Urban Development Institute of Australia
NATIONAL

Supply. Support. Sustainability.

...pathways to productivity

Urban Development Institute of Australia

March 2024

Overview

Urban Development Institute of Australia (UDIA) National strongly champions initiatives to bolster housing supply, support home ownership, and deliver more affordable and social housing.

The Albanese Government's National Housing Accord (**Accord**) target of 1.2 million new homes over 5 years is an overdue recognition of the importance of housing supply. The Accord's success relies on developing market-wide solutions to tackle fundamental problems impacting the whole housing market:

- **A continued lack of development-ready land to build the dwellings needed to house a growing population.**
- **Slow and complex planning and environmental approvals, preventing progress on projects and impairing their feasibility.**
- **A mismatch between State and Local Government preferred policy outcomes and the actual housing needs of purchasers and renters.**
- **Missing infrastructure, needed to get developments out of the ground.**
- **Lack of skilled construction workers, impairing productivity and increasing direct costs and time for projects.**
- **Lack of incentives to viably generate dwellings across the housing continuum.**
- **Multiple layers of tax, charges, fees, and growing regulatory imposts collectively increasing housing development costs.**

The outcome is an ever-increasing housing supply gap across the continuum, demonstrated in recent approvals and completion trends.

Industry is struggling to return to pre-covid productivity much less overcome historic development ready land shortages. Land prices jumped 28% in the last 2 years & rentals grew 37% since 2020 and are forecast to rise.

Completions are projected to decline over 2024-25, which means housing approvals must almost double before the market can deliver a turnaround for completions in 2025 and beyond and the nation will need to build an eye watering 300,000 dwellings p.a. for the remaining three years to meet the Accord target.

The Housing Australia Future Fund (**HAFF**), and Accord aim to build around 40,000 of these homes as affordable and social dwellings.

This means the lion's share (97%) of the 1.2m target relies on private development and delivery across the entire housing spectrum.

We need more market-wide initiatives that ramp up housing capacity and productivity to deliver new homes for Australians.

DEVELOPMENT & CONSTRUCTION AS AUSTRALIA'S ECONOMIC ENGINE ROOM

The Development and construction industry delivers 9% of Australia's GDP and creates jobs for 1.307 million Australians. Every dollar invested into housing construction delivers $2.90 in broader economic activity.

Not only is the industry one of Australia's largest employers, it also underpins our society's social fabric, delivering new housing and communities for all Australians.

Housing market problems need to be solved if we want to reach the Accord target of 1.2 million homes in 5 years.

Front Cover Image: Park Terraces by Celsius Developments

About UDIA National

Urban Development Institute of Australia (UDIA) National is the development industry's most broadly representative peak body with more than 2,000 member organisations - spanning top tier global enterprises, consultants, small and medium-scale developers and local governments.

UDIA's State members nationally, deliver new homes across the continuum for all Australians, including the majority of affordable housing. Many new homes in greenfield areas, and units in established areas, are sold to the market at or below the prevailing median house price, allowing new entrants into areas which they otherwise cannot afford to purchase.

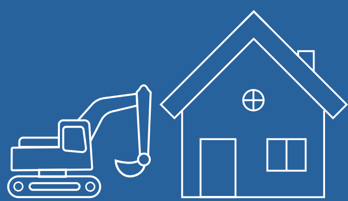
UDIA National's advocacy is defined by our National Council – informed by our diverse membership base in each state and extensive network of state councils, committees and businesses on the frontline of housing. Our voice is backed by real world experience and quality evidence-based research designed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

9%

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

1,307,900

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



$360bn

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 9% of Australia's workforce

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

The industry significantly boasts secondary markets including manufacturing and retail

Key Asks on Policy Pillars

Housing Supply

More homes more Quickly:

- **Incentivise accelerated approvals, more housing supply & density bonuses** for added floor space, height or reduced lot size to deliver more housing fast across the continuum.
- **Reward States & Territories financially under the bonus for dwelling approvals issued** on the 1.2m Accord target to support "front end" delivery, rather than waiting for builds.
- **Unlock surplus Government land** for mixed at-market and affordable housing.

Infrastructure for Liveable Communities:

- **Direct Federal infrastructure funding to projects that support new housing** - trunk infrastructure to unlock housing and key infrastructure critical for housing.
- **Accelerate Accord State & Territory infrastructure incentives** to catalyse new housing rather than pay states an incentive at the back end of the Accord period.
- **Allow industry access to Government infrastructure funding (like local government)** to maximise application of funding commitments to critical enabling infrastructure.

Effective Planning Systems:

- **Incentivise streamlined planning across the continuum** including halving planning times and accelerating zoning to convert undeliverable zoned land to housing faster.

The Environment

Streamlined Environmental Approvals:

- **Create a state led, single, simple approval pathway assessment system incorporating Federal and state requirements** - including agreed regional plans & avoiding duplication.

Level Playing Field on Climate Action:

- **Align Government initiatives, NABERS and Greenstar tools for use by greenfield and small developments.**
- **Incentivise the acceleration of green credentialled products** for developments.

Support Industry Capacity

Population for Prosperity:

- **Prioritise migrants with house trade skills** to rebuild the capacity of the industry
- **Fund or incentivise State and Territory increases in vocational/ TAFE training and apprenticeships** through targets to build our domestic skilled workforce.

Capacity & Efficiency:

- **Incentivise States & Territories to remove taxes holding back affordability** – reductions in layers of tax, charges and fees including reducing stamp duty thresholds.

The Housing Markets

Overview

Australia's housing markets have been beset by a continuous undersupply for most of the past two decades, eroding development ready land pipelines, housing affordability and access to home ownership:

- The shortfall in new housing stems from multiple factors: shortages of development ready land, increasing materials & skilled labour costs, productivity challenges, planning delays, all of which contribute to fewer homes, driving up purchase prices and rents.
- Ordinary Australians are forced to pay more for homes, or rent for longer at higher rates, with a growing number inevitably forced to seek government support or social housing.
- Australia is falling further behind in housing supply each year, further increasing pressure on prices and rents. There simply isn't enough capacity to meet existing housing demand.

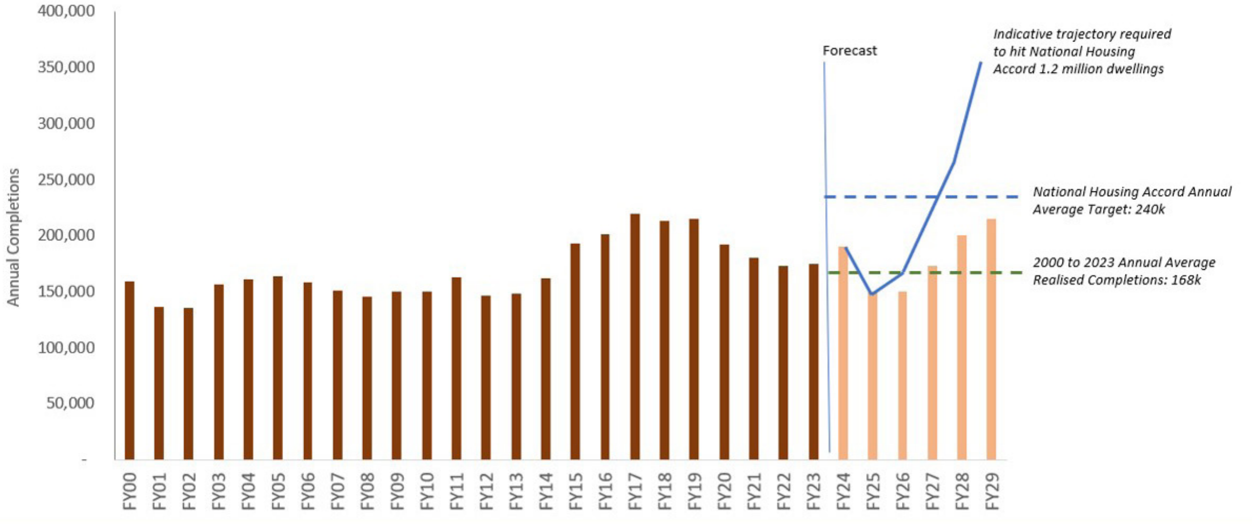
Private development produces 97% of new dwellings across the housing continuum, including the majority of affordable housing. Costs, shortfalls & delays impact the entire housing market.

National Cabinet has set an ambitious target of supplying 1.2 million new homes over 5 years from July 2024 under the National Housing Accord to tackle Australia's housing affordability crisis:

- An average of 240,000 new homes must be built annually to reach that target – 21% more dwellings than the nation's highest five-year average rate of annual completions (198,000) and 38% above the 174,400 new homes built in 2022-23.
- The challenge is to turn around the trajectory of completions, arrest the current decline, and rapidly ramp-up delivery over the remaining years.
- The Dwelling Completions chart, below, shows the "hockey stick" recovery pathway to deliver the Accord target – two years of completions likely to be well below the 240,000pa dwelling target, followed by three years of completions exceeding 300,000 needed to make up the difference.
- **That means nearly doubling housing approvals/completions to make the 1.2m target.**

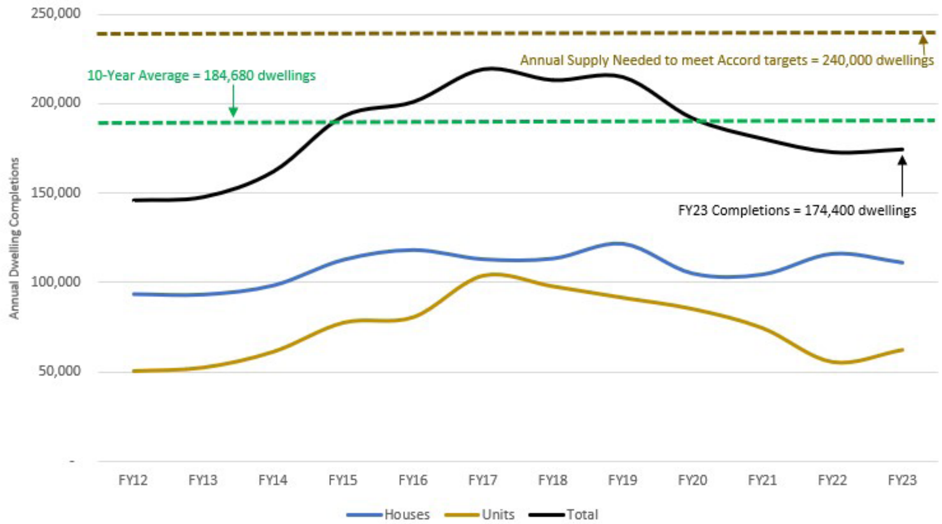
The Hales by Satterley

National Dwelling Completions



Source: UDIA; ABS; Oxford Economics

National Dwelling Completions

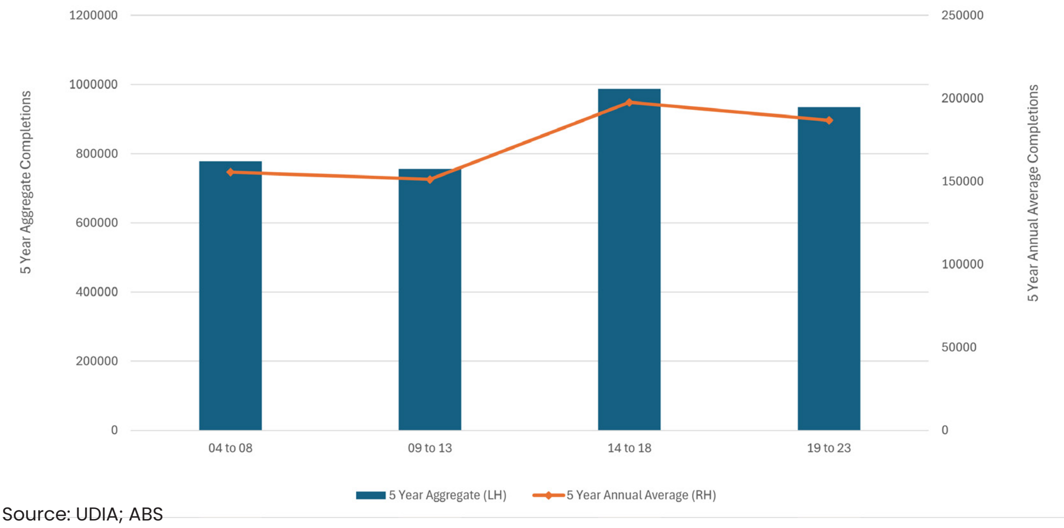


Source: UDIA; ABS

Critically, to deliver a total of 1.2 million homes, industry needs at least 1.33 million approvals over the five years (given an historic attrition rate of 10% between approvals and actual commencements):

- That is an average of 264,000 approvals each year for 240,000 completions.
- For perspective, over the last five financial years (2019 on), 934,160 dwellings were completed nationally - an average of 186,830 dwellings pa. The previous period (2014–18) was the highest five-year volume of completions ever achieved in Australia with a total of 988,350 completions.

National Dwelling Completions



Source: UDIA; ABS

- The Housing Australia Future Fund (**HAFF**), and National Housing Accord (**Accord**) aim to build around 40,000 of the 1.2 million homes as affordable and social dwellings.
- **The lion's share (97%) of the 1.2m target continues to rely on private development across the entire housing continuum.**

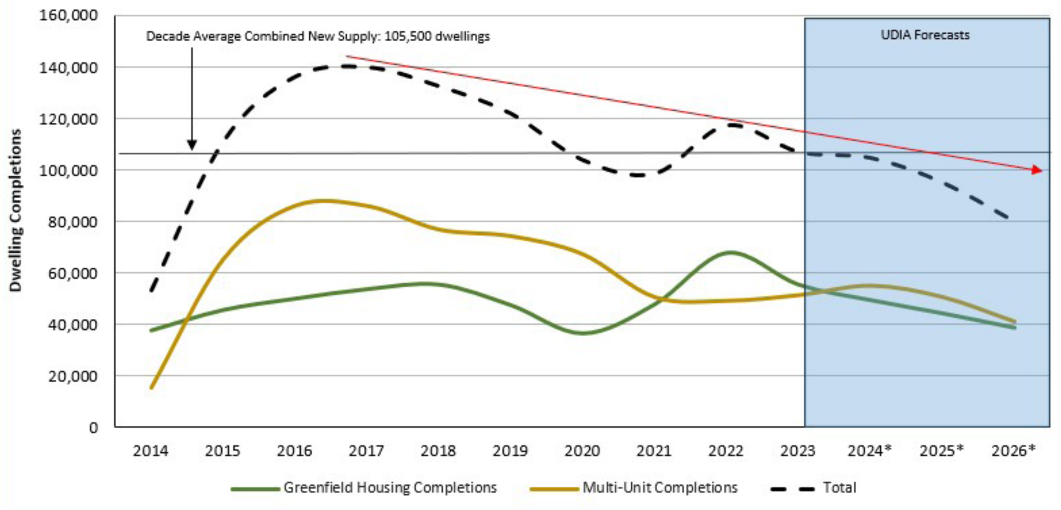
Baywater Estate

The Market

Industry is struggling with high costs, lack of skilled workers, inadequate development ready land supply, choked infrastructure delivery, high tax burdens and ineffective planning and approvals processes.

Since the 2017 peak, new total dwelling supply has been in steady decline:

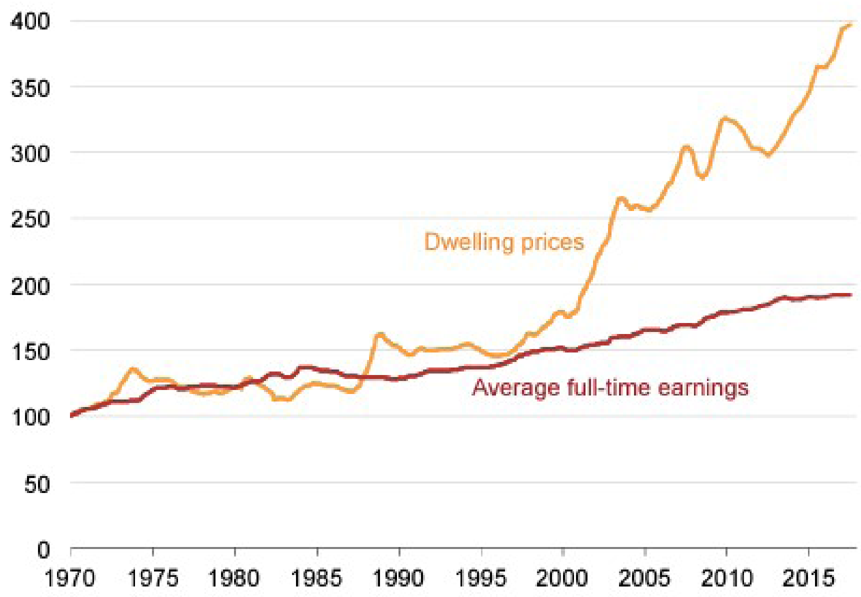
Dwelling Pipeline Outlook, Combined Capitals



Source: UDIA, State of the Land Report 2023

Inadequate supply leads to dwelling prices rising against flat income growth. This simple correlation has not changed, with the impacts becoming more pronounced in recent decades.

Australian Dwelling Price v Full Time Weekly Earnings 1970-2020

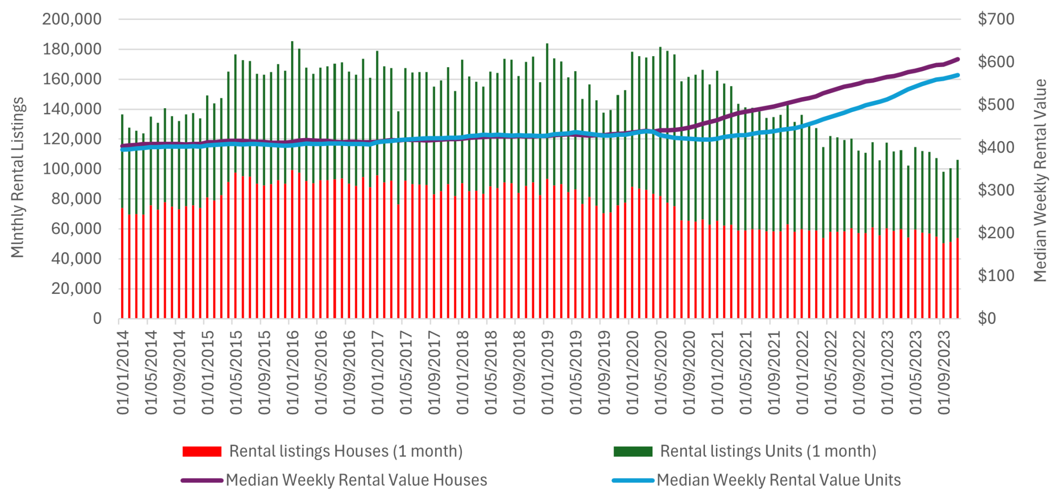


Source: Daley, J. and Coates, B. Housing Affordability: re-imagining the Australian Dream, 2018

Across a backdrop of tighter fiscal policy, retail greenfield land prices jumped 28% across the last two financial years and national rental pricing has grown 37% since March 2020:

- Residential lot release volumes have dropped 41% from the March Quarter 2022 to September quarter 2023.
- Dwelling commencements are down 15% in the last 12 months to September 2023 with a total of 165,600 new home starts.
- The typical approval attrition rate to completions, means a significant negative impact in 12-18 months, closer to 27% less housing overall than the prior period.
- A 46% decline in National rental listings have seen rents increase by 37% since March 2020

Monthly Rental Listings and Median Weekly Rental Values, Australia

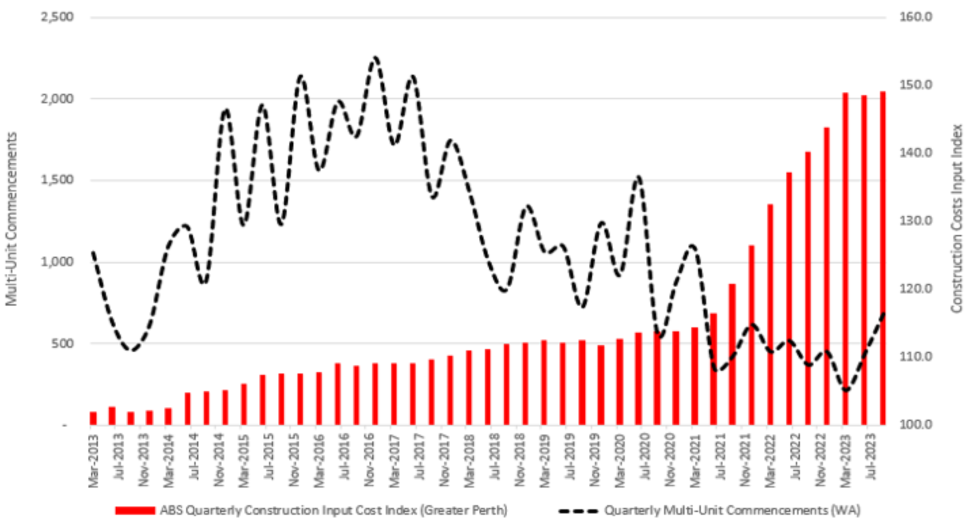


Source: UDIA; CoreLogic

- Construction costs are 33% higher since Covid – whilst the pace of growth is slowing, prices are expected to stay at a new high normal conferring no relief or improvement to affordability.

The Avenues of Highfields

Multi-Unit Commencement v Construction Costs Input Index



Source: UDIA; ABS;

- Investor lending is still down 12% (12-month rolling basis), and lending for new dwelling construction still down 31% (12-month rolling basis) – leading to less rentals homes in the future.
- permanent skilled visas have only recently caught up with pre-covid capacity and construction job vacancies remain 72% higher than long run average, as immigration visa rules have avoided targeted construction and trade skills.

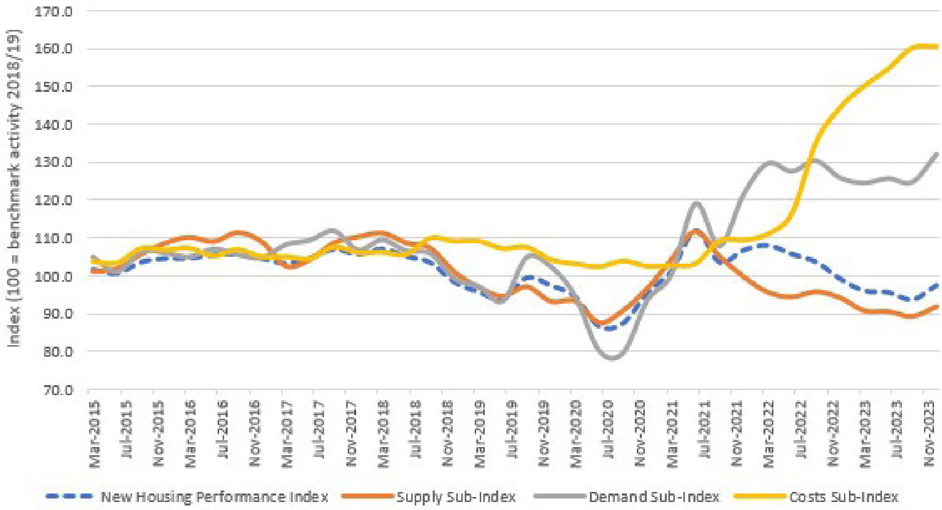
In fact, the job vacancies and permanent skilled visas data disturbingly indicate that the development and construction industry is struggling to return to even pre-covid housing capacity, let alone grow the capacity required to meet the Accord target:

- Entire specialist workforces were lost in the lockdowns. Targeted and sustained skilled immigration is needed to return capacity and productivity.
- The development industry has become chronically short supplied on key skills which halted projects and which were exacerbated by strong State Government infrastructure pipelines.
- Concerningly, demand is now increasing while supply still falls and prices rise. Immigration influx will increase pent-up demand (circa 606,700 growth in the 12 months to June 2023).

The UDIA New Housing Performance Index shows:

- A marked and ongoing retraction in the new housing market performance across the nation (dotted blue line below) against skyrocketing costs (red).
- As demand picks up against dropping supply, we will expect to see further deterioration in overall market performance with upward pressure on dwelling rental and sales pricing.

UDIA New Housing Performance Index (NHPI)



Source: UDIA; ABS; CoreLogic; RBA

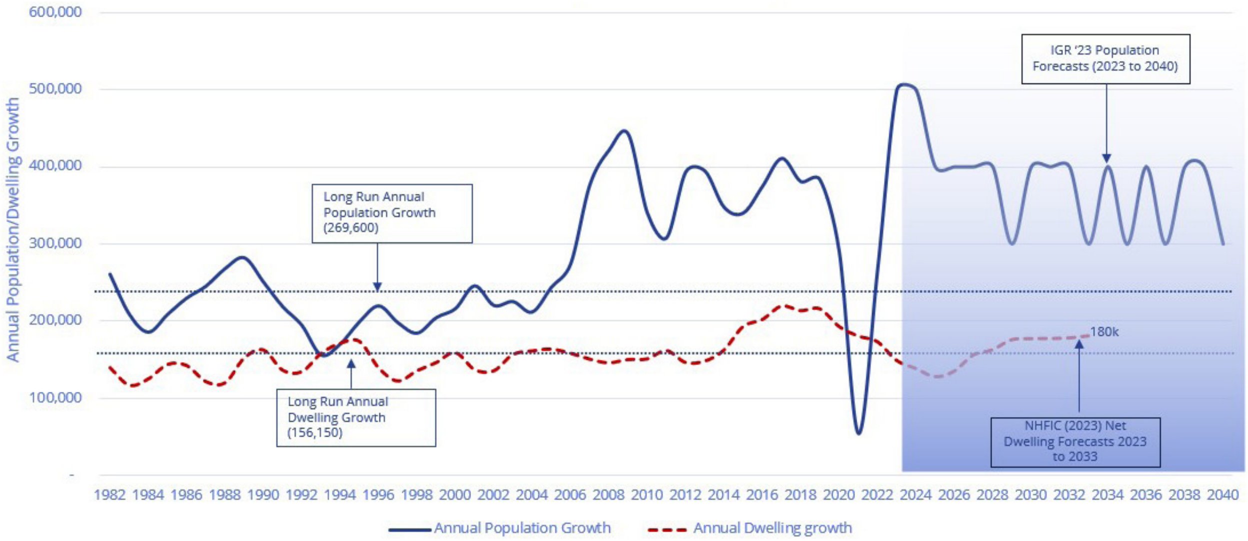
The housing gap is widening across the entire housing spectrum:

- **The National Housing Finance and Investment Corporation (NHFIC)** – now Housing Australia (HA), estimated in 2023 current total housing shortfalls of circa:Dwelling commencements are down 15% in the last 12 months to September 2023 with a total of 165,600 new home starts.
  - 200,000 for at-market housing.
  - 45,600 homeless households.
  - 331,000 social and affordable housing. (Roughly two thirds social and one third affordable)
- NHFIC also estimated annual shortfalls of 21,260 at-market dwellings until at least 2027.
- The 2021 NHFIC review estimates the need for 31,000 social and 14,000 affordable homes per year alone over the next 20 years to meet new demand (45,000 affordable and social houses annual shortfall).
- Government and CHPs combined, produce circa 7,350 affordable and social houses each year (around 3,000 actual new builds) – The Accord and Future Fund might bring total affordable and social build up to circa 13,000 per year. Government and CHPs, simply have no practical way to close the affordable and social housing gap on their own.
- **It will require the whole industry to build enough capacity in a reasonable timeframe.**

Market Trajectory

On Intergenerational figures and NHFIC housing demand modelling we significantly undershoot housing delivery on existing forecasts:

Australia, Annual Population and Dwelling Growth



Source: UDIA; ABS; Intergenerational Report (2023), NHFIC (2023)

- Population growth is set to be within the range of 300,000 to 400,000 pa up to 2040. NHFIC forecasts for annual dwellings to increase to 180,000 houses pa by 2033.
- The discrepancy is enormous and points to the need for significant and urgent stimulus of housing supply and removal of barriers to development.
- Of particular note, the long run population growth is 296,000 people per year. Our best housing forecasts simply do not match projected population growth.

Harmony by AVID Property Group

The Next Steps

Critically, the housing market including Government's housing initiatives are being held back by fundamental problems in the market:

- Lack of development ready land.
- Lack of enabling and supporting infrastructure.
- Slow and complex planning and environmental approvals.
- Lack of skilled workers delaying and increasing the cost of projects.
- Lack of incentives to generate dwellings at scale across the housing continuum.
- Multiple layers of tax, charges and fees, and growing regulatory imposts, ultimately increasing housing costs.

To deliver on Government's housing initiatives including the Accord target of 1.2 million homes in 5 years we must drive fundamental change across the entire housing continuum:

- **quickly recover lost construction capacity:**
  - » Bolster skilled immigration, trade skills and training to close the gap and recover productivity in skilled development and construction labour.

- **open up more development-ready land:**
  - » Accelerate planning, zoning and reshape urban planning systems across the housing continuum to convert undeliverable zoned land into housing faster.
  - » Streamline environmental approvals in balance with social and economic outcomes to remove complex/impractical processes that are a handbrake on delivering housing.
  - » Boost infrastructure linked to housing supply and city shaping - in particular enabling infrastructure which is holding back development. For maximum impact, make these programs available to industry to access instead of being reliant on local authorities.

- **boost housing delivery productivity now:**
  - » Incentivise delivery of more housing across the continuum by private housing providers.

- **bring down costs of building and construction:**
  - » Incentivise reductions in multiple layers of tax, charges and fees, and growing regulatory imposts which ultimately increase housing costs.

Government cannot afford to focus solely on changes to affordable and social housing delivery. The entire housing continuum needs to be bolstered, or Australia simply will not be able to meet the housing targets nor overcome the shortfalls:

- The initiatives need to be performance managed under a nationwide agreement to ensure we know what is being achieved and what barriers are holding back targets.
- Government measures for planning, land use reforms and boosting of enabling infrastructure have to be applied across the entire housing continuum otherwise delays push up costs.
- The initiatives need to become part of a systemic and ongoing framework of reform over decades with increasing funding over time to incentivise housing supply delivery.

Image on P14: Nightingale by Hygge Property

UDIA POLICY PLATFORM

UDIA National's policy blueprint is designed to turbocharge the reforms needed to drive economic recovery, boost housing affordability, and lay the foundations for a new wave of prosperity.

Homes 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.

Affordability issues in regional and urban areas are largely the result of a chronic lack of development-ready land – land caught in regulatory systems that limit industry capacity to meet demand spikes.

The causes are well known: a lack of enabling/major infrastructure, insufficient zoned land, clogged approval systems, the weight of regulation and taxes adding to project time, cost and complexity.

Private providers build 97% of new dwellings across the housing continuum, including affordable housing. This means costs, shortfalls, delays and taxes which impact the development industry end up impacting the whole housing market.

There simply isn't enough capacity to meet existing housing demand – as noted before, land prices and rentals continue double digit growth.

The Federal Government's ambitious response to the housing crisis includes a target of 1.2 million new homes over 5 years from 2024.

This target means we need around 264,000 approvals to reach the necessary average of 240,000 houses a year, (given the 10% attrition rate from approvals to final build).

The HAFF, and Accord aim to build around 40,000 of these homes as affordable and social dwellings. 97% of the 1.2 m target relies on private development.

We need to ramp up productivity across private housing providers as well as CHPs to hit those targets.

Importantly, 85% of housing is delivered by small to medium size businesses. Many of these businesses will not be able to access current HAFF or Accord funding due to their scale.

We will need them to deliver increased at-market and affordable housing to hit the Accord target.

Where We Need To Go:

Federal Government, coordinating with States and Territories and under the National Housing & Homelessness Agreement (**NHHA**) must:

- **Agree measures that generate projects** with private/affordable housing in and outside the HAFF:
  I. a Federal, tradable tax credits/deductions scheme that can be applied against taxes or sold;
  II. State & territory density bonuses; and
  III. whole of government tax or finance relief for additional affordable housing.
- **Utilise density bonuses** like increased Floor Space/Density Ratio for affordable housing.
- **Change GST/tax rules for BTR to level the playing field** with other housing asset classes.

TreeHouse by Aria Property Group

Recommendations

Incentivise change in coordination with states and territories, using the NHHA or other funding structures:

- **Ensure supply boosting measures and incentives apply to all housing providers across the continuum as whole-of-market initiatives** – initiatives are undermined when limited to specific parts of the market.
- **Reward States & Territories financially under the bonus for the dwelling approvals issued** on the 1.2m Accord target to support "front end" delivery rather than waiting for builds. Use other early milestones to ensure bonus funding can help reach housing targets.
- **Unlock surplus Government land** for mixed at-market and affordable housing.
- **National Housing Supply Council (The Supply Council), and HA to performance manage, monitor, maintain, refine housing targets** and development ready land metrics.
- **The Supply Council to coordinate with private industry to deliver data on development-ready supply** and identify delivery holdups – use the UDIA National Housing Pipeline (NHP)* metric.
- **Develop a suite of incentives to accelerate/generate mixed use projects across the continuum in concert with States and Territories (including under the NHHA):**
  a. Incentivise States and Territories to provide tax relief, fast track approvals and provide density bonuses for additional floor space, height or reduced lot size.
  b. Incentivise more ongoing affordable housing funding from existing Federal, State and Territory tax bases.
  c. Coordinate home ownership initiatives with supply boosting measures to support expected demand.
- **Prioritise greater housing delivery harnessing private housing providers (over and above the HAFF)** – incentivise more housing, including securing ongoing funding from existing Federal, State and Territory tax bases.
- **Through the NHHA, limit reliance on Inclusionary Zoning and new property taxes** which jeopardise affordability across the housing continuum, including affordable housing delivery.
- **Incentivise private affordable housing under BTR and for sale** by aligning affordable housing incentives with those received by CHPs and reducing infrastructure contributions.
- **Fix the legislation impeding more institutional investment in BTR** to make it internationally competitive, by allowing projects to claim back GST during development like BTS.
- **Establish a new tax credit for housing** that will give CHPs and private developers the ability to generate equity for new housing projects.

Infrastructure for Liveable Communities

Where We Are:

Great cities and regions are productive, liveable, and sustainable.

They continue to evolve. This demands foresight, planning, investment and the ability to respond to changing needs.

Without 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 is impossible to anticipate the housing and development needs. This becomes inefficient and costly.

UDIA National is pleased Government has taken up several of our recommendations to address these issues and we support efforts to:

- rationalise the major infrastructure pipeline.
- ensure transport infrastructure is linked to housing priorities, and well planned cities.
- Procure infrastructure to support long-term sustainability of the construction industry.
- tie infrastructure spending to planned development of cities, suburbs and regions - linking strategic planning, population and employment growth, the supply and availability of housing.

Where We Need To Go:

Build the processes around the Government initiatives including:

- **Develop protocols to ensure strategic plans properly consider land use frameworks & population forecasts.**
- **Establish measures and gather direct industry input** to ensure infrastructure projects tie in housing supply opportunities.
- **Ensure enabling infrastructure is funded and delivered.**
- **Create access to funding lines to industry,** not reliant on authorities for applications.
- **Performance management of the new strategy for:**
  i. integrated land use plans and approvals.
  ii. including housing supply outcomes.
  iii. funding enabling infrastructure.
- **Work with industry to manage the delivery capacity** for infrastructure and housing.

Daly St by Otello

Recommendations

In coordination with State and Territory Governments:

- **Provide direct Federal infrastructure funding to projects that support new housing** like trunk infrastructure to unlock housing and key infrastructure critical for housing. (new connector roads, interchanges, trains & buses)
- **Accelerate Accord State & Territory infrastructure incentives to catalyse new housing** rather than pay states an incentive at the back end of the Accord period.
- **Allow industry access to Government infrastructure funding (like local government)** to maximise application of funding commitments to critical enabling infrastructure.
- **Establish measures and industry input to ensure infrastructure projects tie in housing,** city shaping and that enabling infrastructure is funded and delivered.
- **Establish a strategic approach with industry to manage the capacity to deliver** significant government infrastructure projects – to balance immense capacity pressure on the construction sector that is blowing out costs and time for housing delivery.
- **Develop protocols to ensure strategic plans properly consider population forecasts** and demographic changes, with durable and flexible land use frameworks for cities & regions.
- **Performance manage the new strategy for integrated land use plans and approvals** for development to drive a better return on Commonwealth major infrastructure projects. Also include housing supply outcomes and funding of enabling infrastructure.
- **Use the Centre for Population's forecasts confirmed with industry** as the baseline for all infrastructure and land use planning across governments.
- **Infrastructure Australia to advise on the contribution of major infrastructure** to meet housing supply, in addition to the direct economic benefits.
- **Incentivise States and Territories to monitor and review short, medium and long-term strategic plans** for each of our major capital cities and regional centres that map the infrastructure and land use.
- **Clearly chart the base level of services expected for key elements of liveability,** including housing, transport, social/major infrastructure, timely delivery and the environment.
- **Prioritise further City Deals** to stimulate growth and kickstart productivity for key growth areas.

Effective Planning Systems

Where We Are:

Housing supply pipelines remain out of sync with demand and demographic shifts in most areas of Australia. Many state and local planning systems remain inefficient and unmanageable.

Our industry is stymied by conflict and poor processes - all of which contribute to a lower and ever-diminishing supply.

Given today's extraordinary circumstances, we need attitudes to shift towards "how do we say yes", instead of finding more barriers.

It now takes up to 12 years in some states for the first house to be built on land, meaning supply cannot respond quickly enough to demand.

Jurisdictions still often overestimate supply - working from broad area assessments, lacking fine-grained data on true capacity.

Instead, approximations are made of "zoned dwelling" supply not "development ready land", nor "suitable housing supply" which are fundamentally different measures.

As much as 60% of zoned residential land cannot be developed, because of critical roadblocks such as planning and environmental processes.

Between approval and completion, there is an attrition rate of 10-25% of developable land (depending on the region).

This all directly impacts city planning, infrastructure & housing delivery and emphasises the need for accurate housing data.

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 delivery time, house prices and rents for consumers.

After decades of housing shortfalls, Government and industry still have no reliable, whole of market data on the health of the industry, bottlenecks and productivity/capacity constraints. It is difficult to get accurate data unless you can engage with developers.

The UDIA National Housing Pipeline (**NHP**), created as a reliable nationwide data metrics verified with developers and landholders that identifies actual housing supply and environmental, planning, infrastructure barriers.

The NHP will be essential to ensure Government and the Supply Council can identify, target and manage barriers to housing across the housing continuum.

Where We Need To Go:

The Commonwealth is uniquely placed to incentivise necessary changes in coordination with States and Territories – refocus of planning systems through bilateral and multilateral deals as well as the operation of the NHHA and the Supply Council:

- **Performance manage streamlining of State and Local planning systems.**
- **Create meaningful incentives to accelerate approvals** and remove barriers to housing.
- **Establish independent metrics to measure performance across housing markets.**

Recommendations

Incentivise change in co-ordination with states and territories, using the NHHA or other funding structures:

- **Work with Industry to incentivise and performance manage streamlining of State and Local planning** systems to be fit for purpose, responsive, and that the performance of all participants is held to account.
- **Develop a suite of planning incentives to deliver more housing across the continuum faster –** including fast-track approvals and/or use density bonuses to increase at-market and affordable housing.
- **Lead a National conversation about how to say "yes" to proposals,** no longer allowing a culture of 'no' to predominate in the planning sphere.
- **Housing supply targets should include a settlement strategy for the major capital cities and regional growth areas** and be informed by population projections that each state and territory need to meet, to maintain affordability.
- **Independent metrics that measure/compare performance across states/territories and identify barriers across housing markets** – responsive to removing barriers for development-ready land supply, more enabling infrastructure, streamlined/reform planning/approvals, affordable/at-market housing.
- **Work with Industry to performance manage the pool of financial incentives to reward states for productivity inducing reforms** - meet housing supply targets, improve housing affordability and choice.
- **Work with industry to ensure incentive payments relate to actual delivery of key metrics** that boost supply e.g.: actual increases in development ready supply or real improved approval times, not processes.

Park Terraces by Celsius Developments

Streamlined Environmental Approvals

Where We Are:

The Development and Construction industry plays an incredibly important role in the conservation and protection of Australia's natural environment.

Environment Protection and Biodiversity Conservation (**EPBC**) Act however, continues to be a significant drag 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. We support Governments approach towards developing the EPBC & Environmental Protection Authority (**EPA**) reforms.

As the single largest user (by volume) of the EPBC assessment system, the industry needs a simple, clear framework that can be efficiently navigated for quick decisions before committing to projects.

Midtown Centre by AsheMorgan and DMann Corporation

Key reform issues for industry relate to:

- the slow pace of approvals.
- constant re-interpretation of approvals policy by the Department of Climate Change, Energy, the Environment and Water (Department), leading to uncertainty and regular re-work.
- the growing challenge of finding suitable offsets.
- currently, matters of national environmental significance are now being considered on an impractically granular scale, drawing most key housing projects in urban growth areas into 2-3 year approval processes in addition to other approvals requirements.
- EPBC Act approvals are currently a key risk for the viability of new housing projects.

Industry needs to know clearly before it can commit to projects, whether land is open and available for development.

The urban development industry supports many of the proposed changes to the EPBC Act under the governments Nature Positive Plan (**NPP**). The reforms require careful consideration to ensure the process is accountable and transparent.

Where We Need To Go:

Ensure there are safeguards around EPA decision-making and a balanced between environmental, social and economic issues. This includes ensuring:

- **social and economic aims are better balanced** in the new decision-making rules.
- **unambiguous timeframes and safeguards for EPA decisions** that allow an independent non-legal review for non-compliance or conflicting policies.
- **industry is directly involved in designing practical definitions, key delegated policy and regional plans** to ensure the right balance.

Recommendations

Implement an EPBC framework that is informed by robust processes, contemporary standards and comprehensive analysis for good environmental and urban development outcomes, including:

- **Create a state led, single, simple approval pathway assessment system incorporating Federal and state requirements** – including agreed regional plans and avoiding duplication (as with NSW South West Growth areas (once Cumberland Plains is certified)).
- **Align Federal & State EPBC approvals** to ensure a more timely/certain process for development.
- **Prioritise and accelerate regional planning for key urban growth areas** including WA, QLD and NSW - ensure delivery of 10 regional plans and include desperately needed housing related projects.
- **Through the EPBC pilots, ensure industry is directly involved in developing Regional Plans** to manage threats, resolve competing land uses and provide certainty to industry proponents. Determining bare minimum information needed to avoid vaguely framed requirements.
- **Ensure the EPBC and EPA legislation enshrine core objectives** that balance the environmental and business performance outcomes that the rules should support.
- **Ensure the EPA and EPBC rules provide appropriate review processes** for the implementation of the legislation, the performance management of the EPA annual results across economic and environmental measures and a non-court review function to ensure appropriate EPA decisions are made on projects.
- **Implement clear and unambiguous timeframes and appropriate safeguards for EPA decisions** that trigger an independent non-legal review in event of conflict.
- **Ensure industry is directly involved in providing tighter, practical definitions and EPBC standards** to ensure clarity and predictability in decision-making.
- **Ensure the data collection and monitoring includes both environmental and business performance** measures.

Nightingale by Hygge Property

Level Playing Field on Climate Action

Where We Are:

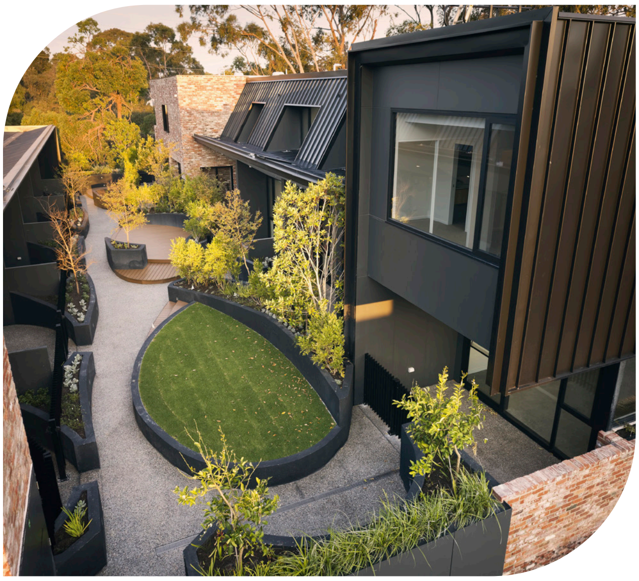
The Government has agreed with industry to consider the built environment as a distinct pathway for climate mitigation and adaptation.

Australia has also committed to Climate Change, net zero emissions by 2050.

Government is also actively seeking initiatives to implement a circular economy where materials never become waste and nature is regenerated. Integrating circular economy principles in development practice is an important first step on the path to achieving net zero.

Industry is keen to establish simple, practical and cost-effective pathways to achieve these aims. We need to be able to build with energy efficient materials and reduce the sector's carbon footprint and improve overall energy efficient of new builds.

Importantly, small to medium sized enterprises make 85% of all house construction and are a significant proportion of the greenfield market.



Park Terraces by Celsius Developments

Unfortunately, current carbon calculation tools are not suitable for use on greenfield sites where there are hundreds of lots with different builders and purchasers.

Currently, NABERS and existing tools work well from a built form perspective, but have not been designed with greenfield developments in mind.

Given the lag time between innovation, design, planning and final construction, we need to develop that practical pathway now to be able to achieve net zero targets and embed a circular economy.

Where We Need To Go:

Industry has several issues that need immediate improvement:

- We need a greenfield/small build/subdivision specific tool that is acceptable to industry.
- Often there is no suitable carbon/energy efficient construction materials in a category, much less ones accepted by (local or state) government planners or engineers.
- Net Zero for buildings will require carbon credits to offset the (newly efficient) embedded carbon builds. It is extremely difficult for individual houses or greenfield developments to achieve energy saving innovations on their own.
- Current planning and building regulations for both developments and dwellings prohibit many green credentialled materials or energy sharing technology from being used.
- Existing building operations account for half of Australia's electricity use and almost a quarter of Australia's greenhouse gas. We need to focus on energy efficiency.
- Existing detached dwellings will need to be renovated or rebuilt in 20 -30 years – home owners and industry need incentives to rebuild/renovate to overcome the expense or there will be limited impact on energy consumption.

Recommendations

In coordination with State and Territory Governments:

- **The Federal National Circular Economy Ministerial Advisory Group (MAG) must include greenfield developers and home builders as part of its deliberations,** to design strategies and tools that can be used widely across the sector, including growth areas.
- **Government initiatives, Federal NABERS and carbon metric tools should be set up to cater for greenfield and small developments by:**
  - engaging directly with greenfield developers and builders in design of a greenfield viable metric calculation.
  - taking a precinct approach to calculation of carbon.
  - specifying a particular point in the manufacture chain where carbon should be measured rather than going back to the raw materials which is extremely difficult to determine.
  - Mandating all materials have a carbon "number" to ease calculation of carbon in a build.
- **Incentivise the acceleration of green credentialled products for developments** – so there are sufficient alternative products in the market before considering penalties for failing net zero contributions.
- **All Australian Governments fast track building and planning rules that promote rather than prohibit the use of carbon efficient/green credentialled materials,** build products and development innovations so that housing builds and precincts can hit net zero including:
  - Remove Council prohibitions on green construction materials for developments.
  - State government policy reform to allow net zero innovations at a suburb scale to be implemented such as energy sharing tech and energy efficient construction innovations.
  - Land subdivisions/DA's should allow and incentivise houses to share innovations that promote carbon neutral or carbon credits, without the need for body corporates.
- **The Federal, State and Territory Governments must establish incentives to encourage Developers, builders and purchasers of dwellings to invest in green technology** that may only benefit downstream users or long term.
- **The Federal, State and Territory Governments must prioritise and incentivise reduction of energy consumption to make new and existing buildings operationally efficient** that will deliver sustainable and carbon efficiencies that are multiples higher than reducing embedded carbon. This includes:
  - Working with developers and builders to identify the greatest efficiency for a given spend in a reasonable timeframe – especially new vs renovation vs rebuild.
  - Incentivising green technology installation – eg: Insulation, double glazing, sustainable materials, replacing gas with electricity, Geothermal technology, solar, Green walls etc.
- **All Governments work with industry to develop a practical and sensible pathway to net zero on individual projects** to focus efforts towards better outcomes. This includes a workable definition of a net zero project.

Population for Prosperity

Where We Are:

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

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.

Critically, migrants have a fiscally positive impact on the economy - the 2018-2019 Treasury data shows permanent migrants each contributed $127,000 more to the GDP than the general population.

Migrants own one in three Australian small businesses. That is 620,000 businesses, employing 1.41 million Australians.

The Migration Council of Australia reports that migrants add 15.7% to our workforce participation rate, and 5.9% in GDP per capita growth.

UDIA/URBIS research shows NOM usually accounts for 56 percent of Australia's housing demand.

This research predicted that 50,000 fewer homes per year will be built over the next five years due to the contraction in population growth during the COVID period (circa $17.9bn lost economic activity). This is proving to be a prescient prediction given recent approval and completions data.


Harmony by AVID Property Group

The development industry (like many) is experiencing major cost increases and delays from skilled worker shortages - capacity has reduced right when we need to building more homes than ever.

We congratulate Government on expanding the immigration policy in recognition of the problem, but even with a record immigration influx of circa 563,000 growth in the 12 months to March 2023, we still have permanent skilled visa 28% lower than pre-Covid and construction job vacancies are 72% higher than the long run average.

Government will need to continuously address the skills gap for several years to catch up.

Where We Need To Go:

We clearly need a continuation of skilled migration, with a greater focus on migrants that can contribute to the continued shortfall of skilled construction workers and tradespeople.

We also need find ways to balance new housing supply with the immigration influx, as well as ramping up our education and training. This includes:

- **Further increase skilled-migrant visas** with a focus on building skills to close the growing gap in construction productivity.
- **Ensure the increased housing demand from migration is coordinated with housing targets** set through settlement strategy to ensure it does not worsen chronic housing shortages.
- **Coordinate tertiary/secondary school education strategies** to encourage students into trades and bolster the dwindling apprenticeship pool.

Recommendations

UDIA recommends investment in short, medium and long-term initiatives to recapture strong migration flows and boost population growth, including:

- **Prioritise migrants with house trade skills** to help industry recover productivity from continuing shortages - apprenticeships are a 3 year solution.
- **Allow accelerated migration for migrants who agree to take on a domestic apprentice within 12 months.**
- **Fund or incentivise State and Territory increases in vocational/TAFE training and apprenticeships** through targets to build our domestic skilled workforce.
- **Allow Head Contractors to sponsor migrants** – only allowing sub-contractors to do this, slows capacity growth.
- **Ensure the increased housing demand from migration is incorporated in housing targets** set through settlement strategy to ensure it does not worsen the housing supply shortage.
- **Develop Education and Aptitude Programs for Skilled Trades and in demand jobs** – start programs at high school to ensure trades and skilled jobs outside of University are equally promoted with an emphasis on identifying the aptitude of male and female students.
- **Prioritise Skilled Visas across in-demand regions as well as skills** – This would include creation of skilled rural and remote visas for in-demand skills, that have four-year terms with a pathway to citizenship (say by staying an extra two years).
- **Through NHHA and the Supply Council, monitor and incorporate NOM and population movements** as part of setting and incentivising state and territory supply targets and development-ready land metrics.
- **Provide an additional educational training space to match each migrant skilled worker entering Australia** – to ensure we encourage long term skilled workers.

The Avenues of Highfields

Capacity and 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.

Together with elevated interest rates and lack of economic certainty, confidence is further eroded and the purchasing capacity of people wanting to buy a home or seeking development funding is diminished.

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 between $190,000 and $397,700 is being scooped up by government taxes and charges from new home buyers.

Where We Need To Go:

Australia would be better off abolishing inefficient taxes that distort choices, and this needs broad-scale tax reform across Governments. Reduction of tax burdens under current systems is a meaningful and valuable interim step.

Changes can be made now by the Federal Government working with State and Territory Governments to reduce stamp duty thresholds to ensure median house prices attract materially lower rates.

Equally, we need to balance the need for affordable housing with the need to ensure home ownership remains accessible to everyday Australians, not just the wealthy. Access to credit for housing construction will be increasingly important to ensure we keep house prices and rents at reasonable levels.

Nightingale by Hygge Property

Recommendations

- **Incentivise States & Territories to strip away taxes holding back affordability** – including incentivising reductions in multiple layers of tax, charges and fees - establish a national roadmap for broad-based reform to reduce the reliance on narrow based taxes and charges.
- **Incentivise States & Territories to reduce stamp duty thresholds** (under NHHA or other agreements) to ensure median house prices attract materially lower rates.
- **Investigate a new tax credit or limited debt guarantee** for CHPs and private providers to accelerate and generate new housing projects.
- Maintain a substantial annual allocation of the **Home Guarantee Scheme, First Home Loan Deposit Scheme and Help to Buy Scheme** in coordination with refined housing supply targets – equity of ownership access.
- **Remove 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.
- Establish a **Property Finance Reference Group** comprised of the Federal Government, RBA, APRA, API, and industry representatives including the UDIA to monitor property market indicators and headwinds.

Catherine Park Estate by Harrington Estates and the Fairfax Group

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