes per year will be built over the next five years due to the contraction in population growth. This represents about \$17.9 billion of economic activity lost forever.

The development industry (like many), is experiencing major cost increases and delays from skilled worker shortages. The economy will continue to struggle if bold migration targets are not established.

## WHERE WE NEED TO GO

Australia needs a settlement strategy to address skilled labour shortages, restore our economic growth and close the financial gap caused by the pandemic.



Aston by Peet



# RECOMMENDED ACTIONS:

- The Commonwealth develop short, medium and long-term migration targets for the restoration of net overseas migration and population growth.
- The population targets should close the gap of population lost due to the closure of international borders.
- Australia should set a new target for NOM well above the pre-pandemic level of 160,000 – 190,000 per annum – and seek to double NOM until it has closed the gap caused by the pandemic.
- Immediately prioritise preferred migrants with a particular focus on foreign students and skilled migrants in areas of worker shortages.
- The Centre for Population should produce fresh projections built around these goals to inform land use and infrastructure planning by all spheres of government.

## THE WHY

Reducing migration hurts our economy and negatively impacts Australia. Population growth fuels our productivity and a post-pandemic road map to restoring immigration is needed to bolster the recovery, support housing markets and inform good strategic planning.

Echolon by Giorgi



# 6. KEEP CAPACITY AND CREATE EFFICIENCY

## WHERE WE ARE

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 current tax system is not sustainable and represents a disproportionately heavy burden on new home buyers. Further, Reserve Bank of Australia interest rates hikes will continue until inflation flattens, introducing further uncertainty into the market.

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

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 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.

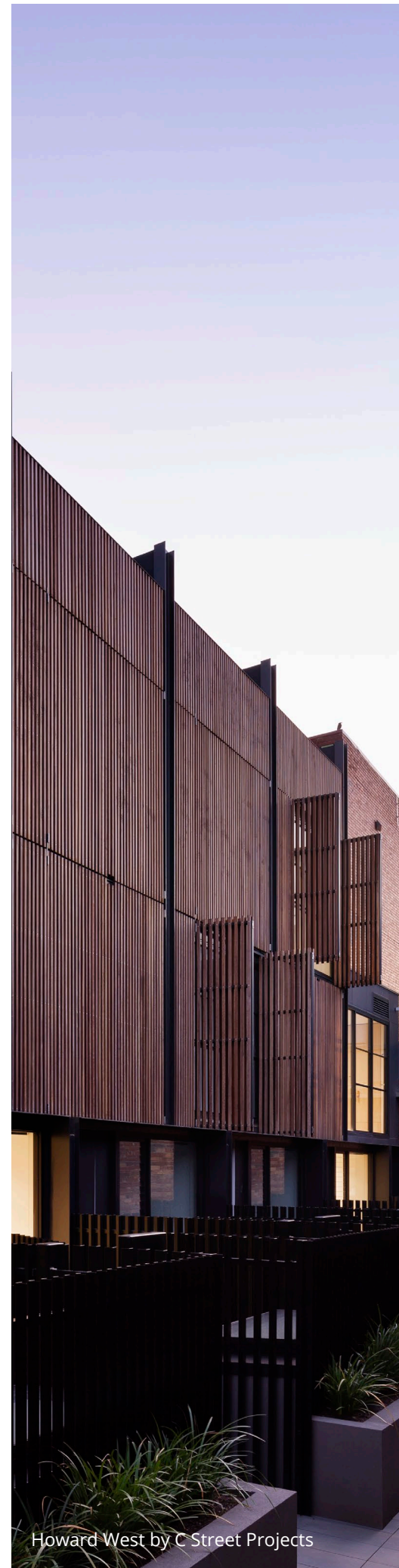
Australia would be better off abolishing inefficient taxes that distort choices, and this needs broad-scale tax reform across Governments. In the meantime, reduction of tax burdens is a useful step.

Equally, lenders and borrowers need certainty that credit rules will not radically change in times of uncertainty. Prior efforts to curb perceived risks in lending practices had the effect of substantially stalling the availability of finance for new projects, particularly apartments.

## WHERE WE NEED TO GO

Commonwealth Government should:

- incentivise states and territories to work with the Federal Government on broad-based tax reform to retire inefficient taxes, reduce tax burdens and stimulate housing supply.
- implement measures to build credit confidence that will mitigate tightening of funding and increased costs.



Howard West by C Street Projects



# RECOMMENDED ACTIONS:

## Create Efficiency:

- Deliver a roadmap for broad based tax reform in partnership with state, territory and local governments to retire inefficient taxes imposed on housing like stamp duty and foreign investor taxes.
- Removing tax-related barriers on new or emerging housing product to ensure all similar housing products are on a level playing field. Remove rules that discourage institutional investment in Build-to-Rent, equalise treatment for all affordable product and ensure CHP tax treatment allows disposal without GST.
- Incentivise (under NHHA or other agreements), increasing the stamp duty thresholds across the States and Territories to ensure median house prices attract materially lower rates.

## Market Capacity:

- Maintain (in line with Budget/election measures) a substantial annual allocation of the Home Guarantee Scheme, First Home Loan Deposit Scheme and Help to Buy Scheme - for use on homes across cities and regions.
- 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.
- Implement requirements for financial regulators to draft a regulation impact report on major, regional and local housing markets for any lending regulation changes - to avoid disproportionate impacts and blanket changes that worsen circumstances for regional markets.

# THE WHY

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





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