

20 October 2023



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Housing and Homelessness Policy Branch
Department of Social Services
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Dear [REDACTED]

UDIA National, Housing and Homelessness Plan (NHHP) Submission

Thank you for the opportunity to provide our comments on the NHHP review.

The NHHP is a critical piece of inter-government collaboration to ensure Australians can access affordable, safe and sustainable housing across the continuum.

As the national shared vision for housing and homelessness, the NHHP must incentivise and coordinate delivery and access to housing across the continuum from homelessness, affordable/social housing, through to at-market rental and home ownership.

In a complex, interconnected system like housing, unresolved problems have cascading effects across the housing continuum. Shortages of suitable land, infrastructure, skilled labour and cost-effective materials drive up prices. Ordinary Australians are forced to rent for longer at higher rates, inevitably pushing more into requiring government assistance via social and affordable housing.

The Federal Government is undertaking several key strategies to help boost supply of affordable and social housing, homeownership and crisis accommodation, but they will not succeed unless we solve some fundamental problems in the market - finding more development ready land, building enabling and supporting infrastructure, building delivery capacity, as well as streamlining planning & regulations.

With the Federal Government's hard target of 1.2 million homes over five years, we now need to find ways to build 45,000 additional houses each year than we have managed historically, in the midst of a housing viability crisis. The Government housing measures will deliver around 50,000+ total, so the lions share of the target relies on private housing delivery.

The NHHP needs to incentivise and support increased delivery of housing across the continuum by the states and territories, and target solutions to the basic problems that have led to declining housing supply for decades. The data around new approvals, completions and rentals remains stark, and is currently projected to deteriorate further before it improves.

With limited funds, it is critical for Governments to target factors that touch as many aspects of the housing continuum as possible for the greatest impact.

Our previous submission on the National Housing and Homelessness Agreement (**NHHA**), comprehensively compiled the issues and potential solutions. We recommend that this earlier submission be read in conjunction with this further submission.

[UDIA National, Housing and Homelessness Agreement Review \(NHHA\) Submission - UDIA National](#)

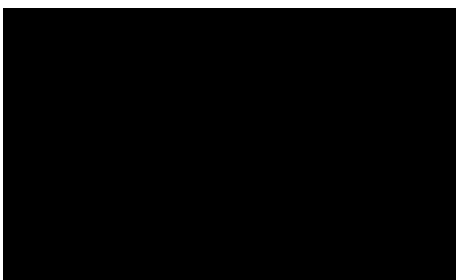


This submission considers the most recent state of the market, Government's current initiatives and recommends clear and implementable policy solutions for the Federal Government to incentivise critical change through the NHHP. The key issues (among our broader recommendations) include:

- 1) **Adopt an NHHP vision that implements and incentivises whole-of-market initiatives to support a healthy housing sector across the continuum** – the NHHP needs to tackle issues across the whole market and not limit the remit to specific issues or parts of the market.
- 2) **Maintain, refine and performance manage housing targets** - support development of land/housing supply targets across the continuum adjusted for population and demand growth, reliable national data and metrics that create meaningful solutions for key problems.
- 3) **Provide a strategy and incentives to overcome housing delivery barriers across the continuum** – including, increasing development ready land, better strategic planning/land use, increased enabling infrastructure, reducing development costs, material reductions in approvals for planning, environment and regulations across every step in the process.
- 4) **Develop a suite of incentives to deliver more mixed use housing across the continuum** – including incentivising states and territories to provide, tax relief and/or density bonuses to encourage private providers to increase mixed use, affordable housing & greater home ownership grants.
- 5) **Strip away taxes holding back affordability** – including measures for all governments to facilitate a broad-based reform and Federal Government incentivising/support states and territories to reduce stamp duty thresholds.
- 6) **Prioritise greater Affordable Housing delivery** – incentivise more affordable housing including securing ongoing funding from existing Federal, State and Territory tax bases.
- 7) **Better Infrastructure in support of housing** - incentivise development of better strategic planning, land use, integrated approvals and housing supply outcomes.

We are keen to meet with you to explore how the NHHP can develop a balanced national housing strategy that reinforces the existing housing initiatives.

Please do not hesitate to contact the UDIA National Head of Policy [REDACTED] [REDACTED] to discuss this submission.



SUBMISSION: AUSTRALIA'S NATIONAL HOUSING AND HOMELESSNESS PLAN

URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA

20 October 2023

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About UDIA National and the Housing Industry

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

UDIA's members deliver new homes across the continuum for all Australians, including the majority of affordable housing. Most new homes 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.

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

Industry also develops the majority of affordable and social housing made available for Community Housing Providers.

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

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

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



Every dollar spent in housing and construction delivers **\$2.90** to the Australian Economy

Supports **11%** of Australia's workforce

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

The industry significantly **boosts secondary markets** including manufacturing and retail

Executive Summary

The Urban Development Institute of Australia (**UDIA**) is pleased to provide its response to the Department of Social Services National Housing and Homelessness Plan (**NHHP**).

The UDIA is supportive of the NHHP as a vehicle to drive reforms for secure, safe and affordable housing across the continuum, through Federal, State and Territory Government collaboration.

In a complex, interconnected system like housing, unresolved problems have cascading effects across the housing continuum. Shortages of suitable land, infrastructure, skilled labour and cost-effective materials, drive up prices. Ordinary Australians are forced to rent for longer at higher rates, inevitably pushing more into requiring government assistance via social and affordable housing.

The NHHP should be the overarching strategy that incentivises measures to combat decades long chronic shortfalls in dwelling supply across the housing continuum and help Government to meet the ambitious 1.2 million new housing target.

The current total housing shortfalls are stark – with an at-market housing shortfall of circa 200,000 dwellings, an affordable and social housing shortfall of about 331,000 and homelessness shortfall of 45,600 households.

Just to prevent further deterioration, the 2021 NHFIC review estimates the need for circa 31,000 social and 14,000 affordable homes per year alone over the next 20 years - representing around \$290 billion. This is in addition to the 160,000-180,000 privately developed market dwellings that need to be produced each year. As we write, approval and delivery data is diverging further away from the numbers that must be reached.

Historically, an average of just circa 7,350 affordable and social houses (around 3,000 actual new builds) are built every year, across the whole of Government and Community Housing Providers (**CHPs**). Equally, at-market housing delivery is falling behind by 21,260 houses per year and according to NHFIC, is likely to do so until at least 2027.

It is important to remember that the vast majority of dwellings across the housing continuum, including affordable housing for CHPs, is built by the private development industry. Costs, shortfalls, constraints and delays in the industry impact the entire housing supply continuum.

Australia is simply falling further behind in housing supply each year, which is increasing pressure on prices and rents.

There simply isn't enough capacity at present to meet the existing demand for housing.

Importantly however, Australia's ambitious 1.2 million new home target over five years, means we now need to build 240,000 dwellings a year to hit the Government's housing target. That means we need to build more homes than ever, in the midst of a housing viability crisis.

The Housing Australia Future Fund (**HAFF**), and Housing Accord (**Accord**) collectively aim to build a total of around 50,000+ of these homes as affordable and social dwellings. The lion's share of the 1.2m target relies on private housing delivery.

This alone will require an overhaul of urban planning across the country, funding and acceleration of enabling infrastructure, support for capacity building in the construction sector and a focus across all of government(s) pursuits which impact development and city shaping.

A further complication is that immigration growth is set to be around 300,000 to 400,000 each year until 2040 (in order to build back productivity and capacity lost during the pandemic). In this light, the 240,000-home stretch target will not even meet necessary population growth, let alone existing shortfalls.

The housing and homelessness crisis has been a long time in the making and unless the NHHP incentivises measures that support housing delivery, it will get worse. It cannot just be changes to affordable and social housing delivery but has to be the entire housing continuum or Australia simply will not be able to make the targets nor overcome the shortfalls.

We need a revolution in productivity for planning and development delivery across Australia, which matches population needs and builds a sustainable pipeline of housing supply.

Critically, industry is struggling with high costs, lack of skilled workers, scarce development ready land, choking infrastructure delivery, high tax burdens and ineffective planning and approvals processes. The NHHP must ensure it avoids punitive measures that place an even heavier burden on new housing development than already exists.

National house rental pricing grew 45% since March 2020 because residential land supply has dropped 40% since last year, rental listings are down 32%, construction costs are 40% higher since covid, permanent skilled visa are 17% lower than pre-covid and construction job vacancies are 90% higher than long run average.

Success across the entire housing continuum hinges on solving some of our most basic problems – finding more development ready land, cost of construction, rebuilding capacity, building enabling/supporting infrastructure and streamlining planning and regulations.

The Federal Government is aware of the issues with housing supply, skilled workers, planning and infrastructure, and is looking to develop strategies to solve these problems.

The NHHP will be critical to solving these basic problems, because it represents co-commitment of States, Territories and Federal Government with funding to incentivise the necessary changes.

This submission provides recommendations that enable the NHHP to solve the supply halting problems.

RECOMMENDATIONS:

UDIA Recommendation 1: Adopt an NHHP vision that implements and incentivises whole-of-market initiatives to support a healthy housing sector across the continuum – the NHHP needs to tackle issues across the whole market and not limit the remit to specific issues/parts of the market.

UDIA Recommendation 2: The NHHP’s objectives include clear and consistent definitions for affordable, social and crisis housing as well as safety and sustainability across all jurisdictions.

UDIA Recommendation 3: The NHHP should maintain, refine and performance manage housing targets – support development of ongoing land/housing supply targets across the continuum adjusted for population and demand growth, reliable national data and metrics that create meaningful solutions for key problems.

UDIA Recommendation 4: The NHHP should have a core aim of collaboration with the Supply Council on a robust research agenda to improve the quality of data on housing market dynamics, reduce red and green tape, account for the tax burden on housing and improving housing diversity.

UDIA Recommendation 5: Provide a strategy and incentives to overcome housing delivery barriers – including, increasing development ready land, increased enabling infrastructure, better strategic planning/land use, reducing development costs, material reductions in approvals for planning, environment and regulations across every step in the process.

UDIA Recommendation 6: Develop a suite of incentives to deliver more housing across the continuum – including incentivising states and territories to provide tax relief and/or density bonus’s to increase mixed tenure affordable housing as well as more home ownership grants.

UDIA Recommendation 7: Strip away taxes holding back affordability – including measures for all governments to facilitate a broad-based reform and Federal Government incentivising/supporting states and territories to reduce stamp duty thresholds.

UDIA Recommendation 8: - Prioritise greater Affordable Housing delivery – incentivise more affordable housing including securing ongoing funding from existing Federal, State and Territory tax bases.

UDIA Recommendation 9: – Better Infrastructure - incentivise development of better strategic planning, land use, integrated approvals and housing supply outcomes.

State of Housing Markets

a) The Widening Housing Delivery Gap

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.

The growing shortage of affordable/social housing, and spiralling housing affordability, are the consequence of the same problem – lack of housing land supply across the continuum, impacting social, affordable, at-market, crisis and investor rental housing.

The shortfall in new housing supply stems from multiple, compounding factors: shortages of development-ready land, materials, and skilled labour, planning delays, development charges/taxes and increasing complexity - driving up both sale prices and rents for dwellings.

Ordinary Australians are forced to pay more for homes (if they can afford to purchase), or they rent for longer at higher rates, with many inevitably pushed into requiring government support or social housing.

In fact, the housing gap is only widening:

- NHFIC’s 2023 estimates of current **total housing shortfalls** are circa:
 - 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 estimates **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 (**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**.

Public Housing

| | Major City | Inner Regional | Outer Regional | Remote | Very Remote | Not Stated | TOTAL | YoY Change | YoY Change % |
|------|------------|----------------|----------------|--------|-------------|------------|---------|------------|--------------|
| 2014 | 238,590 | 47,735 | 28,998 | 5,923 | 2,225 | 421 | 323,892 | | |
| 2015 | 238,287 | 46,475 | 28,770 | 5,860 | 2,235 | 2 | 321,627 | - 2,265 | -0.7% |
| 2016 | 236,942 | 46,350 | 28,700 | 5,840 | 2,215 | - | 320,047 | - 1,580 | -0.5% |
| 2017 | 236,825 | 46,300 | 28,670 | 5,880 | 2,239 | - | 319,914 | - 133 | 0.0% |
| 2018 | 234,376 | 46,990 | 26,950 | 5,274 | 2,646 | - | 316,236 | - 3,678 | -1.1% |
| 2019 | 230,128 | 41,540 | 25,650 | 5,186 | 2,686 | - | 305,190 | - 11,046 | -3.5% |
| 2020 | 226,224 | 41,029 | 25,430 | 5,147 | 2,500 | - | 300,330 | - 4,860 | -1.6% |
| 2021 | 225,478 | 40,992 | 25,400 | 5,107 | 2,500 | 16 | 299,477 | - 853 | -0.3% |
| 2022 | 225,441 | 39,620 | 24,940 | 5,087 | 2,500 | 17 | 297,605 | - 1,872 | -0.6% |

Source: AIHW (2023)

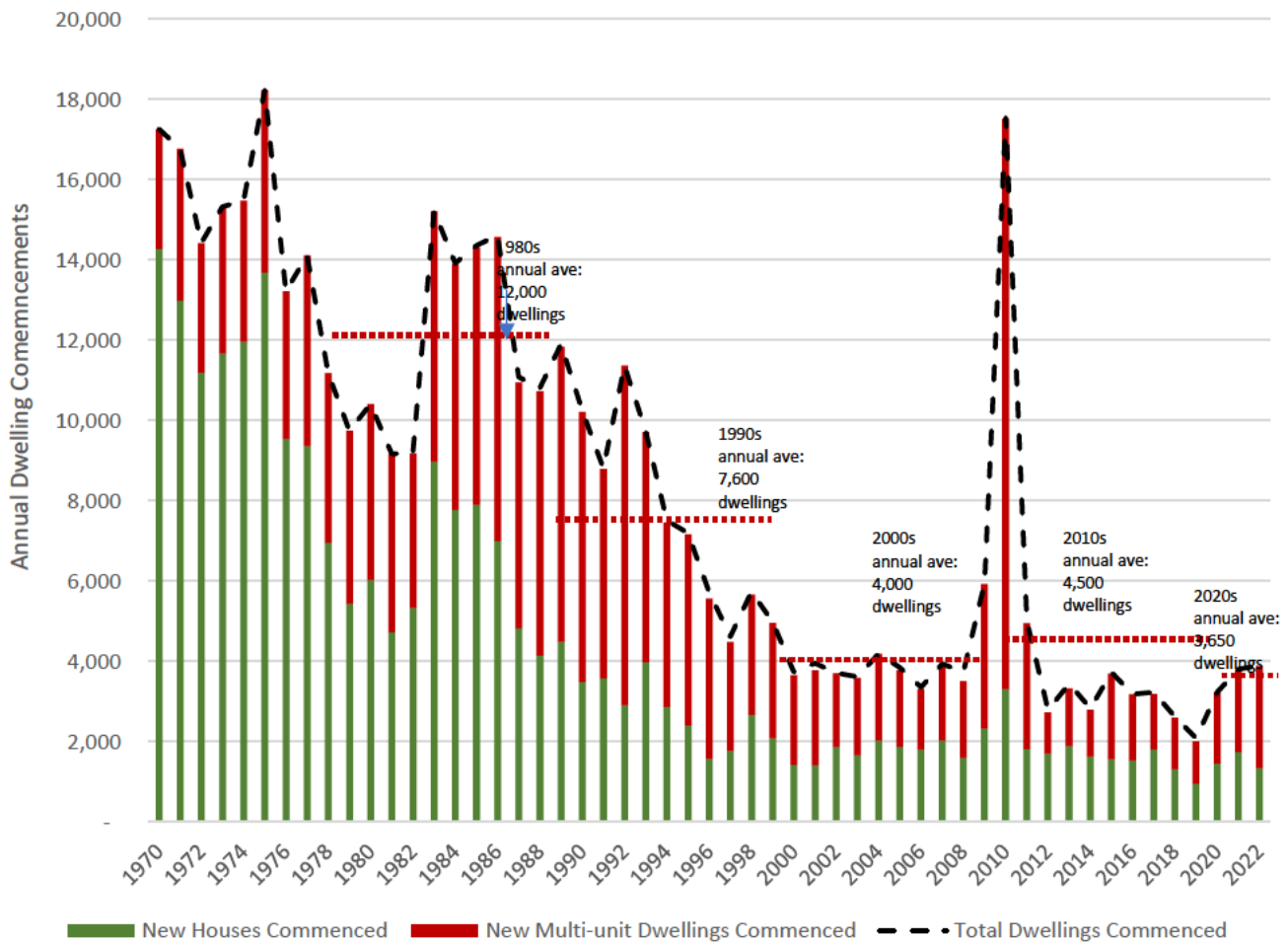
Community Housing

| | Major City | Inner Regional | Outer Regional | Remote | Very Remote | Not Stated | TOTAL | YoY Change | YoY Change % |
|------|------------|----------------|----------------|--------|-------------|------------|---------|------------|--------------|
| 2014 | 44,960 | 16,415 | 7,009 | 734 | 500 | 1,414 | 71,032 | | |
| 2015 | 46,287 | 17,357 | 7,300 | 730 | 500 | 1,492 | 73,666 | 2,634 | 3.7% |
| 2016 | 52,125 | 18,670 | 7,320 | 730 | 500 | 928 | 80,273 | 6,607 | 9.0% |
| 2017 | 53,520 | 18,910 | 7,250 | 730 | 500 | 1,998 | 82,908 | 2,635 | 3.3% |
| 2018 | 58,000 | 19,500 | 7,450 | 730 | 500 | 1,597 | 87,777 | 4,869 | 5.9% |
| 2019 | 63,050 | 25,350 | 8,650 | 730 | 500 | 2,045 | 100,325 | 12,548 | 14.3% |
| 2020 | 66,175 | 25,786 | 8,727 | 730 | 500 | 1,974 | 103,892 | 3,567 | 3.6% |
| 2021 | 70,030 | 26,580 | 8,960 | 730 | 500 | 1,650 | 108,450 | 4,558 | 4.4% |
| 2022 | 72,400 | 28,260 | 9,375 | 730 | 500 | 1,650 | 112,915 | 4,465 | 4.1% |

Source: UDIA; AIHW

- Government and CHPs, simply have no practical way to close the affordable and social housing gap on their own.
- Public sector housing supply has been in steep decline since the 1970s.

Public Sector Dwellings Commenced*, Australia (annual)



Source: UDIA; ABS

- The NHFIC Review in 2021 estimated that it would cost around \$290 billion over 20 years for Australia to meet the shortfall in affordable and social housing alone.
- This is in addition to the 160,000-180,000 privately developed market dwellings that need to be produced each year, which can't be developed feasibly by industry in the current cost and regulatory climate.
- It will require the whole industry to build enough capacity in a reasonable timeframe.

It is important to remember that the vast majority of dwellings across the housing continuum, including affordable housing for CHPs, is built by the private development industry. Costs, shortfalls, constraints and delays in the industry impact the entire housing supply continuum.

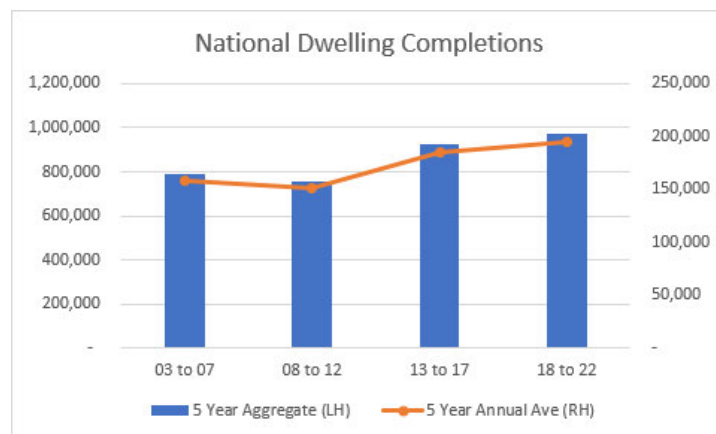
Australia is simply falling further behind in housing supply each year, which is increasing pressure on prices and rents.

Australia is simply falling further behind in housing supply each year, which is increasing pressure on prices and rents. There simply isn't enough capacity at present to meet existing housing demand.

Australia's 1.2 million new home target to tackle housing shortages and affordability over five years, by 2029 means we now need to build 240,000 dwellings a year to hit the Government's housing target and that means we need to build more homes than ever.

Put another way, the entire industry needs to deliver an **additional 45,000 houses each year** over it's historical capacity from 2024 onwards – **seven and a half times more housing than the HAFF will deliver over five years.**

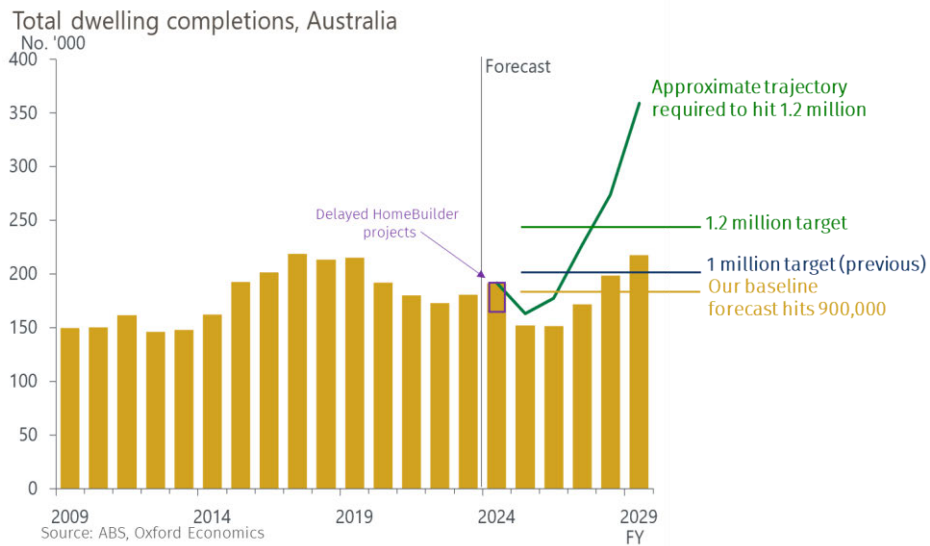
For perspective, in the last five years 974,700 dwellings were completed - **195,000 dwellings per year. This was the highest amount of completions ever achieved in Australia and still falls short of the 1.2 million target**, and delivered during a period with fundamentally different regulatory barriers, lower interest rates, and substantially fewer cost challenges.



Source: UDIA; ABS

This is an extremely difficult aim, because dwelling completions and approvals are in decline, and the trajectory of completions needs to arrest that decline before ramping up over the remaining years.

This means the "hockey stick" recovery sees about two years of activity sub 240,000 dwellings followed by the remaining years needing well above 300,000 completions per year to hit the target.



Source: Oxford Economics

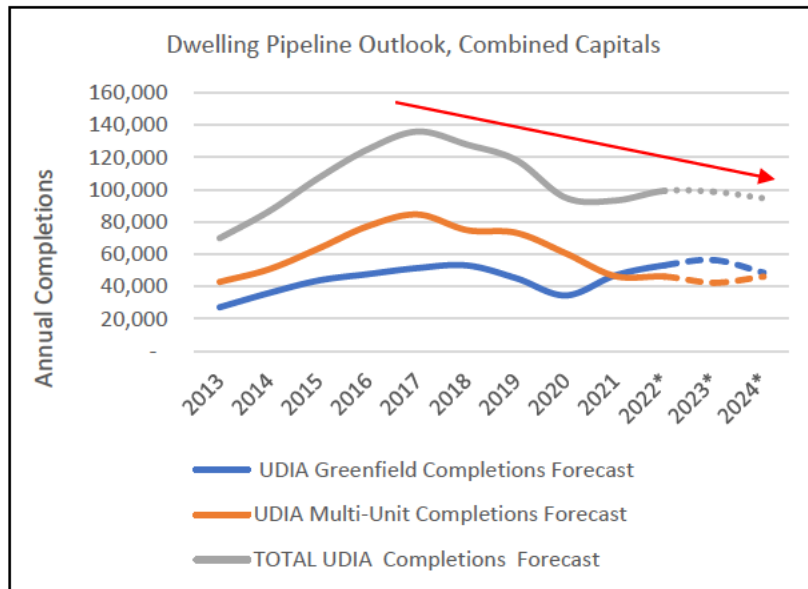
With total affordable and social housing build over the next five years being at most 50,000 to 60,000 dwellings, **the lion’s share of the 1.2m target relies on private housing delivery.**

It cannot just be changes to affordable and social housing delivery but has to be the entire housing continuum or Australia simply will not be able to make the targets nor overcome the shortfalls.

b) The Market

Critically, industry is struggling with high costs, lack of skilled workers, scarce development ready land, choking infrastructure delivery, high tax burdens and ineffective planning and approvals processes.

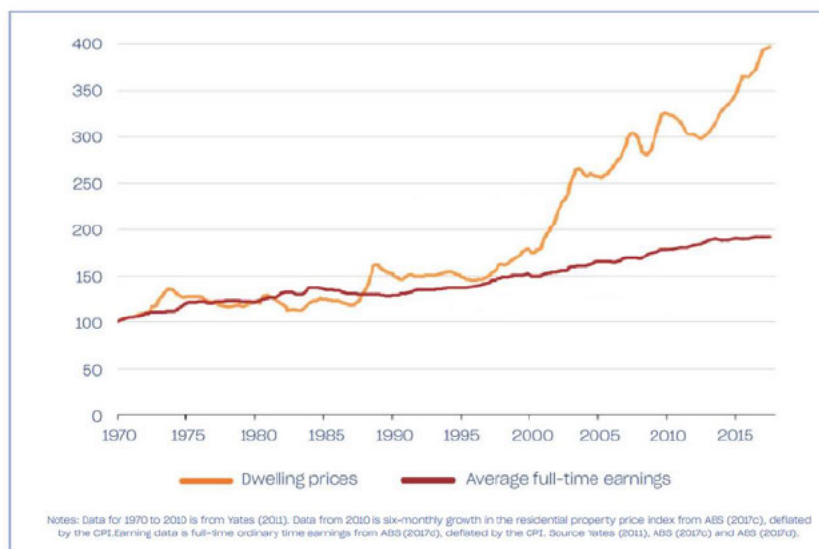
In the previous National Housing and Homelessness Submission to the Productivity Commission in 2022, UDIA presented two charts that encapsulate the board issue across the entire housing continuum.



Source: UDIA, State of the Land Report 2023

The Dwelling Pipeline Chart shows that since 2017 (pre-pandemic), dwelling supply (houses and units), has been in a steady decline.

Australian Dwelling Price v Full Time Weekly Earnings 1970-2020



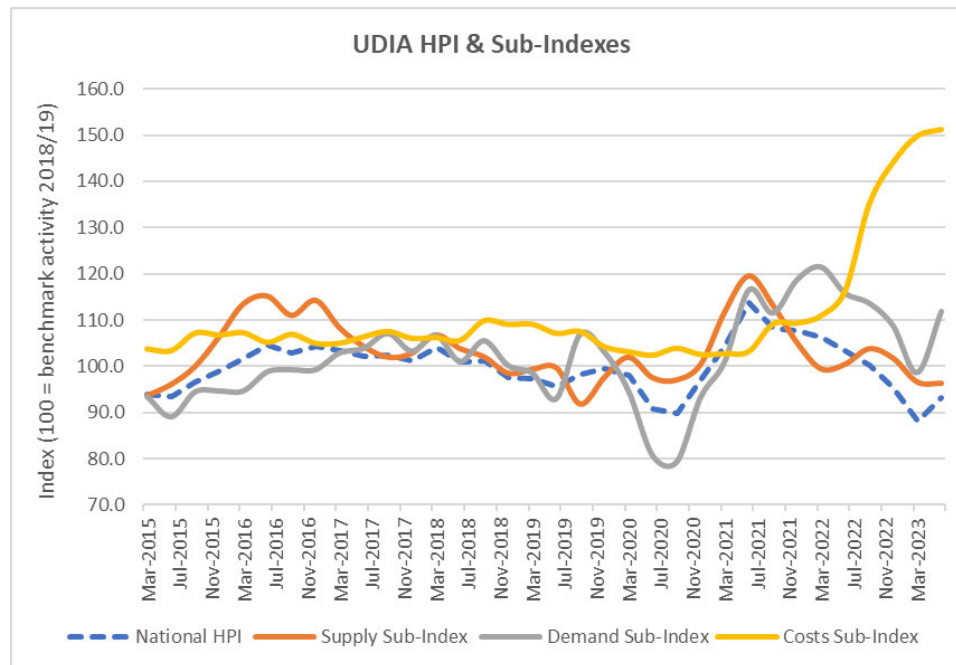
Daley, J. and Coates, B, Housing Affordability: re-imagining the Australian Dream, 2018

The Dwelling vs Earning Chart shows the problem of housing affordability is clearly worsening with significant flattening of full-time weekly earnings in Australia at the same time as housing prices

bounced back after the GFC in 2012. The continuously declining supply ensures that dwelling prices rise. This simple correlation has not changed and the impacts have become more pronounced.

Residential rental pricing has grown 45% since 2020.

It is easy to see why when you look at the UDIA Housing Performance Index which shows that while demand has been falling, supply has been falling almost as fast against skyrocketing costs.



The key market data shows:

- **Residential land supply is down 40%** since last year.
- **Dwelling commencements are down 17%** on a 12 month rolling average. With a 20-25% attrition rate for commencements to completions, we can expect this to be a significant negative impact in 12-18 months.
- **Dwelling completions are down 10%** - this will result in a further downturn in completions in 12-18 months worsening the crisis.
- **Rental listings are down 38%** on the long run average pushing up rental prices.
- **Investor Loans are down 21%, construction loans down 28%** - there is going to be less rental properties and less homes to purchase in the next 3 years.
- **40% annual decline in 'hard leads'** for new housing but demand is strengthening – the immediate market for houses is soft but immigration is pushing up demand and it will continue.
- **Greenfield purchaser demand is down 59%.**
- **Approvals for new houses are down 15%** on a 12-month rolling basis.
- **Apartment approvals** have been in **steep decline** for over a year Having declined 34% and are 30% lower than the long run average.
- **Construction costs 32%+ higher** since the beginning of the pandemic.

- **Job vacancies in the construction sector are 63% higher** than the long run average.
- Permanent skilled visa arrivals currently 33% lower than the pre-pandemic levels and temporary visas 18% lower.

The Job vacancies and permanent skilled visas data disturbingly indicate that the development and construction industry spanning across the entire housing continuum is struggling to even return to the capacity it had prior to COVID.

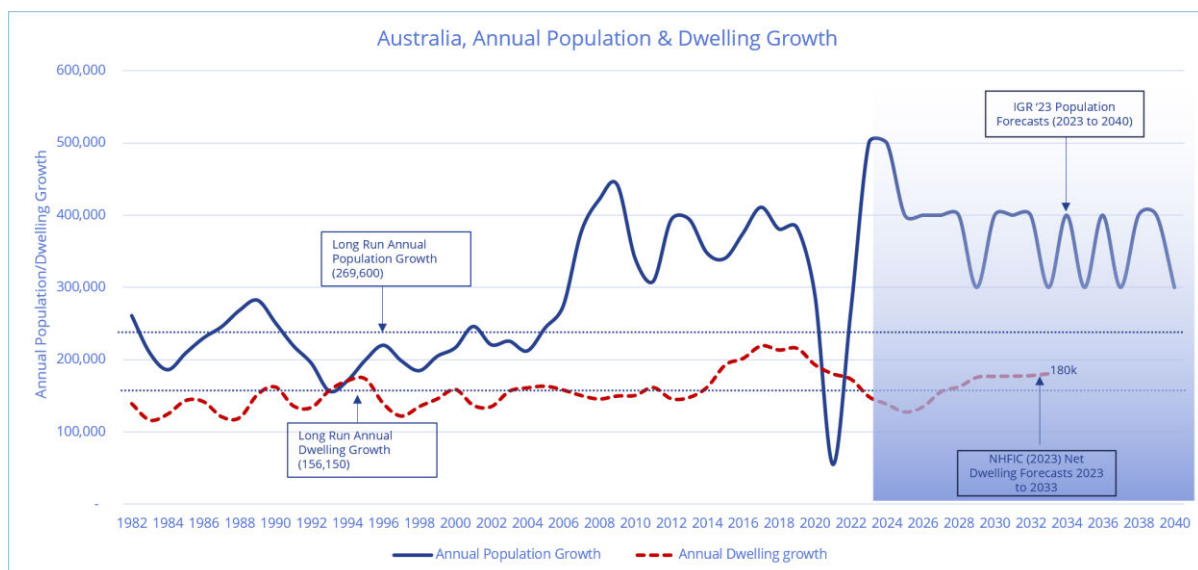
Almost overnight once lockdowns were in effect, migrant skilled workers were repatriated to the home countries and entire workforces were lost. We need immigration to return capacity and productivity. Industry became chronically short supplied on key skills (like plasterers and tilers), which halted projects.

Critically, the most concerning aspect of the current situation is that demand is now set to turn a corner and increase while supply continues to fall and prices rise. The UDIA Index clearly shows an upturn in demand from the increased immigration (circa 563,000 as of March 2023)

Source: UDIA

The impact of population growth and housing delivery is quite obvious from the chart below - **On Intergenerational figures and NHFIC housing demand modelling we significantly undershoot housing delivery on existing forecasts.** Population growth is set to be within the range of 300,000 to 400,000 pa up to 2040. NHFIC forecasts for dwellings is 180,000 houses total. The discrepancy is huge and points to the need for significant stimulus of housing supply and removal of barriers. Of particular note, the long run population growth is 296,000 people per year – our best housing forecasts simply do not match population growth.

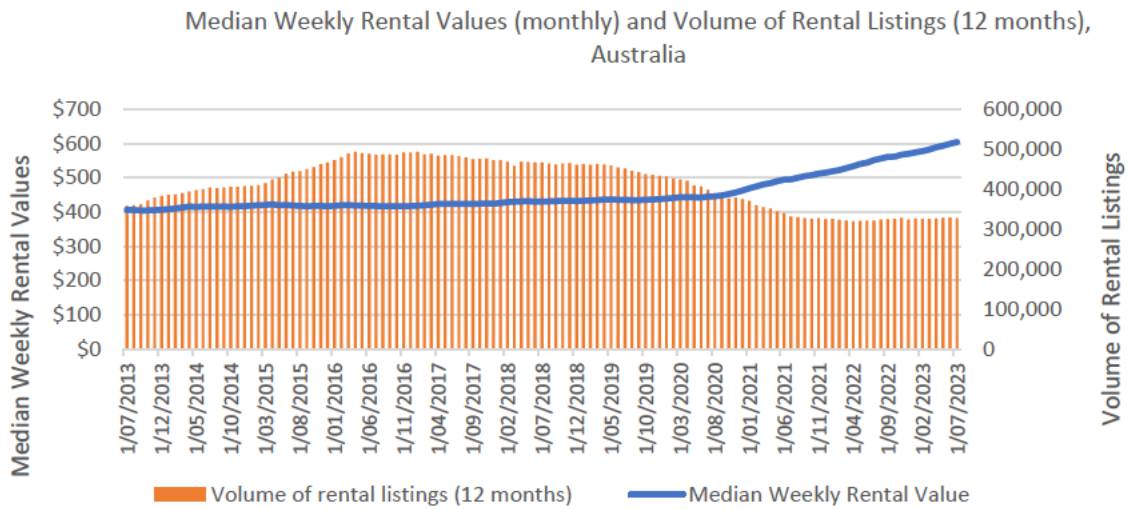
The NHHP has a clear opportunity to ensure housing targets are adjusted and incentivised against population growth and immigrant intake. This will ensure that the necessary skilled worker intake is matched by housing and does not worsen the housing crisis.



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

The implications of not being able to keep up with population growth is runaway prices and rentals. The impact of housing supply on prices and rents is most stark when looking at rental listings against

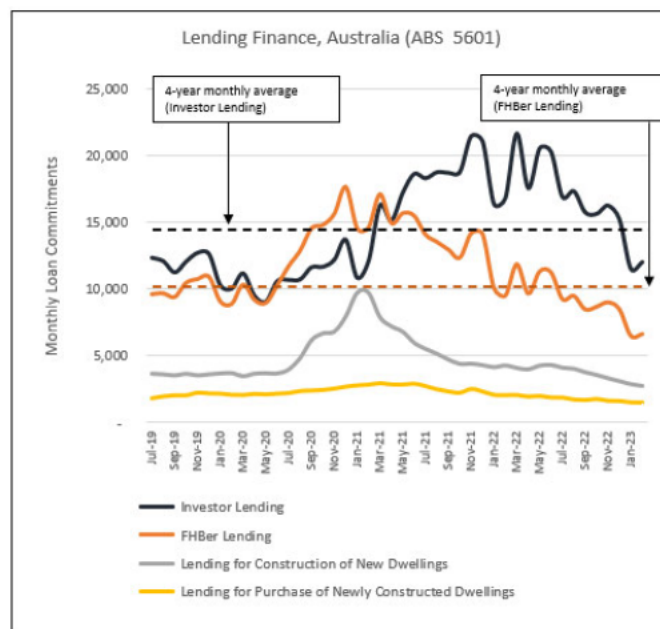
rental value. The chart below shows rental supply has kept a lid on rental prices up to COVID and Post-Covid there has been a drop off on listings in part from investors exiting the market, resulting in a 32% drop in rental listings and a correlated increase in rents of 45%.



Source: UDIA; CoreLogic

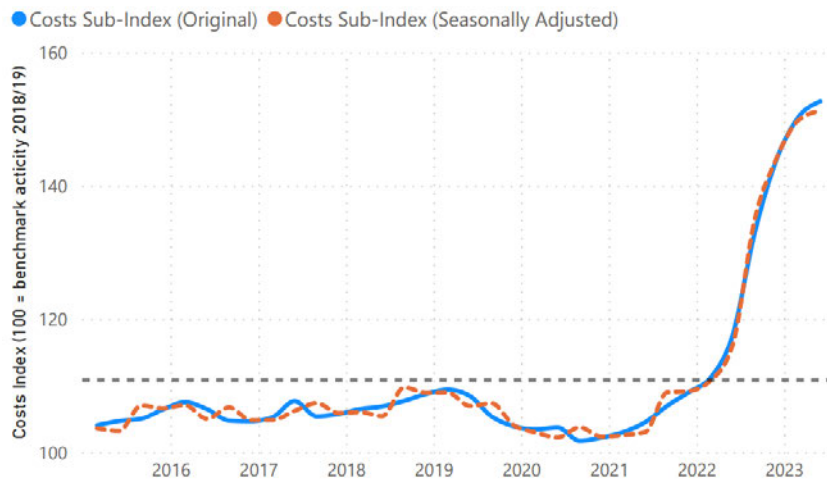
This will get much worse over the coming year because **Investor lending is now down 19%** on a 3-month rolling basis and **lending for the construction of new dwellings down 28%** on a 12-month rolling basis. This means we will see far less rental property coming in to replace lost stock in the market.

The NHHP has a role in stimulating investment in rental accommodation and incentivising BTR, to overcome the chronic shortages.



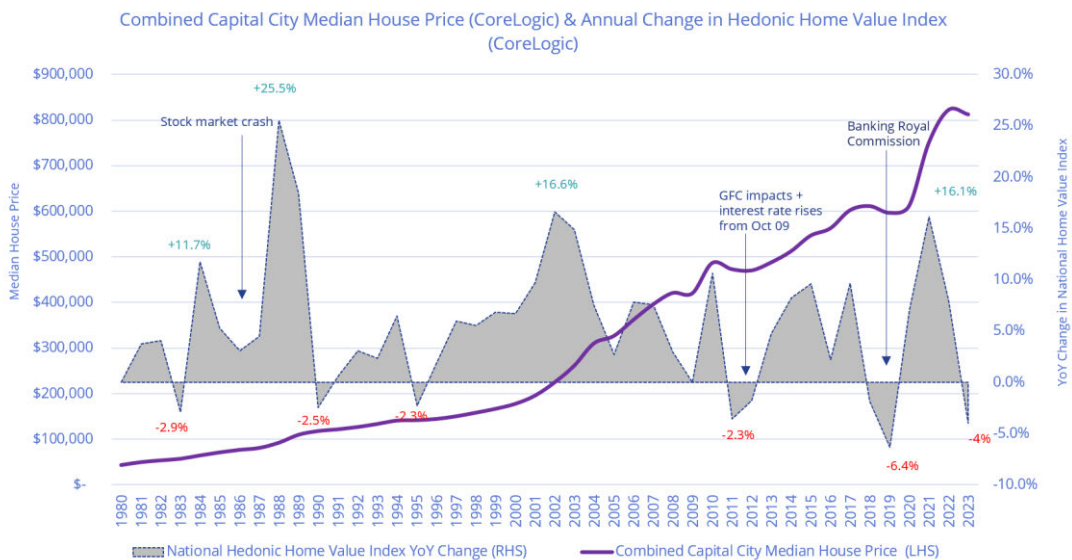
Over and above these issues however, the basic fact is that construction costs are stabilising at a very high new normal. Industry across the country and across all typologies (civil works, house construction, apartment construction) are seeing costs on average 30%+ higher than prior to the pandemic. There is no expectation costs will reduce and no relief on prices.

UDIA HPI: Residential Costs Sub-Index



The data is telling us is that there is no simple solution to the crisis and we need to effectively “trade our way out of difficulties”, by sensible scaled up measures that move the dial across the entire housing continuum and not simply focus on one area.

This is especially clear when you look at the peaks and troughs of housing values over the last 43 years. **In 43 years annualised nationwide average house values have never dropped past 7%.** That means while individual houses or even suburbs may have dropped significantly more in value than that, the nationwide drop in value of housing over a 12 month period is less than 7%. The market does not significantly “reset” prices even where there are significant external shocks as large as GFC or a stock market crash. We do however see huge increases in prices when there are shocks that increase scarcity and therefore value.



Source: UDIA; CoreLogic

This is a favourable characteristic of housing as an asset class, however it has very clear implications for policy makers that you cannot force a reset of prices and the only relief for price pressure is ensuring there is enough housing supply to keep demand in check.

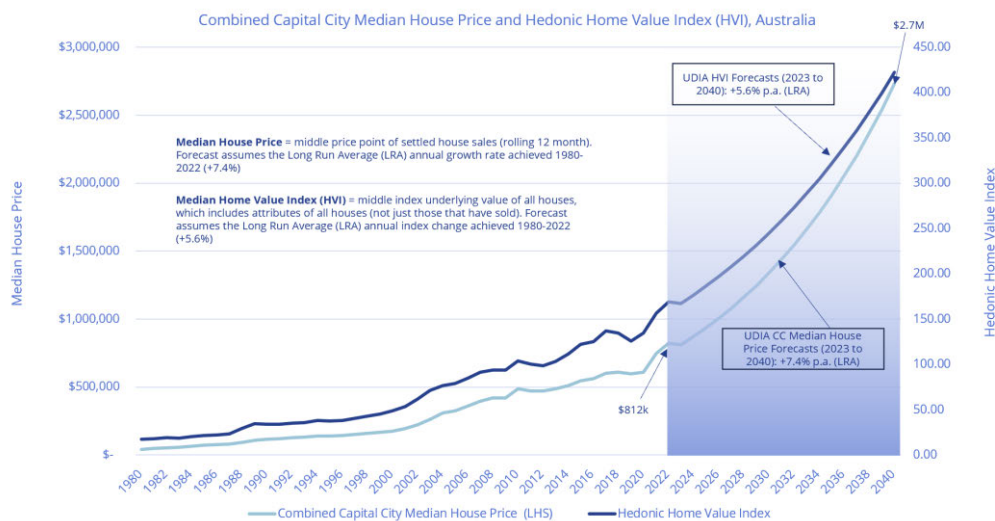
c) The Current Market Trajectory

The implications of the current market trajectory are stark. UDIA has run some forecasts for housing prices and rents on the assumption that:

- 1) the market returns to the pre-covid state (tight supply, constrained delivery, but reduced costs and historical market capacity), or
- 2) the market maintains the current post covid state (chronic supply shortages, deeply constrained delivery, high costs and capacity below historical norms).

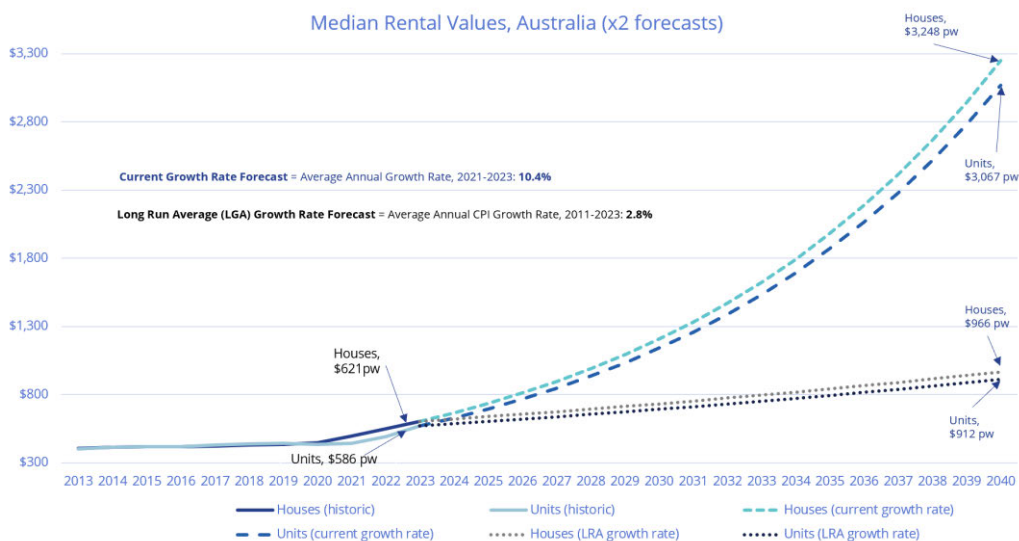
The outcomes in the charts (below) show that:

- 1) If we return to pre-covid state - Median House prices increase to \$2.7 million from \$812,000 in 2022 and rents increase to \$966 p/w from \$621 p/w, and



Source: UDIA; CoreLogic

- 2) If we maintain the current post-covid state – rents increase to \$3,248 p/w from \$621 p/w.



Source: UDIA; CoreLogic

In either a status quo or a return to pre-covid market norms, the outcomes by 2040 are extreme and unsustainable.

As relevant to the NHHP, Governments around Australia need to significantly ramp up efforts to boost housing supply by removing several base problems (which are discussed later):

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

Each of these five issues can and should be incentivised by the NHHP. Over and above these issues, it is absolutely imperative that the NHHP have access to up to date and accurate nationwide data on housing performance.

Note: the previous UDIA National Housing and Homelessness Submission to the Productivity Commission in 2022 covers in great detail the interactions of supply, demand, housing affordability, migration and tax. In the interests of brevity, we refer you to that submission and will not repeat the detail here.

[UDIA National, Housing and Homelessness Agreement Review \(NHHA\) Submission - UDIA National](#)



d) The Government Initiatives

The Federal Government has designed a suite of new initiatives, as well as enhancing pre-existing measures, in order to boost housing across the continuum from homeownership through to affordable and social housing.

The Albanese Labor Government has committed to additional programs intended to increase access to home ownership and to deliver additional Affordable and Social Housing, including:

- \$10 billion Future Fund to deliver 30,000 Affordable and Social dwellings over 5 years;
- Home Deposit Guarantee Scheme for 50,000 new homes p.a. (including a regional allocation);
- NHFIC loans sufficient to deliver 10,000 affordable dwellings;
- 10,000 new homes annually under the Regional First Home Buyer Support Scheme;
- 10,000 new homes annually under the Help to Buy Scheme;
- National Housing Infrastructure Facility supporting an additional 5,500 new homes;
- Home Deposit Guarantee Scheme for 50,000 houses pa;
- 15% increase in Commonwealth Rent Assistance to eligible households;
- \$67.5 million to states and territories to help tackle homelessness;
- The National Housing Accord hard target of 1.2 million homes over 5 years. Including commitments to:
 - \$3 billion in bonuses to State and Territories who exceed their housing targets;
 - \$500 million to build essential enabling infrastructure for housing;
 - \$350 million over 5 years, for 10,000 new affordable homes matched by states and territories for a total increase of 20,000 homes.
 - \$2 billion for states and territories for social housing available through NHFIC.
 - Joint Commonwealth and state/territory housing targets
 - Facilitate super fund and Institutional capital in social and affordable housing.
 - Use of commonwealth land and delivery of planning and land use reforms to make housing supply more responsive.
 - Review Build to Rent and barriers to institutional investment, finance and innovation in housing.
 - Data on delivery of the Accord and housing supply pipeline. Aside from the Future Fund and the Accord, the affordable and social housing initiatives do not have a specific timeframe for meeting stated targets.

Critically however, while the initiatives make inroads on setting down a framework for accelerating housing supply into the future, there are three things that need to happen for it to move the dial on the chronic housing shortfall:

- 1) The initiatives need to be performance managed under a nationwide agreement like the NHHP to ensure we know what is being achieved and what barriers are holding back targets.
- 2) Government measures for planning, land use reforms and boosting of enabling infrastructure have to be applied across the entire housing continuum otherwise hold ups in (say) at market housing, will push up costs and undermine housing supply across affordable and social housing.
- 3) 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.

The NHHP Opportunities

The overwhelming problem of imbalanced supply and demand is feeding an ongoing affordability crisis, that is swamping efforts to ameliorate the worst impacts.

If supply/demand and affordability issues run unchecked, the funding impact of Government subsidised housing and community housing is significantly eroded, because there will be more vulnerable Australians today than yesterday.

The National Housing and Homelessness Agreement is currently at \$1.6 billion to support state and territory delivery of housing and homelessness services. This is of course only part of the funding by the Commonwealth and the new government initiatives have roughly \$6 billion in new funding for affordable and social housing alone.

Critically however, the entire funding pool needs to be managed against a strategic plan through the NHHP otherwise funding will quickly dry up without achieving the housing delivery goals.

Fortunately, there are numerous initiatives that can be done, quickly and simply without deeply impacting Government spending. Crucially, they also have dividends across the housing continuum.

It is however critical that strategies and multi-faceted solutions to address problems across the housing continuum need to be well planned, coordinated across all governments and well monitored.

It is equally important to harness the entire market for delivery of housing - Government, CHPs and private housing providers.

For this to happen, it is critical that the NHHP:

1. Adopt a vision that implements and incentivises whole-of-market initiatives to support a healthy housing sector across the continuum – the NHHP needs to tackle issues across the whole market and not limit the remit to specific issues or parts of the market.
2. Agree a detailed and broad-based approach that encompasses the entire housing continuum to ensure effectiveness of initiatives are not undermined by other factors.
3. Develop better measures and forecasts of the market's actual supply and demand so that adverse market impacts can be anticipated and acted on swiftly.
4. Undertakings by Federal, State and Territory Governments tie funding to actual measures that impact housing – this does not mean success-based funding, but it does mean tying funding to meaningful measures such as development ready land, rather than (say) just land rezoned.
5. There needs to be continuous dialogue between the NHHP with all governments as well as the market itself to ensure timely reaction to market changes so that supply/demand imbalances can be minimised.

The NHHP should be used to incentivise the states and territories to use funding to enhance delivery of housing across the continuum to remove key barriers noted above:

- 1) Lack of development ready land.
- 2) Lack of enabling and supporting infrastructure.
- 3) Slow and complex planning and approvals.
- 4) Lack of skilled workers delaying projects.
- 5) Lack of incentives to generate housing at scale across the continuum.
- 6) Multiple layers of tax, charges and fees increasing housing costs.

a) Slow and Complex Planning and Regulation, Lack of Infrastructure

Regulation of planning regimes and building regulations have historically restricted housing supply, delayed building and push up costs of the end product (no matter the housing type).

Unfortunately, the experience in practice is vastly different – The myriad of inconsistent regimes across the nation means it has been difficult to improve systems that have consistently under-performed. Importantly, they have been unable to match housing supply with demand.

Critically, to deliver housing supply, it is not enough to work out population growth for an area, determine a target housing demand and then zone land in anticipation of development.

One of the most consistent reasons for undersupply of housing land is that zoned land must also have enabling infrastructure such as water and electricity, sewerage and roads/transport before it can be developed. The real measure of housing supply is development ready land and in many instances around the country, zoned housing lots can have as little as 50% development ready land and significantly impacts housing delivery.

Given the lag time for supply of new product to market is (according to NHFIC), up to 6 years, (10-12 in some states), this exacerbates the supply demand mismatch, pushing prices still higher.

The problem of timing to market has massive implications for housing affordability across the board. In March 2018 the Reserve Bank of Australia published a research discussion paper – The Effect of Zoning on Housing Prices. The paper showed that the zoning impact of restricted supply for housing development had a major impact increasing costs between 42% – 73% for Australia’s capital cities.

Each state and territory has its own labyrinth of rules that applies to new projects – a mix of planning, environmental, tax, geotechnical and other laws and standards that need to be considered, resolved and navigated on the road to completion. Each contribute to delay, cost and undersupply problems.

Critically, many of these problems are avoidable. What is most telling about the examples below, is that massive changes to access new housing is possible with virtually no spend by Government – just better organisation and efficient processes:

- 1) In NSW:
 - a. existing and future shortfalls in land supply across 90% of NSW housing is due to hold ups in rezoning,
 - b. 80% of 2022 expected lot delivery (and two thirds of sub regional lots), had no enabling infrastructure,
 - c. priority rezonings have faced delays of up to 5.6 year,
 - d. it takes around 7-10 years from identifying land for housing to secure rezoning and trunk infrastructure, before the first home is built in a major residential subdivision.
- 2) In SA use of outdated data on land supply and population means the planning for land supply is obsolete and inaccurate.
- 3) In WA gross estimates of long term land availability fail to consider the allocation for other uses such as parks, environmental purposes, and highly-fragmented land which has resulted in an over-estimation of actual supply for new housing development by as much as 37 percent.
- 4) In Queensland:
 - a. master planned communities have been delayed and will take 12-14 years to move from acquisition to delivery and the opportunity for new ones are almost nil.

- b. The need to obtain approval for rezonings from both local and state governments slows the pace of approvals.
- c. Environmental overlays in growth corridors diminishing the yield, and capacity for contiguous sites.
- d. The absence of coordinated planning for enabling infrastructure, such as sewer, stormwater and traffic in many areas further delays delivery.

The NHHP can incentivise streamlining of planning, zoning and approvals by providing funding from the NHHP for meaningful:

- 1) Increases in development ready land in line with housing targets
- 2) Reductions in planning approval times
- 3) Improved planning and land use documentation
- 4) Faster rezonings
- 5) Increased enabling infrastructure in areas of housing demand.
- 6) Faster environmental approvals.

It is not necessary for the NHHP to “pick winners” only to incentivise a desired outcome and allow the states and territories to identify the best way to achieve it.

b) Incentives to Drive Increased Mixed-Use Housing in States and Territories.

As noted above, Australia's 1.2 million new home target over the next 5 years requires a build of 240,000 dwellings a year to hit the target which is 45,000 houses per year (or 18%) more than our highest 5-year rate of annual completions.

The HAFF and Accord aim to build around 50,000+ of these homes as affordable and social dwellings and there is a further \$2 billion earmarked for social housing and various other initiatives. Unfortunately, Government and CHP capacity to build affordable and social houses has been circa 7,350 homes per annum with the majority replacing obsolete stock until now.

As noted before, this means the lion's share of the 1.2m target relies on private housing delivery across the entire housing continuum.

We need to incentivise the entire housing provider market (CHP and private) to deliver the necessary housing as mixed use or stand-alone.

There is considerable opportunity for the Federal, State and Territory Governments to incentivise the private market to deliver even more affordable housing.

Mixed use projects with private and affordable housing can be accelerated across the majority of smaller scale developers with incentives that deliver tradable tax credits/deductions that can be applied against taxes or sold, density bonus's as additional floor space, height or reduced lot size and tax or finance relief for additional affordable housing.

Properly targeted, the majority of developers would be able to deliver increased affordable housing to Community Housing Provider's (CHP's) with deep discounts to market.

New South Wales is currently designing exactly this type of density bonus:

- 30% Floor Space Ratio (**FSR**) bonus, 1 additional level or 30% increase in heights depending on zone (details needed) and reduced car parking rates for developments that provide at least 15% affordable housing, when partnered with an eligible CHP.
- The table below shows that where the property is held in perpetuity, the development is able to either provide 6 units out of 130 for free as affordable housing, or provide 30 units as affordable housing at a deep discount - circa \$900,000 dwelling provided for circa \$392,308 (or free if government wanted to provide a further funding to give it to a CHP).

| | | | | | | | | | | |
|--------------------------------------------------|---------------|-----------------------|---------------|---------------|---------------|---------------|---------------|-----------------------|---------------|---------------|
| Site Value | \$ 200,000 | | | | | | | | | |
| Build Cost | \$ 500,000 | | | | | | | | | |
| Other Cost | \$ 50,000 | | | | | | | | | |
| Profit/ Risk | \$ 150,000 | | | | | | | | | |
| Value on Completion | \$ 900,000 | | | | | | | | | |
| Deferred Value | \$ 621,419 | discounted at | 2.5% | 15 years | | | | | | |
| | \$ 485,452 | discounted at | 2.5% | 25 years | | | | | | |
| Top-up of Holding Income (1%) | \$111,432 | 1.0% annual return | | \$ 9,000 | discounted at | 2.5% | 15 years | | | |
| (on top of net rental proceeds) | \$165,819 | 1.0% annual return | | \$ 9,000 | discounted at | 2.5% | 25 years | | | |
| Base Case Dwellings | 100 | | | | | | | | | |
| Baseline Site Value | \$ 20,000,000 | | | | | | | | | |
| | | Scenario 1 | | Scenario 2 | | Scenario 3 | | Scenario 4 | | |
| | | Fixed Term (15 years) | | Perpetuity | | Perpetuity | | Fixed Term (25 years) | | |
| Floorspace incentives (%) | | 20% | 30% | 20% | 30% | 20% | 30% | 20% | 30% | 40% |
| Market Dwellings | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Additional Dwellings | | 20 | 30 | 20 | 30 | 20 | 30 | 20 | 30 | 40 |
| Total Dwellings | | 120 | 130 | 120 | 130 | 120 | 130 | 120 | 130 | 140 |
| Affordable Housing % of Total Dwellings | | 15% | 15% | 3% | 5% | 15% | 15% | 15% | 15% | 15% |
| Affordable Housing | | 18 | 20 | 4 | 6 | 18 | 20 | 18 | 20 | 21 |
| AH as % of Additional Dwellings | | 90% | 65% | 20% | 20% | 90% | 65% | 90% | 65% | 53% |
| Remaining Market Dwellings | | 102 | 111 | 116 | 124 | 102 | 111 | 102 | 111 | 119 |
| Site Value (Market Dwellings) | \$20,400,000 | \$22,100,000 | \$ 23,200,000 | \$ 24,800,000 | \$ 20,400,000 | \$ 22,100,000 | \$ 20,400,000 | \$22,100,000 | \$23,800,000 | \$23,800,000 |
| AH Build Cost | -\$ 9,000,000 | -\$ 9,750,000 | -\$ 2,000,000 | -\$ 3,000,000 | -\$ 9,000,000 | -\$ 9,750,000 | -\$ 9,000,000 | -\$ 9,750,000 | -\$10,500,000 | -\$10,500,000 |
| AH Other Cost (GST, taxes) | -\$ 900,000 | -\$ 975,000 | -\$ 200,000 | -\$ 300,000 | \$ - | \$ - | -\$ 900,000 | -\$ 975,000 | -\$ 1,050,000 | -\$ 1,050,000 |
| Top-up Holding Income (1%) | -\$ 2,005,783 | -\$ 2,172,932 | | | | | -\$ 2,984,749 | -\$ 3,233,478 | -\$ 3,482,207 | -\$ 3,482,207 |
| Deferred Value | \$11,185,542 | \$12,117,671 | \$ - | \$ - | \$ 8,738,128 | \$ 9,466,305 | \$ 8,738,128 | \$ 9,466,305 | \$10,194,482 | \$10,194,482 |
| | \$19,679,759 | \$21,319,739 | \$ 21,000,000 | \$ 21,500,000 | \$ 11,400,000 | \$ 12,350,000 | \$ 16,253,379 | \$17,607,827 | \$18,962,275 | \$18,962,275 |
| Baseline Site Value | \$20,000,000 | \$20,000,000 | \$ 20,000,000 | \$ 20,000,000 | \$ 20,000,000 | \$ 20,000,000 | \$ 20,000,000 | \$20,000,000 | \$20,000,000 | \$20,000,000 |
| Value Uplift (shortfall) | -\$ 320,241 | \$ 1,319,739 | \$ 1,000,000 | \$ 1,500,000 | -\$ 8,600,000 | -\$ 7,650,000 | -\$ 3,746,621 | -\$ 2,392,173 | -\$ 1,037,725 | -\$ 1,037,725 |
| Feasible? | No | Yes | Yes | Yes | No | No | No | No | No | No |
| Subsidy Required (to target Baseline Site Value) | -\$ 320,241 | | | | -\$ 8,600,000 | -\$ 7,650,000 | -\$ 3,746,621 | -\$ 2,392,173 | -\$ 1,037,725 | -\$ 1,037,725 |
| (\$/ Affordable Housing Dwellings) | -\$ 17,791 | | | | -\$ 477,778 | -\$ 392,308 | -\$ 208,146 | -\$ 122,676 | -\$ 49,415 | -\$ 49,415 |

It could equally be open to incentivise the states and territories to provide private housing providers the same concessions across tax, planning, land, and funding incentives as CHP projects, given they produce an identical housing outcome (affordable or social housing). It need only be a category of the NHP for funding and left to the states to decide on what if any concessions they are prepared to provide.

c) High Tax on Property

The weight of taxation that falls on dwelling production is high – and ultimately baked into the cost of new dwellings paid by homebuyers and passed on to renters.

The entire supply chain is taxed by **all three tiers of government**; on each of the **land acquisition, project development and acquisition phases of housing**; and on both the **ownership and transfer of land and housing**.

From the moment a developer acquires a site and pays stamp duty on the transaction, costs begin to accrue. They include ongoing land tax and Council rate costs on the site through its development phase; state and local infrastructure charges (often tied to the development approval itself); foreign investment surcharges by federal and state governments; myriad open space, environmental and other levies; stamp duty (again) on the final transaction; and of course, GST on new housing is input taxed.

The precise costs incurred from taxation as a proportion of new housing varies – from state to state, even by local government area, and depending on the type of housing (i.e. greenfield vs infill), but generally sits in the range of 30% to 45% of the cost of a home.

What’s inescapable is the cumulative cost is an excessive weight that needs to be carried by homebuyers, both at the purchase phase, as well as over the life of mortgages inflated by these costs.

The NHHP can be used to incentivise states and territories to reduce the impost of taxes on delivery of new homes including meaningful:

- 1) Reductions in contributions, fees and charges.

| | | |
|-----------------------------|---------------------------------|-----------------------------------------------------|
| GST on transaction | Land tax on land holding | Stamp duty – on site acquisition, and again on sale |
| Vacant residential land tax | Council rates | Metropolitan Planning Levy |
| Planning Permit Fees | Subdivision Fees | Development Contributions |
| Drainage Contributions | New Customer Contributions | Building Permit Levies |
| Cladding Rectification Levy | Public Open Space Contributions | Affordable Housing |
| Transport Levy | Community and Recreation Levy | |

- 2) Increasing of stamp duty thresholds to bring down the impost on housing.
- 3) Reduction or offset of infrastructure fees and charges.

UDIA Recommendations – The NHHP

UDIA National encourages the Federal Government to ensure the new NHHP specifically identifies actions for the removal of housing supply barriers and stimulating further housing across the continuum as well as adopting clear, implementable incentives across those aims that impact the broad delivery of dwelling across the whole housing continuum.

1) *Framework to Incentivise Reform on the NHHP Opportunities*

The Federal Government’s capacity to drive reforms in a National Housing Strategy primarily comes via the Commonwealth’s funding and the partnerships in place with states and territories (the NHHA), which is the implementation arm of the NHHP.

There is a need to create better measures to monitor the true state of the market and the health of the development-ready pipeline over longer term 3, 5 and 10 year horizons; without KPIS and measurement, any efforts are at best hit and miss.

States and territories need to be incentivised to coordinate and resolve the underlying issues that hold back access to housing across the continuum and that place greater strain on the non-profit segment of the market. They must also ensure that the supply they unlock matches demographic need and financial capacity instead of focusing solely on gross (and theoretical) dwelling supply figures.

Undertakings by Federal, State and Territory Governments need to tie funding to actual measures that impact housing – this does not mean “success-based funding”, but it does mean tying funding to meaningful measures such as “development-ready land” rather than (say) zoned land.

The NHHP framework that dovetails into existing Government strategies would be:

| | Objective | Outcome |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | The Governments agree set housing targets (updated for changes in population and demand) as well as supply/delivery boosting activities it wants to promote. | They should relate to measures like availability of “development-ready land – provision of trunk water, sewer, power, roads and with environmental approval” and tied to project population growth, tested against actual completions, and transparently and independently tested (see below for more information). |
| 2 | A pool of financial incentives made available to states and territories that achieve these targets | Rewarding states for productivity-inducing reforms that will ultimately boost housing supply and affordability. They should be a pool for a suite of changes and one or two should be achieved to be eligible for funding. |
| 3 | States and territories that promote additional growth should be supported | Using the incentives to help fund infrastructure that is needed to support new or growing communities, and enabling infrastructure needed to unlock development. |
| 4 | Payments only made for performance against reasonable measures | States and territories are rewarded for meeting housing supply/improvement outcomes etc, such as “development ready land” not the production of a plan or promise of a strategy. |

UDIA National believe this reform would deliver more housing supply, put downward pressure on rents, boost home ownership, lift housing diversity, productivity and economic security across the economy, and reduce the long-term fiscal pressures on the Commonwealth to sustain growth in housing subsidies.

Potential framework of incentives

For the purposes of simplicity, The Supply Council is/should be tasked with designing benchmarks for housing supply targets across the housing continuum – as well as a set of reporting metrics on the fundamental elements of planning systems across the nation.

This should include:

Headline Affordable, Social and Market Housing and Homelessness Supply Targets

- The housing Supply targets into the future should be agreements on “development-ready land” supply targets, that are:
 - Matched to the medium-term population forecasts established independently by the Centre for Population and housing demand.
 - Linked to demographic data around housing typology, space requirements and economic feasibility of delivery.
 - Measured on a cyclical basis (i.e. three of five year rolling averages) to remove one-off factors that may influence an outcome or be dependent on external influences such as fluctuations in interest rates.
 - Tested against actual completions – rather than misleading targets such as approvals.
 - Based on independent data, such as the Australian Bureau of Statistics, and transparently reported on a regular basis.
- The development of an independent, concise set of metrics that measure performance and identify barriers to delivering on the targets, which assist states and territories to focus reform endeavours on elements of planning systems that stymie supply, including:
 - The completion of new housing, consistent with the targets-based the approach outlined above.
 - The pipeline of zoned and serviceable and (i.e. with enabling infrastructure such as water, sewer, roads and energy in place) that can be developed efficiently to meet the supply targets.
 - Timeframes for approval of rezoning applications and timeframes for development assessment approvals.
 - Reporting the cumulative cost of taxes, charges and levies built into new housing.

These metrics should be bundled into the production of annual tables that compare and contrast the relative progress and success (or otherwise) of states and territories.

The NHHP would need to monitor and incentivise across key metrics which would be incorporated into the overall agreement. These would be similar to ones discussed in the barriers section above including:

- Targets and incentives for providing enabling infrastructure tied to population growth and housing demand.
- Incentives supporting states and territories to reform housing taxes fees and charges.
- Incentives supporting states and territories to increase stamp duty thresholds to bring down the impost on housing.
- Incentives supporting states and territories to reduce or offset of infrastructure fees and charges.

- Targets and incentives supporting states and territories to achieve streamlined planning and approval times including faster rezonings.
- Targets and incentives supporting states and territories to increase enabling infrastructure.
- Incentives for provision of first home loan deposit schemes and/or deposit reduction schemes like Keystart in WA.
- Incentives to use a portion of existing rates or broad taxes to reinvest in social infrastructure (affordable, social, crisis, disability housing, indigenous housing, homelessness) providing those funds are equally tied to support services needed by social infrastructure to ensure they are effective.
- Incentivise to stop governments from using inclusionary zoning to boost social infrastructure without commensurate compensation – otherwise it forces further costs onto buyers and renters via cross-subsidy and worsening affordability.
- Targets and incentivises matched investment in social infrastructure by all Australian Governments as an ongoing funding stream through redirected receipts from their tax base.
- Incentives supporting local, states and territories to stop ad hoc local government policies seeking agreement to allocate affordable and social housing as a condition of obtaining planning permission – there needs to be harmonised, formal state-led affordable funding and delivery mechanisms.
- Incentivises provision of actual, affordable build to rent as an additional diverse housing option along-side traditional rental.
- Target and Incentivise capability building programs for social infrastructure including tax incentives and density bonuses for higher proportions of affordable housing in mixed use housing; and
- Target and incentivise streamlining of the Environmental Protection and Biodiversity Act approval times.

The list gives you an idea of the length and breadth of what the NHHP could encompass.

UDIA Recommendation 1: Adopt an NHHP vision that implements and incentivises whole-of-market initiatives to support a healthy housing sector across the continuum – the NHHP needs to tackle issues across the whole market and not limit the remit to specific issues/parts of the market.

UDIA Recommendation 2: The NHHP’s objectives include clear and consistent definitions for affordable, social and crisis housing as well as safety and sustainability across all jurisdictions.

UDIA Recommendation 3: The NHHP should maintain, refine and performance manage housing targets - support development of ongoing land/housing supply targets across the continuum adjusted for population and demand growth, reliable national data and metrics that create meaningful solutions for key problems.

UDIA Recommendation 4: The NHHP should have a core aim of collaboration with the Supply Council on a robust research agenda to improve the quality of data on housing market dynamics, reduce red and green tape, account for the tax burden on housing and improving housing diversity.

UDIA Recommendation 5: Provide a strategy and incentives to overcome housing delivery barriers – including, increasing development ready land, increased enabling infrastructure, better strategic planning/land use, material reductions in approvals for planning, environment and regulations.

UDIA Recommendation 6: Develop a suite of incentives to deliver more housing across the continuum – including incentivising states and territories to provide tax relief and/or density bonus's to increase mixed tenure affordable housing as well as more home ownership grants.

UDIA Recommendation 7: Strip away taxes holding back affordability – including measures for all governments to facilitate a broad-based reform and Federal Government incentivising/supporting states and territories to reduce stamp duty thresholds.

2) *Coordinated, Sustained, Affordable Housing At-Scale*

UDIA National considers affordable housing to be critical social infrastructure that has direct economic outcomes for Australia's productivity, liveability, and international competitiveness.

Affordable housing is most impacted by changes in supply and demand of at-market housing and the affordability pressures that result, because it depends in large measure on the market while obtaining some concessional treatment from Governments.

UDIA National seeks to ensure policy and planning decisions prioritise housing affordability by providing investment certainty, facilitating a robust housing supply, and ensuring that State and Local Government policy considers affordability impacts.

Commonwealth, State and Territory Governments are putting in place new measures to provide a coordinated system for delivering affordable housing. These measures are a start but given the numbers previously analysed, we are yet to get sufficient programs in place to move the dial on housing supply that is a sustainable strategy nor at significant scale. This is made harder by the high shortfalls compounded by historical under-investment in social and affordable housing stock.

There is still a need for new models and new collaboration frameworks including harnessing private and CHP capability, to ensure increased supply of affordable housing in all States and Territories.

Specifically, the following principles can be incorporated as incentivised outcomes in the NHHP that will improve the framework:

- **Affordable housing should be viewed as social infrastructure** that is a broader community issue and requires broad based funding.
- The current housing affordability crisis cannot be solved through state planning systems alone, or by having various arrangements in place at the Local Government level. The solution requires a **whole-of-government approach** underpinned by significant capital investment from State and Territory Governments which will ultimately result in cost savings to the broader community and the government (for example, through the justice and health spends). This could incorporate:
 - Using a portion of existing rates or broad taxes to reinvest in social infrastructure (affordable, social, crisis, disability housing, indigenous housing, homelessness) providing those funds are equally tied to support services needed by social infrastructure to ensure they are effective.
 - All Australian Governments match investment in social infrastructure as an ongoing funding stream through redirected receipts from their tax base; and
 - Harmonising State and local government funding and delivery mechanisms to prevent ad hoc local government policies seeking agreement to allocate affordable and social housing as a condition of obtaining planning permission.
- **Inclusionary zoning is counterproductive and results in cross subsidies/affordability issues if it is not confirmed before land purchase** unless there are appropriate subsidies and incentives to ameliorate the costs. Otherwise, it will simply exacerbate housing affordability issues, making private market housing more unaffordable and pushing more people into social and affordable housing.

- Any requirements introduced that impact development costs **must be phased in gradually**, from a low base, in order to allow the market to adjust. Market cycles take three to five years, and most development approvals are completed within a similar time frame. A faster introduction will detrimentally impact development feasibility and thus is likely to negatively impact housing supply during that period. Concurrently, **capacity building programs** must be provided to all levels of government, residential development and community housing industries, financiers, and the community.
- **Affordable housing delivery on Federal, State and Local Government land must be maximised:**
 - A proportion of profits from the disposal of surplus government land should be dedicated directly towards affordable housing outcomes and should not flow to consolidated State and Local Government revenue.
 - Provide long-term, low-cost leases on surplus government land for Build-to-Rent (**BTR**) product for use as affordable rental housing. Currently the Build-to-Rent product is skewed towards the very high rental market because the land costs and holding costs are high, but the UDIA believes affordable housing BTR projects could be encouraged with the right planning and incentives.
- Further to the point above, **government must ensure BTR becomes commercially viable as a private market affordable rental product that is within reach affordable housing tenants**. We consider BTR has the potential to be a key affordable housing option as Australia goes through the journey of housing affordability to housing attainability.
- **Critical to accelerating affordable and social housing in mixed use and BTR projects is common nationwide definitions on affordable housing, social housing and crisis housing** – All States and Territories and Federal legislation adopt differing definitions for these types of housing. This will increasingly impede at-scale deployment of mixed use and BTR housing nationwide (rather like having states with different gauge railways) – The NHP should make a priority to harmonise the definitions. While some may prefer to leave them without a nationwide definition, there are currently so many definitions in the market that clarity is needed.
- In line with the Governments 1.2 million housing hard target and the HAFI, future numerical targets should be set for both general housing and affordable housing supply. **Affordable housing targets** must be informed by the quantum of affordable housing required and the preferred location for the housing. These targets should then drive the development and assessment of Local Government housing policy and focus and prioritise both State and Local Government policy efforts and investment for the delivery of affordable housing across a spectrum of initiatives.
- Incentivise **Local Government to plan for new housing** by aligning infrastructure investment to housing growth targets.
- There must be **flexibility to consider and accommodate private sector models** for the delivery of affordable housing beyond registered housing associations or providers. Privately owned affordable housing can be maintained as affordable housing by CHPs in partnership. The critical issue is ensuring the affordable housing outcomes are the same between CHP and private housing providers, so the same incentives can be provided. The NHP need only aim at increasing incentives to boost affordable housing across CHP and private housing providers – it is up to the Governments whether they take up any of the following:

- Federal Government to provide private developers that sell affordable housing, the same GST free concession, land grants, discounted NHFIC Bond Aggregator loans and funding incentives as CHP projects.
- State and Territory Governments to provide private developers selling affordable housing the same concessions across tax, planning, land, and funding incentives as CHP projects given they produce an identical housing outcome.
- The Draft Strategy must seek to **build the capacity of key stakeholders**. This capacity building includes the development of a toolkit for the market, and the scaled growth of community housing providers to be able to trade effectively in larger scale public-private partnerships and to gain access to broader ESG funding markets. Important lessons can be learnt from international models at scale, which demonstrate a significant proportion of shared equity participation, BTR models, tax increment financing models, and other such options in comprehensive toolkits.

UDIA Recommendation 8: - Prioritise greater Affordable Housing delivery – incentivise more affordable housing including securing ongoing funding from existing Federal, State and Territory tax bases.

3) *Leveraging Commonwealth Investment in Infrastructure*

The Commonwealth Government’s ongoing and expanding infrastructure spending is essential for economic prosperity, the liveability of our cities and unlocking potential housing supply.

Infrastructure Australia has made it consistently clear in its suite of reports and audits that the densification of our cities will continue to accelerate, and there is a need to invest in both large and small-scale infrastructure that better connects communities and improves urban amenity.

While the Commonwealth is well underway in undertaking the audit of infrastructure and tying better infrastructure outcomes to funding, the NHHP has a role in accelerating a better mix of housing outcomes when it invests heavily in large projects like urban rail that lends itself to urban renewal and city-shaping growth, including:

- Identifying and securing long-term growth corridors for housing and related infrastructure to ensure they are aligned to population forecasts and strategic plans.
- Auditing all current infrastructure projects (as well as proposals from states and territories) to interrogate whether land use opportunities are being maximised.
- Synchronising investments with the objectives of the long-term strategic land use and infrastructure plans in place for each of our major capital cities.
- Ensuring integrated approval regimes are applied to infrastructure to also accommodate housing (and other uses) which are attached to them.
- Linking infrastructure funding to local regions prepared to accept their fair share of population growth and synchronised with increases in housing supply.
- Greater focus on local-scale infrastructure which can generate significant improvements based on a relatively small spend and in turn kickstart new housing.
- Charting and removing the barriers to the delivery of roadblocks to the delivery of more diversified housing stock, particularly support for Build-to-Rent as a viable asset class and encouraging mixed tenure affordable housing; and
- Planning for an ageing population by ensuring the diversity and facilitation of housing choices for seniors is accommodated.
- Continued use of City Deals to build liveable communities, stimulate growth and kickstart productivity.

UDIA Recommendation 9: – Better Infrastructure - incentivise development of better strategic planning, land use, integrated approvals and housing supply outcomes.

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