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28 October 2024

Senator The Hon Andrew Bragg
Cahir, Senate Economics References Committee
Parliament House
Canberra ACT 2600
Email: economics.sen@aph.gov.au

Dear Chair

UDIA National Submission - Financial Regulatory framework and home ownership Inquiry (the Inquiry)

As requested specifically by the Chair for late inclusion, UDIA National provides its comments on the Inquiry.

The 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 large-scale developers and local governments.

We represent the entire range of housing development from institutional housing providers (at about 20% of the housing delivered), as well as the large and small-to-medium sized enterprises that deliver around 80% of the rest of the housing.

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.

Our members deliver the majority of affordable market housing across Australia. Much of the housing created by our members is sold near or below median house prices and relies on the operation of a competitive market.

UDIA National is long standing champion for innovations that remove key barriers to housing delivery and home ownership. The issues impacting at-market housing, rental, affordable and social housing are all linked because they operate in the same market for land, infrastructure and material supply, labour capacity, planning and environmental approvals as well as tax and financial regulation. The Government must provide solutions for the whole housing continuum or any gains in one housing sector will be eroded by runaway imbalances in other sectors.

Overview

In the interests of brevity, we have dealt with each issue in the terms of reference holistically and we recommend:

1. **Comprehensive review of APRA serviceability buffer** in public consultation with industry and experts to confirm appropriate buffer assessment criteria are place including:
    a. **First Home buyer borrowing capacity considers risk mitigating factors** including ability to repay loans over time as earning capacity increases, rather than at time of loan only; and
    b. **Serviceability performance of first home buyers, other owner occupiers and investors** warrants rebalancing risk assessment for greater access to new & rental housing.
2. **More comprehensive public explanation of APRA's assessment of serviceability** to aide industry.

3. Incentives to **accelerate delivery of median priced housing for middle Australia** including:
    a. **Federal, tradable tax credits scheme** (20% of housing development cost) that can be applied against taxes or sold to catalyse a second median priced dwelling.
    b. **Federal Debt Guarantee Scheme** (up to 70% of housing development cost) that accelerates delivery & catalyses median priced housing.
    c. **Federal Equity Guarantee to the value of the GST** on housing that is sold at median house price (with title caveat). (can also be done as direct funding or equity loan).
    d. **Coordinate doubling the first home guarantee** (for equity of access to home ownership), **together with** programs to accelerate housing supply for middle Australia (as above).
4. **Enhance the Federal Housing Accord by doubling the bonus funding** providing:
    a. **Upfront partial reward to States & Territories under the Accord bonus for housing construction certificates** to "front end" funding that must be applied to new homes, rather than waiting for builds.
    b. **Add incentives to access the $3bn bonus upfront** for increasing density, halving planning times/environmental approvals, increased enabling infrastructure, increase stamp duty thresholds, reducing property fees/charges.
    c. **Government agencies involved in housing adopt mandatory KPI's to boost housing and affordability** to resolve market problems.
    d. **States and Territories provide their Accord plan upfront for achieving housing targets and affordability** which are tracked.
5. **Double the Housing Australia Future Fund (HAFF),** to provide expanded funding for affordable and social housing that will add to the 1.2 million homes target.
6. **Incentivise States & Territories to increase thresholds for stamp duties as well as freeze property fees and charges** to ease the costs of new houses and encourage rightsizing.
7. **Maintain supply driving tax mechanisms like Negative Gearing and Capital Gains Tax Concessions** to ensure ongoing rental housing to an already tight market.
8. **Finalise changes for Build-to Rent withholding tax** legislation:
    a. tier penalties to ensure they "fit" the compliance issue so inadvertent errors do not halt a project and bankrupt investors;
    b. provide a 10% withholding tax to allow for affordable housing to low and moderate income households without subsidy.
9. **Establish independent metrics to measure performance across housing markets with Industry through HSAC** – the UDIA HPI and NHP are specifically designed for this purpose.
10. **Establish a performance framework to compare the performance of state and territory housing strategies**.
11. **Expand the ABS dataset for dwelling completions to capture all houses** as net completions and include alternative housing tenure types - Land Lease & retirement living.

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Background Environment

To aide simplicity, below is a summary of the overall issues surrounding delivery of housing and affordability across the continuum:

- We need 240,000 houses a year to reach the 1.2 million dwelling target that includes 40,000 affordable and social houses over 5 years, but we have chronic shortage of housing.
- Private industry will carry the lions share of the 1.2 million target and needs to significantly ramp up productivity. Although 85% of housing is delivered by SMEs they won't access the HAFF due to scale.
- Private developers and builders are pulling back in the face of cost and finance risks, at a time we need them to significantly increase capacity.
- We have **two market failures** in housing:
  - **Supply of affordable and social housing** – currently first steps support for at-scale and CHP housing providers under the HAFF and Accord; and
  - **Supply of well priced housing for middle Australia by SME developers** - needs support initiatives for private housing providers to expand delivery of housing.
- The **top issues** holding back progress on market failures are:
  - Lack of reliable nationwide data to see/impact what specific issues are holding up delivery **– UDIA National Housing Pipeline (NHP) gives the real story to target housing (see below)**
  - Lack of incentives to generate dwellings across the housing continuum – **need to encourage private housing providers to increase supply and capacity (density bonuses, Debt Guarantee and Tax Credits).**
  - Lack of incentives across Government agencies to target the issues impacting supply and infrastructure -**need KPI's/incentives for agencies impacting housing to combat problems in the market:**
    - **Housing Supply:**
    - **Lack of development ready land** – open up land zoning and coordinate services.
    - **Lack of enabling and supporting infrastructure** – fund infrastructure that unlocks housing.
    - **Slow and complex planning** – incentivise halving of planning times, density bonuses.
    - **Lack of incentives to generate dwellings** across the housing continuum – density bonuses Debt Guarantee and Tax Credit incentives so private providers expand delivery capacity.
    - **The Environment:**
    - **Slow and complex environmental approvals** – state led single, simple approval pathway.
    - **Support Industry Capacity:**
    - **Lack of skilled workers** delaying and increasing the cost of projects.

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- **Multiple layers of tax, charges/fees**, & growing regulatory imposts, ultimately increasing housing costs.

- There is a fundamental market risk that is constraining financing for housing construction.
- Rapidly expanded housing costs, are creating a feedback loop - chronic shortages in development ready land, constrained labour, accelerated construction costs are holding back projects. The increased market risk inhibits new project finance, further reducing supply.
- Specifically, increased market and project risk has meant banks are now insisting on 70% pre-sales before they will release construction finance.
- This is difficult to achieve in a market where consumers that are searching for a home have deep fiscal constraints brought on by:
  - high interest rates.
  - cost of living hikes (goods and services, insurance, energy, healthcare).
  - a corresponding drop in loan purchasing power - banks will lend less per person.
- Unless you are a Tier 1 builder with a large balance sheet to absorb the cost, the average small to medium sized business needs to factor in:
  - higher financing costs due to the time it takes to achieve 70% presales (if at all possible), or
  - significantly higher costs for alternate lenders willing to forego pre-sales.
- The significantly higher costs in either case mean increasingly feasibilities for otherwise sound projects are falling over.
- If the housing provider has already purchased the land they are either stuck with holding land they cannot build on or lose equity in a “fire sale” negotiation with another private housing provider.
- **If we want industry to deliver the housing needed to reach the Accord target (much less relieve affordability), we need measures that encourage private housing providers to increase capacity.**

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Australian Prudential Regulation Authority prudential standards

APRA is an independent statutory authority established for prudential supervision of financial institutions and promoting financial system stability in Australia.

APRA's mandate is to protect the Australian community by establishing and enforcing prudential standards and practices.

APRA's prudential lending requirements for housing encompass the:

1. borrowers ability to repay the loan (serviceability buffer of 3% subject to exception); and
2. savings and equity relative to property valuations (loan to valuation ratio) – LVR of owner occupied loans currently sit 40bps below investors, reflecting lower capital requirements.

In October 2021, APRA raised the minimum serviceability buffer from 2.5 to 3.0 percentage points above the loan product rate (Prudential Standard APS 220 Credit Risk Management (**APS 220**).

The serviceability requirements aim to ensure that Australian Deposit Institution (**ADI**), housing loan portfolios are resilient to future stress and avoid overextension.

This was in an environment of ultra-low interest rates, rising household debt and increasing levels of higher risk lending to borrowers at high debt-to-income ratios. It was intended to reduce higher risk lending, and indications are that it mostly achieved this purpose.

APRA has maintained the serviceability buffer at 3.0 per cent above the loan rate to date. From our discussions with APRA, we are aware that heightened risks to serviceability remain from:

1. the potential for further interest rate rises;
2. high inflation; and
3. risks in the labour market.

We note that in our discussions, it was agreed with APRA that it is important that good borrowers can get access to credit, and that standards are not excessively conservative. Mitigating factors are being monitored including:

1. credit growth, including for key segments of the housing market;
2. bank risk appetites;
3. the quality of new lending; and
4. the level of buffer applied in practice by banks.

We note that subsequent to our discussions, APRA provided ADI's with guidance see link [Housing lending standards: Reinforcing guidance on exceptions | APRA] which allows ADIs to make exceptions to the 3% buffer (serviceability policy). In effect the banks have the ability to reduce the buffer as they see appropriate as an exception.

The serviceability buffer exceptions generally range from 2% to 3%. We understand from APRA numbers, that the exceptions account for less than 5% of new housing lending.

The important take aways from all of this is the two great limiters on easing the buffer is perceived pressure on lenders (cost of living is still high), and banks own views on market risk (the constrained market for housing means high prices and risk of default in a volatile market).

From discussions with APRA, industry's understanding is that:

- A change in interest rates, (rising, a hold or even a decline), is not determinative of where the buffer should be set – **the primary concern is a view of the market from a lending risk perspective**. Even if interest rates are at the peak, it is not the deciding factor on whether the buffer should change – employment and inflation risks would impact that decision.
- The APRA parameters for determining the Serviceability Buffer are impacted by the **whole of market view and relationship of several key factors (taken together)** including:
  - **House Prices/supply** – long run trend **focussing on risk to lending** when viewed with other parameters employment and capacity for credit growth etc. They are not specifically looking at high house prices as an indicator that the buffer should be reduced, especially if other indicators like debt to income ratios are rising etc which shows high lending risk.
  - **Credit Growth** – for example, whether credit is holding at historic levels and the quality of the lending as advised by banks and APRA's analysis.
  - **Lending Standards of the Banks** – Banks set their own prudential rules for lending and the Banks views on lending is taken into account.
  - **Economic Growth** – Influences the analysis but is considered in concert with issues like the financial environment/employment, debt/income ratios etc.
  - **Employment** – Becomes a risk factor for ability to service loans as well as inflation and capacity of industry – each have differing effects on the analysis of lending risk.
- **APRA would benefit from regular dialogue with industry to anticipate what is coming towards Australia with qualitative feedback on future impacts.**

Critically, while the industry accepts and supports APRA's role in maintaining safe, lower risk financial markets, it is extremely difficult for industry to see a continuous working view on the likely forecast for serviceability requirements.

Equally, it would be prudent to review and publicly acknowledge the risk assessment procedures that APRA considers it should use and those that are still relevant. For example, whether banks should account for younger borrower's future capacity for earning in the serviceability buffer, rather than simply the borrower's capacity at the time. Again, while the banks can apply an exception, it is not the same as re-tuning the serviceability limits across the board.

Recommendations:

1. **Comprehensive review of APRA serviceability buffer** in public consultation with industry and experts to confirm appropriate buffer assessment criteria are place including:
   a. **First Home buyer borrowing capacity considers risk mitigating factors** including ability to repay loans over time as earning capacity increases, rather than at time of loan only; and
   b. **Serviceability performance of first home buyers, other owner occupiers and investors** warrants rebalancing risk assessment for greater access to new & rental housing.
2. **More comprehensive public explanation of APRA's assessment of serviceability** to aide industry.

Supporting housing development and homeownership

If we want industry to deliver the housing needed to reach the Accord target (much less relieve affordability), we need measures that encourage private housing providers to increase capacity.

All housing initiatives across the continuum need to remove several fundamental blockers to progress (coordinated/incentivised between Federal, State and Territory Governments):

- Fast planning approvals and streamlined regulation – faster planning approval can unlock up to 50% of zoned land areas. Approval times should be halved across the board.
- Concessional developer contributions – to bolster housing in difficult areas where build costs exceed established house prices.
- Density bonuses – to boost housing (affordable or otherwise), for a given project.

An ideal approach to unleashing more developments, is reducing the 45% of housing cost tied to taxes and fees associated with construction.

Unfortunately it would require significant changes across all states to key taxes (outlined below), and may be more efficiently achieved with a Federal tax credit (see later):

- Stamp Duty concessions – exclude stamp duty on land for eligible projects until sold or reduce the stamp duty rate on land acquisition.
- Land Tax concessions – exclude land tax on land during the development period or reduce the rate during the construction period.
- GST excluded on new incentivised dwellings.
- Income tax – lowered tax rate on income from eligible projects.

Housing Boosters

A Federal initiative is needed to support small/medium sized private housing providers. This will help deliver good quality homes that are targeted to the median house or unit price for a given area:

- It is primarily an ownership model.
- Property prices are capped to the median house price for a region.
- Requires development of a minimum of four houses/units (either together or as a portfolio project).
- Managed by Housing Australia - broad specs on build quality/type – penalties for ineligible projects.

The initiative would provide productivity support to the private housing provider who applies for the "housing booster" in the form of:

a) Government Debt Guarantee

The function of the guarantee is to speed up the time it takes to get to construction commencement. It does not make an unviable project, viable. Marginal projects may still be marginal in terms of feasibility.

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- Materially higher funding costs/barriers are leading to otherwise sound projects not proceeding.
- Housing providers remain stuck with holding land until the project becomes viable, or they can lose equity in a "fire sale" negotiation with another private housing provider.

The initiative would provide productivity support to the private housing provider in the form of:

- A Government guarantee of construction debt up to 70% of project costs (excluding development
- /profit related fees) to help secure funding where it is increasingly difficult to achieve pre-sales:
  - Must qualify under the Housing Booster criteria outlined above.
  - Private housing provider is charged a reasonable guarantee fee, agreed upfront, and paid at either:
    - the point of achieving full pre-sales or
    - a higher fee where holding the guarantee until completion.

The fee is then paid ahead of any development profit or related fees (but after financing).

b) Median Priced Housing Tax Credit

The Median Priced Housing Tax Credit will allow an organisation to use part of its existing tax liability for a project as a tax credit against a project that delivers dwellings at the median house price:

- Instead of seeking to reform a specific basket of housing construction taxes to relieve house costs for supply side outcome.
- Must qualify under the Housing Booster criteria outlined above.
- Usable tax credit determined as a maximum of 20% of total development cost on the last build. The majority of equity requirement to satisfy senior debt funding would be fulfilled by this – enabling expedient delivery.
- Housing Australia sets the maximum median price for the project and only sell to first home buyers or people without existing homes - if houses are not sold within 6 months they can be sold into the open market.
- Optional - The tax credits are tradeable to anyone upon allocation so they can be used to generate equity as direct investment into new Housing projects and get projects started a lot sooner (i.e. the upfront equity or presale requirement for the bank funding are no longer a hurdle).

These are provided as two examples, however, we strongly support several approaches as suits Government needs.

Equally, we support the Government providing Housing Guarantees to purchasers given that it will not materially increase demand drivers where:

1. The purchaser was previously a renter and effectively vacates an additional spot within the housing system; and/or
2. Government provides supply side initiatives to balance any equity of housing access initiative.

Critically with initiatives like these, the issue is not housing supply but ensuring equity of access for all Australians – the housing answer cannot be that homeownership can only by the domain of the rich.

In this regard, it is important to carefully coordinate these strategies with sufficient supply boosting initiatives that deliver more median priced housing, affordable and/or social housing.

As noted before, the real answer is to remove barriers to housing supply by accelerating planning, fast-tracking more development ready land, boosting enabling infrastructure and increasing density bonuses to build more on the land we have available . This is the way we keep rents down and ensure working Australians have the same opportunity as others to own a home.

Equally important in this approach is ensuring the targets and performance of initiatives can be tracked and verified. This would include mandatory KPI's for bureaucracies that impact housing.

Recommendations

1. Incentives to **accelerate delivery of median priced housing for middle Australia** including:
    a. **Federal, tradable tax credits scheme** (20% of housing development cost) that can be applied against taxes or sold to catalyse a second median priced dwelling.
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    c. **Federal Equity Guarantee to the value of the GST** on housing that is sold at median house price (with title caveat). (can also be done as direct funding or equity loan).
    d. **Coordinate doubling the first home guarantee** (for equity of access to home ownership), **together with** programs to accelerate housing supply for middle Australia (as above).
2. **Enhance the Federal Housing Accord by doubling the bonus funding** providing:
    a. **Upfront partial reward to States & Territories under the Accord bonus for housing construction certificates** to "front end" funding that must be applied to new homes, rather than waiting for builds.
    b. **Add incentives to access the $3bn bonus upfront** for increasing density, halving planning times/environmental approvals, increased enabling infrastructure, increase stamp duty thresholds, reducing property fees/charges.
    c. **Government agencies involved in housing adopt mandatory KPI's to boost housing and affordability** to resolve market problems.
    d. **States and Territories provide their Accord plan upfront for achieving housing targets and affordability** which are tracked.
3. **Boost the Housing Australia Future Fund (HAFF),** to provide expanded funding for affordable and social housing that will add to the 1.2 million homes target.
4. **Incentivise States & Territories to increase thresholds for stamp duties as well as freeze property fees and charges** to ease the costs of new houses and encourage rightsizing.

Rental Supply by Private Investor, Corporate and Institutional Funds.

The UDIA National Index reveal a 44% decline in National rental listings and a rent increase of 35% since March 2020. We have also seen increasing costs of up to 40% on materials putting sustained pressure on prices for new rentals.

The current rental price acceleration is only solved when additional median priced housing enters the market as available rental supply.

Currently, the only way rental properties enter the market is where a private investor funds a new build for rental. Almost our entire rental supply is supported by private investment.

a) Negative Gearing

Critically, negative gearing of rental properties effectively operates as a mechanism to facilitate the provision of rental properties and acts as a cost subsidy that helps lower rental prices. It allows owners to claim tax deductions on the difference between mortgage repayments and rental income received.

In the current environment, negative gearing is operating as a way for first home buyers and those struggling to get into a home, to invest what they have in a property to rent, while they then rent a property closer to where they work (but cannot afford to buy) – Sometimes referred to as "rentvesting", it is a home ownership strategy that enables people on lower incomes to gain a foothold on the property ladder and benefit from market movements over time until they can afford a home for their family.

In effect, it supplies rental properties to the market while helping younger and lower income Australian's participate in home ownership.

The current numbers are outlined below for negative gearing, **using ATO 20-21 data and our own information:**

- There are **3.28 million rental properties** nationwide.
- **1.52 million properties are negatively geared**, and 1.75 million properties are net rent neutral or positively geared
- 1.05 million individuals own property which is negatively geared:
  - 72% owning only one property (759,800 individuals);
  - 20% own two properties (201,000 individuals);
  - 5% own three properties (59,190 individuals);
  - 1.9% own four properties (20,390 individuals);
  - 0.9% own 5 properties (8,230 individuals); and
  - 8,265 individuals owned six or more properties - nationwide.
- **The largest cohort, 1.49 million individuals with rental properties (negatively or positively geared)** earnt less than $100,000 (67%):
  - The majority, **786,220 individuals with rental properties earnt less than $50,000** in FY 2021
  - **709,340 individuals with rental properties earnt between $50,000 and $100,000** (32%)

- Circa 1.52 million properties (46% of total rentals) are negatively geared.
- 755,000 negatively geared properties are a single ownership.
- 765,000 (51%) of those negatively geared properties are multiple investments under negative gearing.

Outside of Government social and crisis housing, all rental property is supplied by the private market – 46% rely on negative gearing to financially afford the property and it ensures rental prices stay as low as possible.

It is essential that negative gearing be maintained because the removal in full or in part (grandfathering all and allowing only new housing moving forward or allowing only negative gearing for one property), will materially limit new supply of housing in an already tight market:

- Partially removing negative gearing (Only allowing one negatively geared property) will:
  - push up to 765,000 existing properties (held as one of a portfolio), out of the rental pool as forced sales – turfing out these families and forcing them to compete for a smaller pool of rentals.
  - significantly undermine new rental property entering the market by reducing the pool of potential investors and
  - immediately push rental prices across the board up as supply drops against demand for rentals.
- Partially removing negative gearing (grandfathering all but only allowing new rental after) will:
  - See existing rentals exit the market over time and unable to be kept as rental stock because they are not new – putting pressure on supply – turfing out these families and forcing them to compete for a smaller pool of rentals.
  - significantly reduce supply for rental property entering the market as existing property cannot form part of refreshed supply and
  - push rental prices across the board up as supply drops against demand for rentals.
- Rentals will only increase wherever negative gearing is removed as an additional cost impost has to be factored into the rental property that loses the gearing opportunity - any changes make it harder for renters.
- It is even worse with full abolition of Negative gearing.
- BTR may take its place but only at commercial rates (8% gross rental yield vs current 2-4% yields). In effect, BTR will provide scale housing for relevant demographics but not at affordable rates or low to medium priced housing.

b) Capital Gains Tax Discount

The impact of removing or reducing the Capital Gains Tax discount for investment, has a similar impact on housing. Removing CGT concessions on investment properties will stop new rental properties being developed, creating scarcity and pushing up rentals in the process.

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The capital gains tax concessions provide up to 50% deductions on income tax for sale of income producing assets where they were held for at least 12 months. Critically, the concession exists across all investment types so it cannot simply be removed for housing without substantially skewing investment decisions and effectively locking out smaller investors from lower risk leveraged assets. If the concession were to be removed across all investments, it would massively upset the investment landscape across the economy.

c) BTR

While BTR is not a replacement for private rental investment, it is a necessary asset class for at-scale housing that satisfies housing needs of particular demographics that are able to pay for additional services and facilities.

UDIA National supports Government finalising the BTR withholding tax (**WHT**) changes to enable international investment necessary to help the market mature.

The halving of MIT WHT for BTR developments is a welcome initiative however, the proposal needs several amendments, to be able to attract international investors.

We have appreciated working with Treasury to try and overcome the adverse issues however, the current proposal does not significantly improve the competitive position of BTR.

Critically, some of the criteria undermine the BTR measures. The combined impact of these provisions:

1) Erodes project viability – there will be less projects as a result;
2) Complicates investment risk rather than simply investing in other MIT assets like industrial assets;
3) Creates risks of downstream ineligibility that cannot be reasonably controlled by an investor much less the trustee of the vehicle or the project manager; and
4) Create punitive clawbacks and penalties that present too much risk for adoption.

The net impact is once an international investor weighs up the risks and compares it to the relatively uncomplicated investment in other MIT property assets, they will be discouraged from investment.

While halving the BTR WHT is a welcome change, the tax and integrity settings need to be modified or it will be unable to attract the international investors needed for funding.

The tax settings effectively impede investment and needs a BTR WHT rate of 10% to allow for affordable housing to low and moderate income households without subsidy.

The integrity measures under the misuse tax effectively "poison" the trust with ongoing penalties and clawbacks for even inadvertent mistakes. The initiative should instead ideally use the established MIT penalty regime to align all integrity measures and remove unnecessary commercial risk.

Both these changes are necessary to ensure Government can be confident the BTR MIT WHT can attract investors with a comparable investment & ensure integrity of outcome (10% affordable housing).

Recommendations

1. **Maintain supply driving tax regimes like Negative Gearing and Capital Gains Tax Concessions** to ensure ongoing rental housing to an already tight market.

2. Finalise changes for Build-to Rent withholding tax legislation:
    a. tier penalties to ensure they "fit" the compliance issue so inadvertent errors do not halt a project and bankrupt investors;
    b. provide a 10% withholding tax to allow for affordable housing to low and moderate income households without subsidy.

Metrics available to policymakers for monitoring the ratio of new housing supply relative to population growth

As much as 60% of zoned residential land cannot be developed, because of critical roadblocks such as statutory planning requirements and approval processes, state and commonwealth environmental requirements, complex latent and site-specific conditions and various encumbrances.

Critically, between approval and completion, there is an attrition rate of 15-25% of developable land. This all directly impacts city planning, infrastructure & delivery of housing.

After decades of housing shortfalls, Government and industry still have no reliable, whole of market data on the health of the industry, bottlenecks and drivers of housing supply/infrastructure and productivity/capacity constraints.

Housing Supply and Affordability Council

The Government's new Housing Supply and Affordability Council (**HSAC**) is a key organisation for developing the data we need but there needs to be ongoing, regular meetings with coal-face industry stakeholders (developers, planners, constructors), to ground the truth and fill in the missing intelligence on what is impacting/holding back housing delivery.

Most housing data extrapolates predicted outcomes for delivery based on what has been planned, with coarse estimates of what will happen between approvals and delivery. This means that the data is inevitably tied to inaccurate forecasts. It is difficult to get the information on project progress unless you engage directly with the developers.

UDIA National has designed reliable nationwide data metrics to ensure Government and the Council can identify, target and manage barriers to housing being:

a. UDIA National Housing Pipeline (NHP)- an objective and robust measure verified with developers and landholders, to identify actual development ready housing supply available and help Government determine the environmental, planning, infrastructure barriers holding it up.

b. UDIA Housing Performance Index (HPI) – gauging Industry's capacity to deliver new housing across the spectrum, including monitoring data sets for, access to credit, supply and demand drivers as well as core indicators like skilled labour, rental and ownership, construction costs, sales and interest rates.

UDIA National has provided a link to the latest dashboard for the HPI https://udia.com.au/research-insights/uhi/ and the latest NHP will be available in the fortnight.

Expanded ABS Supply Data – supply under-reported

Equally, we see the need for resourcing consistent metrics with the Australian Bureau of Statistics (ABS) such as net completions (rather than gross) at a local government area level nationwide.

Given that future financial incentives for States and Territories will be tied to housing delivery, there is clear benefit in having a consistent national data set with which to measure housing completions –

noting that currently the ABS only provides gross completion estimates at the national and State and Territory scale.

Without more granular and accurate completions, data States and Territories will be left to deliver their own ad-hoc metrics for assessing performance, which have historically not been upkept in a contemporary or consistent fashion to inform evidence-based decision making, much less track performance against a target.

Large landholdings and a motivated private sector, appropriately guided, can offer expertise and experience to help unlock vital housing supply and help Australia meet the National Housing Accord target.

The Land Lease Community (**LLC**) sector is a prime example which may be currently under-reported in supply numbers. LLC presently has circa 530 residential parks registered across NSW for example, with 25,000 homes accommodating over 45,000 residents in NSW. Many established assets include caravan parks, older manufactured home estates and mixed assets. Traditional parks can broadly be classified as 'Generation 1' and evolved predominantly from caravan parks however Generation 2 assets comprise lifestyle communities for over 55s that are more akin to traditional medium density housing estates.

UDIA is concerned that there is no consistent metric with which the National Housing Accord can be assessed against. Fundamentally, we've observed that this is a data issue, stemming from a lack of appropriate resourcing for this work.

Between 2018 and 2022, the ABS was funded out of the National Housing and Homelessness Agreement to enable delivery of the research dataset "Estimated Dwelling Stock." This allowed ABS to report on two fundamentally important factors:

1. Residential completions on an Statistical Area (SA)2 basis.
2. Capture Net residential completions (as opposed to gross completions).

The ABS provided a solitary release of this data on 31st of November 2022 which provided quarterly estimates of Australia's dwelling stock from the June 2016 quarter to the June 2022 quarter – based on the 2021 Census of Population and Housing. This ABS release did provide a breakdown of dwelling additions, removals (demolitions) and net change to total stock levels. Unfortunately the funding for this reporting ended in 2021/22 and the ABS advised "ongoing quarterly estimates of dwelling stock are not funded" and there have been no further releases.

With the ABS being the key source used to track performance of the dwelling stock delivery against the National Housing Accord, we think it is pivotal that Government understands the unintended consequences of reporting against gross completions as opposed to net completions (which without further funding is the limits of which ABS data currently reports on).

For example, a knock down rebuild of an existing dwelling will contribute to housing targets, despite not being an additional dwelling delivered to the housing stock. Another example is a single dwelling being replaced by a dual occupancy, which under current metrics will contribute two homes towards the housing target, despite creating only one new dwelling. These may seem immaterial, when rolled out across the country they present a problem. We have seen examples in previous years where demolitions have totalled tens of thousands nationwide. This runs the risk of contributing inappropriately to overall "new" housing stock, and we do not believe that this was the intention of the National Housing Accord.

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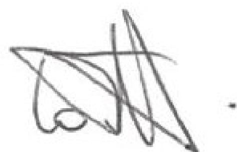
As part of their commitment and role in delivering the National Housing Accord, the Federal Government should reinstate funding to the ABS to produce completions data that enables the tracking of net residential completions at the Local Government Area level across the country.

Recommendations

1. **Establish independent metrics to measure performance across housing markets with Industry through HSAC** – the UDIA HPI and NHP are specifically designed for this purpose.
2. **Establish a performance framework to compare the performance of state and territory housing strategies**.
3. **Expand the ABS dataset for dwelling completions to capture all houses** as net completions at the local Government level and include alternative housing tenure types - Land Lease & retirement living

Please do not hesitate to contact the UDIA National Head of Policy and Government Relations - Andrew Mihno on 0406 454 549 to discuss this further.

Yours sincerely



Col Dutton
UDIA National President