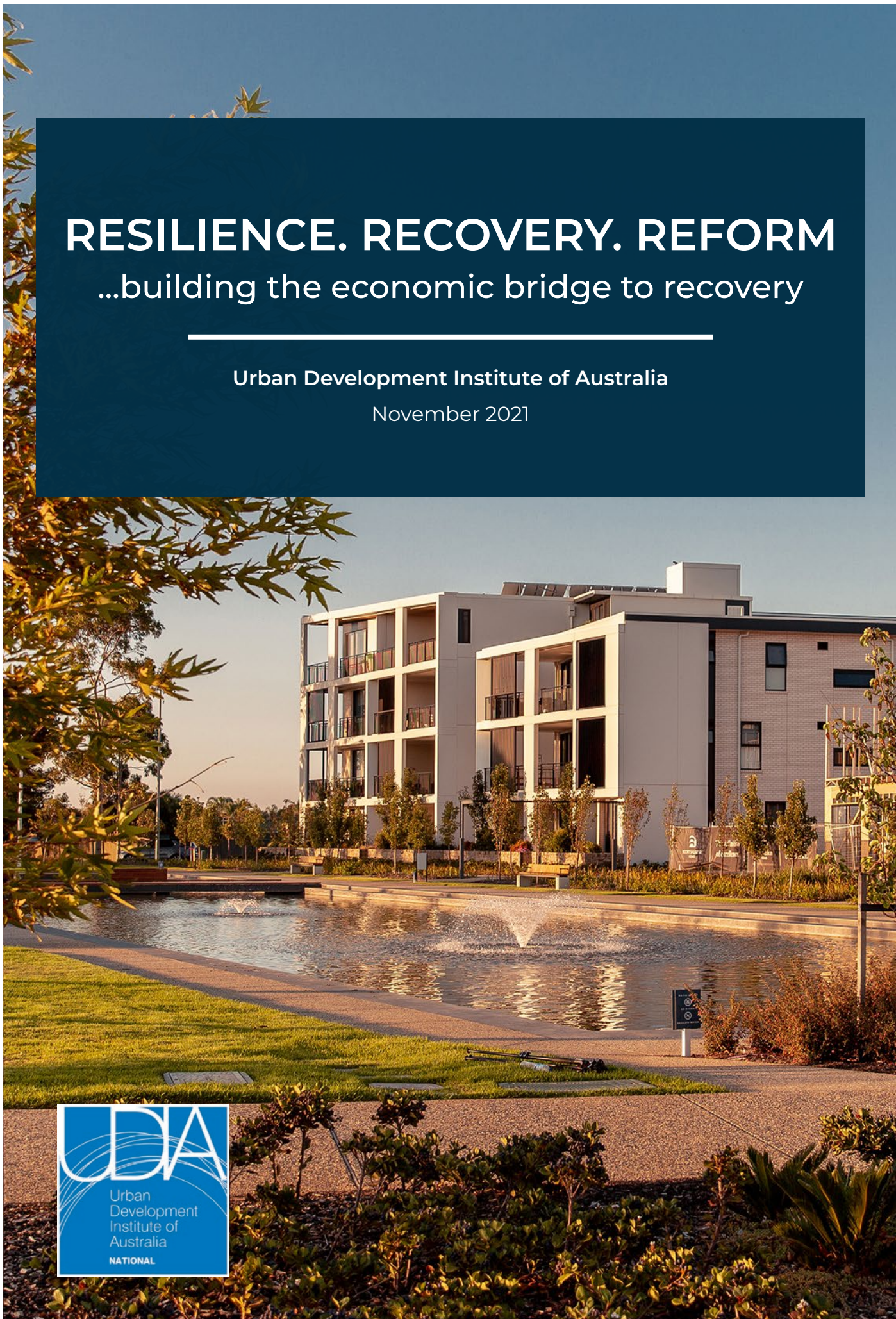
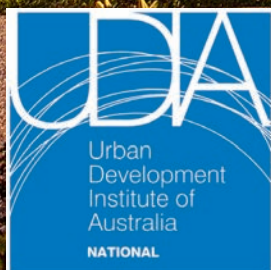


RESILIENCE. RECOVERY. REFORM

...building the economic bridge to recovery

Urban Development Institute of Australia

November 2021



ABOUT UDIA NATIONAL

UDIA is the development industry's most broadly representative industry association with more than 2,000 member companies – spanning top tier global enterprises and consultants to local governments and small-scale developers.

We have a long history of engaging positively with the Federal Government on issues critical to the property industry – spanning tax, population, infrastructure, land use planning and beyond.

UDIA National's advocacy is defined by our National Council – but informed by a diverse membership base, extensive network of state councils, committees and businesses on the frontline of housing development.

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

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



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

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.

There is no doubt COVID-19 has had far-reaching impacts. Our health response has been first-class by global standards, with relatively few fatalities, and our economy has proved relatively resilient.

A full recovery will take time, and will require a sustained investment in policy settings and reforms that can seed the next era of growth, success and productivity across the nation.

These measures will help propel Australia's rejuvenation after two difficult years as well as address underlying issues that have been allowed to foment.

PROPERTY AND HOUSING AS ECONOMIC DRIVERS TO TURBOCHARGE THE ECONOMY

The pandemic has refocused demand for housing and with thin supply pipelines and materials shortages, Australia has once again become gripped by a housing supply and affordability crisis. Australia's capital cities are again amongst the least affordable cities in the world and these challenges have now spread to many regional markets. The next generation are increasingly becoming locked out of the great Australian dream of home ownership.

It is time to begin the hard work needed to sustain great cities and regions, fix Australia's housing affordability crisis, and ensure our institutions and policy frameworks are fit-for-purpose. We have a limited window to get our house in order and ready for the post pandemic growth opportunities which will setup the growth trajectory for Australia over the next decade and beyond.

The decisions we take today will shape access to home ownership and housing choice for the next generation, define the productivity and liveability of our cities and lay the platform for our nation's prosperity.

UDIA NATIONAL'S POLICY AGENDA SEEKS TO:

1. **Turbocharge housing supply and choice** to meet the demands for home ownership and access to housing across the spectrum.
2. Ensure our cities and regions are fit-for-purpose and positioned to accommodate future growth by delivering **durable strategic planning and infrastructure delivery**.
3. **Streamline environmental approvals** to produce a better balance of environmental, social and economic outcomes.
4. Overhaul the biggest barrier to housing affordability and **make planning systems work**.
5. Begin the task of **post-pandemic population planning** to consolidate our economic recovery.
6. **Keep home ownership in reach** with smart lending practices and incentives that blend home ownership with housing supply.

West Village by Sekisui House

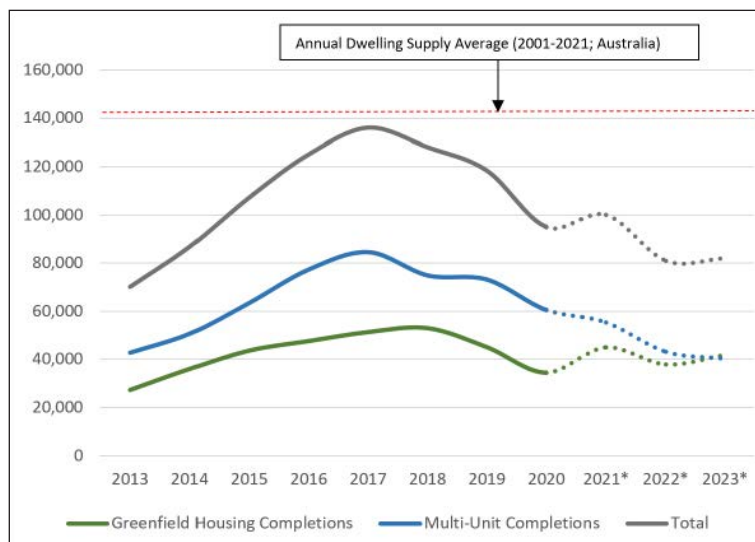
STATE OF HOUSING MARKETS

Australia's housing markets have been beset by a continuous under-supply for the past two decades – causing an erosion of development-ready land pipelines, housing affordability and equity of access to home ownership. Consistent analysis of housing data shows that:

- Since 2001 the total stock of Australia's residential property has grown by 34% or 2.8 million dwellings, according to ABS data. This represents an average yearly increase of approximately 142,700 dwellings and is the most significant 20-year growth in our nation's history.
- This still failed to meet demand - with an undersupply problem emerging acutely from the 2005-2012 period when the then-National Housing Supply Council (2012, 2013) determined that a national accumulated dwelling supply shortfall was north of 200,000 dwellings.
- Australia has been playing catch up ever since, and still not succeeding - underlying dwelling demand across Australia was at around 162,000 per annum in the year prior to the pandemic.
- Over the last 20 years, median dwelling prices have escalated dramatically with all capital city markets recording strong aggregate price growth led by Hobart (+369% to a median house sale price of \$635k) Melbourne (+271% to \$895k), Brisbane (+251% to \$650k), Sydney (+225% to \$1.18m) Adelaide (+234% to \$555k), Canberra (+184% to \$920k) and Perth (+187% to \$545k). *Source: ABS (June 2021)*
- 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.
- Post-pandemic, Australia faces another gap between supply and demand – with demand picking up to 144,700 dwellings in 2023 on the back of a strengthening economy and positive net overseas migration, and then move back to around 178,000 dwellings in 2024, which is above pre-COVID levels.

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.

DWELLING PIPELINE OUTLOOK, COMBINED CAPITAL CITIES

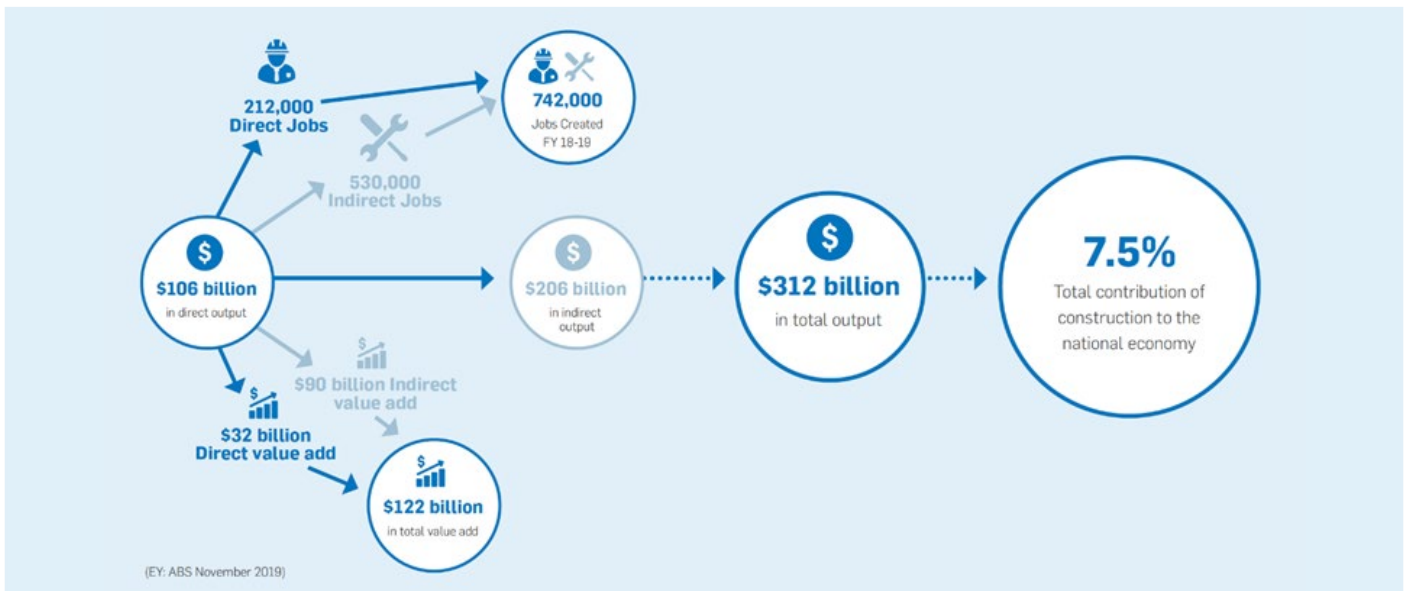


Source: UDIA; ABS; CoreLogic; Research4

OUR ECONOMIC SIGNIFICANCE

The critical role that construction and new housing development plays in fuelling economic activity is evident in independent research undertaken by EY on behalf of UDIA National which was released in November 2019. The research shows that:

- 7.5 percent of national economic activity is generated by development construction – and was higher at the peak of the housing construction cycle;
- 750,000 direct and indirect jobs were created in FY18-19 from new housing and construction;
- The combination of direct and indirect output from new housing and construction alone equalled a mammoth \$312bn in economic output (not including associated infrastructure).



The significance of the development industry has never been more evident than the past 18 months, as Australia battled both the health and economic effects of COVID-19.

In large part due to the stimulus derived via the HomeBuilder initiative – as well as record low interest rates and pent-up demand – the nation’s greenfield housing market has delivered near-record levels of activity. This came after the market had been in gradual decline for the preceding two years, and back into a position of under-supply.

UDIA recognises financial stimulus of the scale of HomeBuilder was a one-off. UDIA notes that with the right regulatory and tax settings, integrated infrastructure investment and a focus on pathways for boosting development-ready supply our industry is poised to sustain high levels of economic growth, continue to generate jobs and ease the pathway to home ownership for more Australians.

Given the economic effects of the latest wave of the pandemic, lockdowns, border closures and other impacts, there is a clear urgency to the task of ensuring every policy lever available is geared towards sustainable growth.

The housing and construction sector’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. Our industry can make the same contribution again – and beyond.

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.

Parkville by Oliver Hume

1. TURBOCHARGING HOUSING SUPPLY AND CHOICE

WHERE WE ARE

Access to housing is integral to the economic and social fortunes of every Australian.

Home ownership is deeply ingrained in the Australian psyche, and as demographic trends accelerate, housing diversity has never been more important. It has been a key catalyst to build independent wealth and personal security for Australians over many decades.

Yet the gap between the aspirations of people and our capacity to meet them has never been wider.

Housing affordability continues to worsen, housing supply pipelines are thin, policy settings stymie housing choice, and the urgency to fix the underlying issues is missing, particularly between the policies of the three levels of government in Australia.

These costs are compounded by lost economic opportunity. The housing and

construction sector is one of the nation's most significant industries – creating 750,000 direct and indirect jobs.

Our industry helped sustain Australia's economy during COVID-19, but with the right policy settings, could deliver so much more again for our future prosperity.

We need a wholesale transformation of our institutional and policy frameworks to unlock the industry's potential, accelerate supply pipelines, improve affordability and unlock housing diversity.

WHERE WE NEED TO GO

A whole of government effort to ensure Australia's housing markets can service population growth, put downward pressure on housing affordability and harness the industry's capability needs to commence now, and keep 750,000 Australians employed.

Capital City	Dwelling Value to Income Ratio	Years of household income required for a 20% deposit on a dwelling	Mortgage Serviceability	% of household income required to rent a home
Sydney	9.4	12.6	46.10%	30.20%
Melbourne	8.3	11.1	40.50%	26.00%
ACT	6.2	8.3	30.40%	27.30%
Brisbane	6.2	8.2	30.10%	27.10%
Adelaide	6.6	8.9	32.40%	29.70%
Perth	5.8	7.7	28.10%	27.00%
Hobart	7.2	9.6	35.00%	33.10%
Darwin	4.6	6.1	22.30%	27.40%

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

UDIA RECOMMENDS:

- Establishing clear land and housing supply targets for each state and territory – and back in with a new incentives-based system that links Federal funding with performance.
- Deliver a roadmap with timeframes to progress holistic tax reform via a partnership with the states to target inefficient taxes like stamp duty. This will drive economic growth and productivity, stabilise government revenues, and improve housing affordability and choice.
- Regear NHFIC's investment mandate to offer \$1 billion per annum – matched by states and territories – to unlock regional scale enabling infrastructure needed to boost housing supply.
- NFHC to foster better partnerships with the private sector to participate in the creation of more affordable and social housing.
- Resisting the creep of new taxation which either adds to the cost of housing or stalls projects, such as value capture, so-called windfall taxes or inefficient statutory charges.
- Identifying the opportunities for greater housing diversity via pathways to support new concepts such as Build-to-Rent, or shared equity initiatives like KeyStart in WA.

THE WHY

Breaking the back of Australia's housing affordability crisis will ease the burden on homebuyers, meet the changing needs for housing choice, improve our global competitiveness and turbocharge economic activity.

Newenham by Burke Urban

2. DURABLE STRATEGIC PLANNING AND INFRASTRUCTURE DELIVERY

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.

That's why we need to begin the hard work now to plan for what our major cities and regions look like in 2030 and the decades beyond.

Too often, the lack of alignment between all three tiers of government produces disjointed planning around the trajectory of growth that will underpin our cities, as well as the land use and infrastructure pipelines needed to service them.

Agencies like Infrastructure Australia, the Centre for Population and the National Housing Finance and Investment Corporation are all doing valued work; however, there is a need for a more seamless and strategic agenda - one that avoids conflict and creates a partnership approach to delivery of new housing.

WHERE WE NEED TO GO

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



WEST by Commercial & General

UDIA RECOMMENDS:

- The Centre for Population's forecast be used as the baseline for all infrastructure and land use planning across governments.
- Short, medium and long-term strategic plans are in place for each of our major capital cities and regions (ie: population greater than 40,000) that map the infrastructure and land use requirements to properly and rapidly service growth.
- Ensure infrastructure pipelines sit beyond the political cycle by ensuring all major investments are subject to business case scrutiny by Infrastructure Australia.
- The Commonwealth secure a better return on its investment in major infrastructure projects by requiring dedicated land use plans, housing supply outcomes and integrated approvals.
- Clearly charting the base level of services expected for key elements of liveability, including housing, transport, social infrastructure and the environment documented in the National Strategic Population Plan.
- Review the City Deals framework to ensure it is more effectively delivering a streamlined system for tripartite agreements that enable better infrastructure.

THE WHY

Population policy, infrastructure and land use planning are core to the future productivity, global competitiveness, prosperity, liveability and sustainability of our cities and regions.

Banksia Grove by LWP Group

3. STREAMLINING ENVIRONMENTAL APPROVALS

WHERE WE ARE

In 2019, the Commonwealth commenced a welcome review of the Environment Protection and Biodiversity Conservation (EPBC) Act. The review was timely given the current application of the Act is delivering neither good urban development outcomes, nor sound environmental outcomes.

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

The urban development industry is the single largest user of the EPBC assessment system, and peri-urban development is vital to Australia's capacity to meet its housing requirements, particularly in the post pandemic economy.

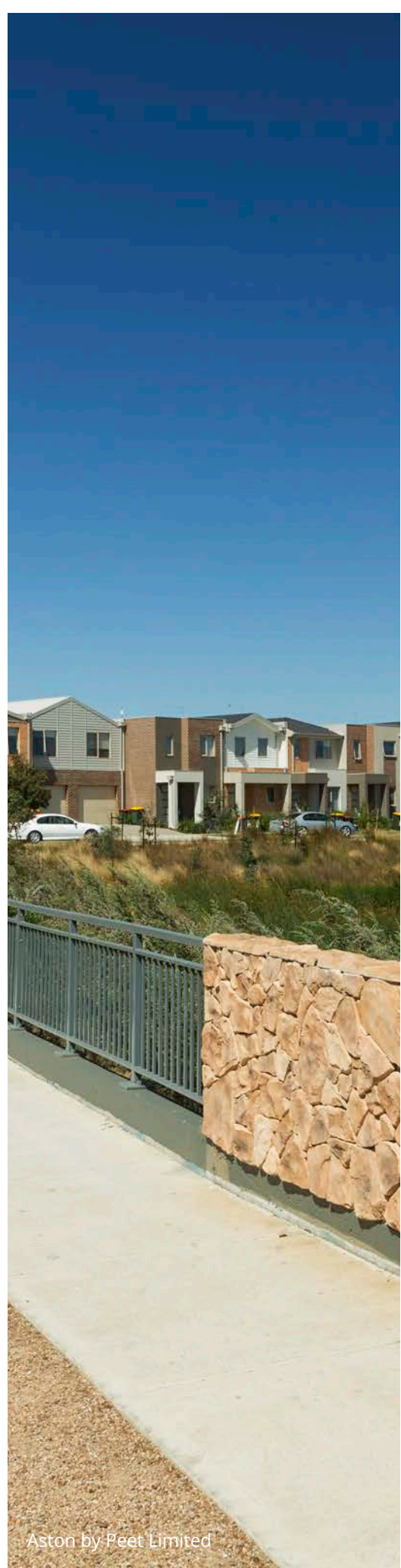
UDIA has been an active participant in the process of crafting a better balance between environmental, social and economic objectives. However, it needs to be recognised that the pathway to design, implement and efficiently administer a new system will take time.

The intent of proposed reforms is encouraging. However, there will need to be a continuous focus on the design and transition to a new, more efficient and streamlined system to fulfil the Commonwealth's stated goals.

WHERE WE NEED TO GO

Any reform agenda related to the EPBC Act needs to recognise the interdependency of overall planning and approval systems.

This means recognising that the risk is if one pillar either stalls or fails, the entire framework is weakened. A clear roadmap to sustained reform is essential in balancing economic, social and environmental objectives. It is critically important that the review deliver on promises to streamline red and green tape.



Aston by Peet Limited

UDIA RECOMMENDS:

- Creation of a single touch assessment system that avoids duplication between different tiers of governments and investment in the data and technology needed to ensure they are robust.
- Funding to conduct 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.
- 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 is better able to deliver both good environmental and urban development outcomes.

Halcyon Greens by Halcyon

4. MAKE PLANNING SYSTEMS WORK

WHERE WE ARE

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

State and local planning systems are, to put it bluntly, dysfunctional. Invariably, the groups tasked with actually delivering new development are stymied by process, conflict and poor decision making - all of which feeds directly into an ever-diminishing development pipeline.

Durable land supply, the enabling infrastructure needed to service it, efficient approval methods and rational tax policy to support home ownership and economic growth are all absent.

Put simply, Australia lacks the development-ready land across greenfield and infill markets needed to service growth.

The inclusion of a research mandate into the role of the National Housing Finance and Investment Corporation (NHFIC) to better analyse housing supply, demand and affordability is a clear plus. Its initial work to scope the state of housing markets, research the inefficiency of infrastructure charging regimes and other analysis represents a step forward.

However, we need a deeper and richer understanding of the dynamics of housing markets across Australia, the barriers to supply and the incentives needed to remedy the situation.

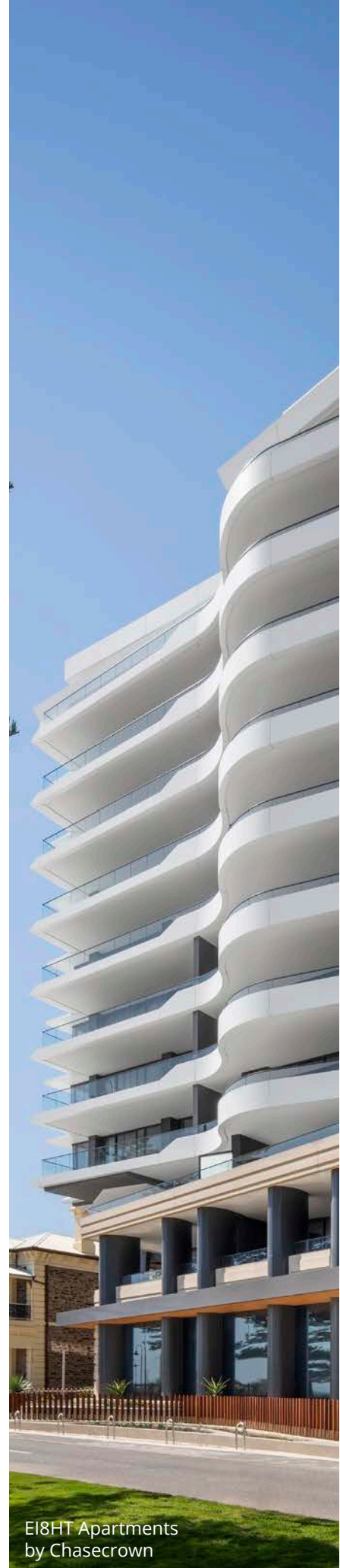
Australia's housing markets are already some of the least affordable in the world so there is no time to waste.

Major Housing Market	Global Affordability Rank
Sydney	3rd Least Affordable
Melbourne	6th Least Affordable
Adelaide	13th Least Affordable
Brisbane	18th Least Affordable
Perth	23rd Least Affordable

Source: 2021 Demographia International Housing Affordability

WHERE WE NEED TO GO

A seismic shift will be needed to refocus planning systems towards outcomes and offer greater accountability and transparency on their performance.



E18HT Apartments
by Chasecrow

UDIA RECOMMENDS:

- NHFIC map the existing red tape barriers, as well as the taxes and statutory charges, that add to the time, cost and complexity of delivering new housing.
- Producing a series of 'league tables' to chart the performance of states, territories and local governments across a range of metrics, including housing supply, infrastructure servicing and approval times.
- Designing housing targets informed by population projections that each state and territory needs to meet to maintain affordability.
- Introducing a pool of financial incentives to reward states for productivity-inducing reforms that ensure they meet housing supply targets and improve housing affordability and housing choice.
- Ensuring the payments are only available when states actually meet housing supply targets to guarantee 'pay-on-performance' is the guiding principle.

THE WHY

A circuit-breaker that can change the culture between governments and the private sector, and deliver leadership and integration of performance for the nation's planning systems will boost housing supply, improve affordability and strengthen housing diversity.

Benson Place by BHC Creating Liveable Communities

5. POST-PANDEMIC POPULATION PLANNING

WHERE WE ARE

Population growth is intrinsic to Australia's prosperity as the least populated continent in the world. It powers our economy, improves our global competitiveness, supports the growth of new markets, balances our demographic profile and sustains the tax base.

COVID-19 represents the biggest disruption to Australia's population trajectory since World War II.

Net Overseas Migration (NOM) plunged into the negative during the pandemic – reaching -72,000 in F2021 and is forecast to be -22,000 during F2022. These numbers represent a huge fall against the pre-pandemic annual target of 160,000 per annum.

The closure of international borders was the right move for managing the pandemic.

However, it comes with a cost. The Centre for Population estimates that Australia's population will be 1.1 million lower by 2031 than pre-COVID forecasts. This translates to approximately 400,000 fewer homes built, with the linked reduction in economic activity.

Population growth is also integral to the housing and construction sector's strength as a pillar of economic activity. Research commissioned by UDIA National shows NOM accounts for 56 percent of Australia's housing demand, and 50,000 fewer homes per year will be built over the next five years due to the contraction in population growth.

WHERE WE NEED TO GO

Australia needs a roadmap that respects the objective of safely reopening international borders but provides a pathway to restoring robust immigration and population growth.



Aston by Peet

UDIA RECOMMENDS:

- The Commonwealth develop short, medium and long-term targets for the restoration of net overseas migration and population growth.
- The targets should be shaped around the goal of seeking to 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 goal of 160,00 per annum – and seek to double its NOM until it has closed the gap caused by the pandemic.
- Dedicated streams of work be developed to focus on high-value cohorts of immigrants, with a particular focus on foreign students, as well as skilled migrants in areas of worker shortages.
- The Centre for Population being tasked with producing fresh projections built around these goals to inform land use and infrastructure planning by all tiers of government.

THE WHY

Population growth fuels our economy and a post-pandemic road map to restoring immigration is needed to bolster the recovery, grow our global competitiveness, support housing markets and inform good strategic planning.

Echolon by Giorgi

6. KEEP CREDIT AVAILABLE

WHERE WE ARE

The flow of reliable, dependable and consistent credit is the lifeblood of the economy. It sustains economic growth, jobs and home ownership.

The Reserve Bank has made clear it expects the cash rate to remain unmoved until 2024, which is welcome news for mortgage holders, and some people seeking to access the housing market.

There is however the need to give greater comfort to borrowers, both those seeking development finance and people wanting to buy a home, that the rules won't radically change.

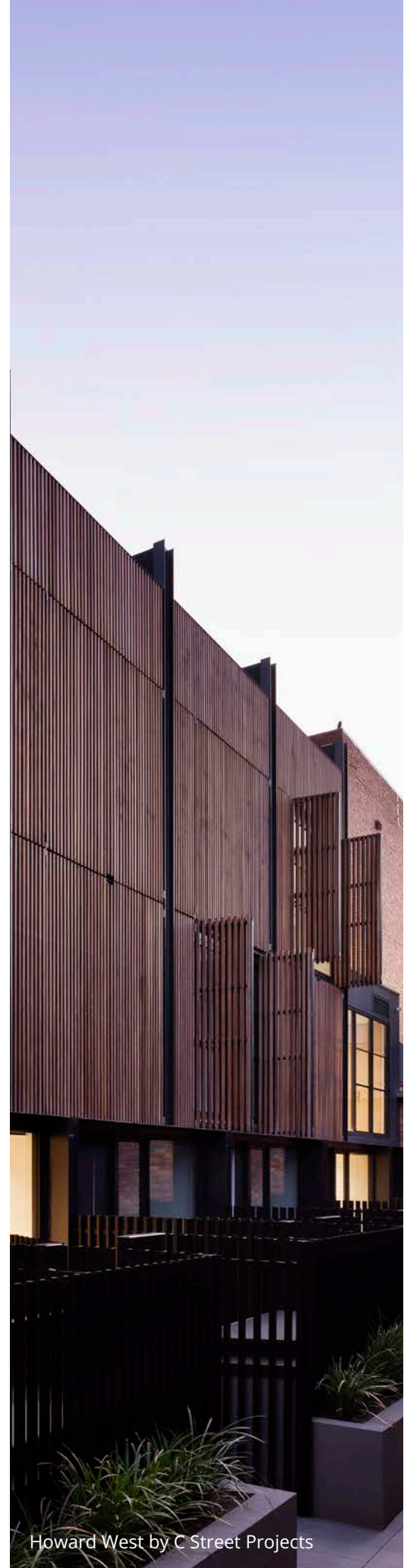
Prior efforts to curb perceived risks in lending practices had the effect of substantially stalling the availability of finance for new projects, particularly apartments.

More surgical policy solutions to boost supply and achieve the long-term goal of balancing the market are the recommended path to follow.

For example, the last two Federal Budgets allocated 10,000 places under the First Home Loan Deposit Scheme for exclusive use on new or newly-constructed homes. It is a proven model with potential for expansion.

WHERE WE NEED TO GO

As Australia seeks to recover from the pandemic and boost housing supply to service the return of immigration and population growth, a sensible and sustainable flow of credit will be essential.



Howard West by C Street Projects

UDIA RECOMMENDS:

- The annual allocation of 10,000 places under the First Home Loan Deposit Scheme for exclusive use on new or newly-constructed homes become a permanent feature of the scheme.
- Financial regulators take a granular and targeted approach to changing regulations that addresses each individual state's property market conditions as well as the impact of the various demographics within each of those states to avoid negatively impacting developer finance or access to finance for home ownership.
- Establish a Property Finance Reference Group comprised of the RBA, APRA, API, the UDIA and the Federal Government to monitor and examine property market indicators and headwinds.

Page 19 and Back Cover: Tresor by HELM



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