



It's time to say yes to housing

October 2024

BCA

Business Council of Australia

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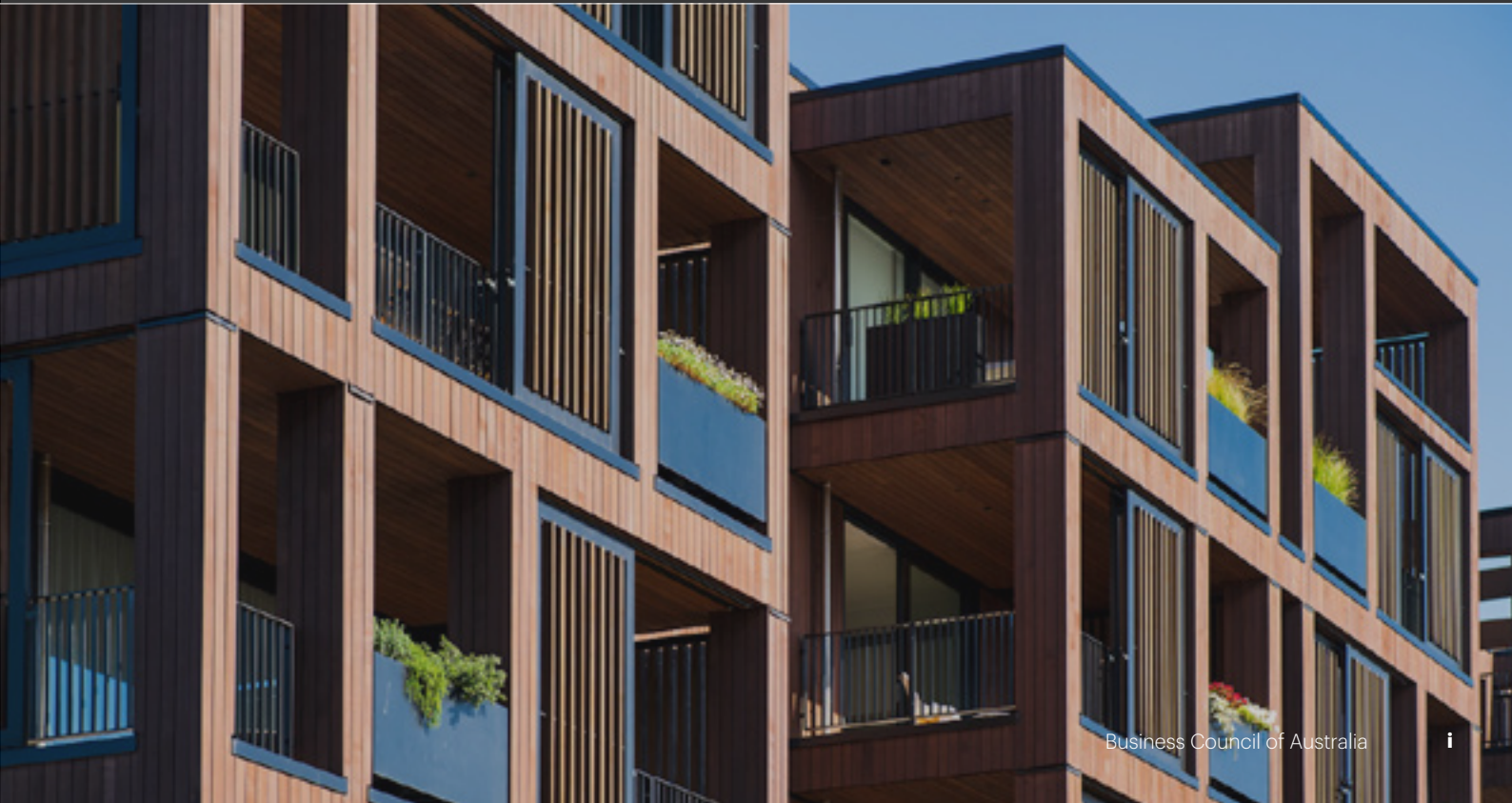
Foreword

In May 2023, the Business Council of Australia released 'Housing Australia's Talent', a policy paper that looked at the issue of housing supply and affordability across the nation. As we said then, business has a deep interest in ensuring the availability of well-located, well-serviced homes for employees. Without reasonably priced and suitable housing, we:

- **Limit our economic growth**
- **Curtail labour mobility**
- **Risk our future prosperity**

While there has been a renewed supply focus, and some action from both state and federal governments, housing remains an acute challenge across Australia.

That's why, in 2024, business is asking governments and communities to say yes to housing.



Housing stats

While **productivity** across market sector industries increased by around **11%** over 10 years...

...**construction industry productivity** has fallen by **12%**¹

Sydney is the **2nd most expensive city globally.** Melbourne 7th. Adelaide 9th. Brisbane 15th.²

Housing completions and approvals remain at near decade lows³

Number of **people per home** has fallen from **2.8 to 2.5** from mid-1980s till today...

House prices have moved from **4.9x median gross disposable income** in 2002 to **8.6x** in 2024⁵

Construction time for a new house has increased **45%** in the last **9 years**⁶

...that's equivalent to **1.2M** more dwellings to house the **same population**⁴

ACT and Victoria approving the most new homes per capita. NSW, Tasmania, and NT approving the least⁷

¹ Australian Bureau of Statistics.

² Demographia, International Housing Affordability, 2024.

³ Australian Bureau of Statistics.

⁴ Sarah Hunter - Assistant Governor (Economic), Reserve Bank of Australia, Housing Market Cycles and Fundamentals, May 2024.

⁵ The Treasury, Statement 4: Meeting Australia's Housing Challenge, Budget Paper 1, 2024-25 Budget.

⁶ Australian Bureau of Statistics.

⁷ Australian Bureau of Statistics.

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Australia needs to build 1.2 million homes over the next five years to address the national housing supply crisis.

Last financial year Australia completed around 176,000 new homes, some 64,000 short of where we need to be if we are going to meet the five year target going forward.

The solutions to this are:

- Upzoning of land and fixing zoning systems.
- Efficient project approval processes.
- Infrastructure that supports housing supply.
- Fixing taxes that impact on supply and mobility.
- Addressing labour and materials shortages.
- Tackling criminal behaviour on building sites, and building our skills base.

01

Executive summary



01

Executive summary



The BCA is calling on the community and governments to say yes to housing and tackle the national housing supply crisis. We have engaged with our members in developing the recommendations in this paper, that we believe are necessary to build the homes Australia needs.

Policy changes since 2023

Since the BCA's last housing paper, there have been significant announcements from Australian governments on the issue of housing supply. These policy changes in the largest jurisdictions include:

State

New South Wales

- Transport Oriented Development reform
- Low- and mid-rise development zoning
- New 5-year housing targets

Victoria

- 'Good Decisions, Made Faster' reforms
- New Plan for Victoria
- Reform of the State's planning legislation

Queensland

- New streamlined assessments
- Infrastructure funding to support infill development
- 2031 and 2046 housing targets

Western Australia

- Major legislative reform
- Duty concessions for new builds

South Australia

- Accepted development reforms

Tasmania

- Independent decision-making reform

ACT

- New Territory Plan and Planning Act

Federal

National Housing Accord

Enabling infrastructure investment

Proposed tax changes to support build-to-rent

These reforms are just the start of what's needed to address the nation's housing shortage.

Current situation

Australian cities remain some of the most expensive in the world for housing. Feeding the current situation, housing completions remain at near decade lows, as are dwelling approvals.

The cost of materials has grown significantly in the last few years and has only recently slowed. In a tight labour market, wages in construction are also growing strongly. Meanwhile, there has been a marked increase in construction timeframes for new homes. On average across the country, compared to nine years ago, it takes almost three extra months to build a new house, and more than six and a half extra months to build new apartments. Labour productivity in the construction sector has been stagnant over recent decades, significantly underperforming the broader market economy.

Australia's housing supply needs are driven by multiple factors. Population growth, changing demographics, consumer preferences and social trends, different ways of working, and people's income levels all influence supply requirements.

- While there have been significant swings in net overseas migration due to the COVID border shutdown and subsequent spike in the return of migrants, the average over that full period is still commensurate with historical migration levels. The Government also forecasts net overseas migration is returning to historical, pre-COVID levels.

- International student numbers in 2023 are up by less than four per cent compared to 2019. What's more, international students typically live in shared houses or apartments, or in student specific accommodation, taking up less general housing than their numbers imply.

- The average number of people per house has been falling – meaning that more homes are needed to house the same number of people. This drives housing demand, even if the population was held at a constant.

- Unused, vacant properties are also often cited as an area of untapped housing potential. The Australian Bureau of Statistics (ABS) has estimated that there are between 107,000 and 136,000 inactive dwellings across the country, or 1.3 per cent of the nation's housing stock.



What experts say



As part of this year's Federal Budget, the Treasury has put out a statement on Australia's housing challenge. The Treasury highlights that Australia's housing system is too slow in responding to housing demand. It identifies planning and zoning, speed of land releases, lack of infrastructure, the shortage of skilled labour, and falling construction sector productivity as issues impacting housing supply.

The NSW Productivity Commission has undertaken a large body of work on housing supply in NSW:

- They directly link rising rents to a lack of supply. They explain the concept of 'filtering' – that while a new 'luxury' property may be occupied by a high-income family, that puts a lower cost property back into the market, and so on in a chain effect.
- The Commission finds that planning restrictions limit density. They advocate for density and infill development. The Commission estimates that in Sydney, infrastructure to support infill housing costs \$39,000 less per property than for greenfield development.
- The Commission addresses the issue of opposition to new housing, that planning system consultation processes amplify local opponents at the expense of broad community beneficiaries.
- Its most recent report addresses the cost of delivery, which is outpacing the potential sale price for mid-rise apartments. It recommends upzoning, improving approvals processes, fixing development contributions, and addressing labour force challenges.

What needs to be done: It's time to say yes to housing

Regulatory and policy settings must be squarely aimed at delivering more places for people to live. Some of the key areas that need to be addressed include:

- Zoning of land to legally allow for more homes, and flexibility and consistency in zoning to allow the private sector to deliver to market needs.
- Fast and efficient permitting and approval processes to allow individual developments to proceed.
- Making sure the infrastructure to support new housing supply is properly funded and being delivered.
- Ensuring that taxes and charges do not adversely impact feasibility or detract from capital availability for new supply. This means reforming development contributions, replacing stamp duty with land tax, ensuring build-to-rent has an equal playing field, and exempting new housing supply from foreign investor surcharges.
- Addressing material and labour supply challenges.
- Tackling criminal behaviour on building sites, while training more workers in the skills needed to support the construction of the nation's housing needs.

A total of 29 recommendations are detailed in this report, addressing these priorities and other areas of reform.

Conclusion

Governments have begun the work needed. But as this paper makes clear, there is so much more to do. The BCA backs the Federal Government's ambition to deliver **1.2 million new homes over five years.**

But the regulations that govern housing supply need to be fixed, and the policy foundations that overburden the industry must be addressed if Australia is ever going to reach that milestone.



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02

Recommendations



Recommendations

National reform

01

State and territory governments should share their reform experiences, with the aim of cross-pollination of ideas, establishing a 'planning reform departmental working group'.

States and territories

Zoning

02

State and territory governments should undertake a program of rezonings across major cities and towns and focus on allowing medium and high-density development in the vicinity of infrastructure and services.

States and territories

03

States and territories should have efficient proponent-led rezoning processes that are determined at a state agency level.

States and territories

04

States and territories should have consolidated zoning types that are broad and consistent across entire states. This provides clarity for proponents while allowing flexibility by not being overly specific and constraining.

States and territories

Fixing assessment processes

05

The Federal Government should establish a National Reform Fund, with reform payments to states and territories for efforts to make planning systems faster and more efficient, reducing the overall planning bottleneck.

Federal

06

Decision processes for all developments of any strategic value (based on capital value or other significant attributes) should have the option to be elevated from council assessment and decision-making to state government assessment and decision-making. This should be broadened so that as many new strategic scale housing and supporting projects are captured as possible.

States and territories

Fixing assessment processes (continued)

07

States and territories should establish a single point of contact for referrals across government agencies, with enforceable service-level agreements.

States and territories

08

State and territory governments should establish metrics across all aspects of planning decision-making (from pre-lodgement to post-approvals) and monitor their councils' performance. Underperforming councils should have planning decisions removed from their set of responsibilities. High performing councils should be rewarded with incentive payments.

States and territories

09

State and territory governments should ensure that planning systems have mechanisms for proponents to force a decision to be made if statutory timeframes have been exceeded.

States and territories

10

Community consultation processes should be refocused on evidence-based impacts on the existing community. Consideration of community feedback must weigh any comments in the context of the benefits of a project. It should acknowledge that comments represent a portion of the community, which is not always representative and often does not reflect views of future residents of the proposed new homes.

States and territories

11

Reform of the EPBC Act to improve efficiency and certainty, in line with the broad recommendations of the Samuel Review, needs to be progressed.

Federal

Getting taxes and charges right

12

States and territories should reduce the cost burden of developer contributions for two years and provide additional funds to support infrastructure provision directly during this timeframe. This time should be used to reform contribution systems completely, to fix issues around cost, nexus to housing, transparency, uncertainty, and delay in infrastructure delivery. The Federal Government should support this with funding, contingent on reform commitments.

Federal

States and territories

Getting taxes and charges right (continued)

13

Remove restrictions on access to the concessional managed investment trust withholding tax rate for build-to-rent projects that receive distributions from other trusts and extend access to existing projects.

Federal

14

States should reevaluate their foreign investor surcharges to exempt investment in new supply.

States and territories

15

States and territories should move to phase out stamp duty and replace it with a broad-based land tax. The Federal Government should amend policy settings to reward jurisdictions that do this, such as by ensuring they are not penalised by GST distribution and providing incentive payments that assist with the financial impact on state and territory budgets from the transition (which may be phased over a number of years).

Federal

States and territories

16

Rather than hard-to-police and complex vacancy taxes, to achieve the desired economic effect of encouraging best use of a property, governments should focus on removing stamp duty and replacing it with broad-based land tax.

States and territories

Infrastructure delivery

17

Governments should continue to invest in infrastructure that supports new housing supply. The Federal Government should increase its investment beyond the \$1.5 billion it has dedicated in this area. This includes both targeted local infrastructure programs necessary to unlock housing in specific areas, as well as transformative projects that support housing uplift across entire regions. Government infrastructure delivery will need to be managed in a way that does not overly strain construction market capacity required to also build new homes.

Federal

States and territories

Confidence in quality

- 18** State and territory governments should work together to deploy a national rating system for developers and builders (preferably expanding the system already in NSW). They should prioritise actions to restore quality and confidence in new builds and apartments, including fostering an environment that will allow the broader return of building warranty insurance for high-rise developments.

States and territories

Tackling poor behaviour on building sites

- 19** The Federal Government must hold an urgent judicial inquiry into the criminal behaviour that pervades elements of the building industry.

Federal

- 20** The Federal Government must re-establish a specialist building industry workplace conduct regulator, with powers and penalties sufficient to deal with corrupt and criminal behaviour.

Federal

Getting the skills we need to build the homes we need

- 21** Develop an employer-centric apprenticeship incentive scheme to boost apprentice numbers in the construction trades, and improve the quality of construction workplaces.

Federal

- 22** Improve efforts to harmonise and standardise trade licencing and accreditation across Australia to the highest standard to increase mobility of the construction workforce. Apply funding and compliance consistency between states and territories to remove operational red-tape and assist workforce planning. This includes apprenticeship regulations, licencing fees and legislation, and compliance and supervisor requirements for trades, as they vary in each state and territory.

Federal

States and territories

- 23** Incentivise international workers with construction skills to migrate to Australia, including with a fast-track to permanency. This should include an expedited system for mutual recognition between comparable countries of occupational licensing and trade qualifications in construction occupations.

Federal

Securing the materials we need for building homes

24

States and territories should develop construction materials plans aimed at ensuring long-term supply needs for industry are able to be met, and jurisdictions facing shortages should establish an approvals coordinating authority.

States and territories

Supporting innovation

25

Governments must prioritise processes which enable and supercharge innovation in housing supply. This includes build-to-rent, modular/prefabricated housing, and land lease communities.

States and territories

Reforming heritage laws

26

The Federal Government should develop a set of best practice heritage laws for consistent application across the country by state and territory government. These must restore the balance between building our cities and protecting unique and important heritage.

Federal

States and territories

Fixing precinct development

27

State and territory governments should review their precinct development processes to establish a single coordinating function within government, and minimise time between identification of a precinct and its delivery.

States and territories

Utilities supporting new housing

28

Governments should work with their utility providers to ensure they have appropriate, clear, and transparent processes in place to support the delivery of housing. Governments should provide funding for utility projects that facilitate new housing supply. Further, utility regulatory and governing bodies should consider a list of reforms to utility connection asset provision such as requiring utilities to:

- Streamline and allow, where possible, digitised standard residential connection processes.
- Establish online portals to enable the free flow of information to and from utilities.
- Develop and publish clear, transparent, and consistent guidance on when contributions are required to be made to utilities for new infrastructure.
- In cases where entities are required to contribute, develop a servicing market to enable choice of provider with the aim of improving timeliness and lowering costs.
- Make information available on their websites such as available capacity, emerging constraints, and augmentation plans.

States and territories

Regional housing supply

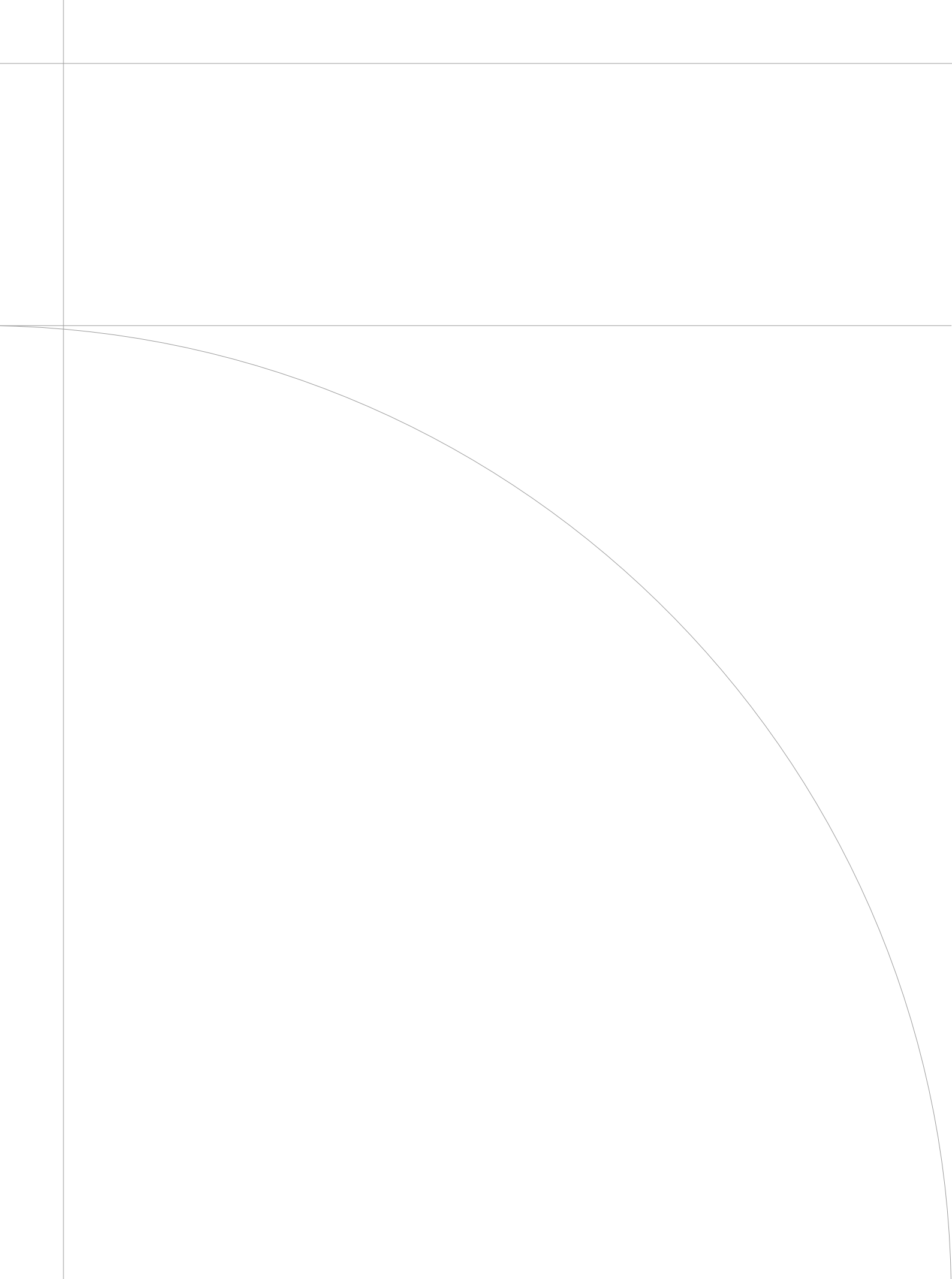
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Governments should consider the centrality of housing in helping regions reach their potential when setting housing targets for regional Australia. All levels of government need to work together to deliver the infrastructure needed for successful growth and development of regional towns and cities.

Federal

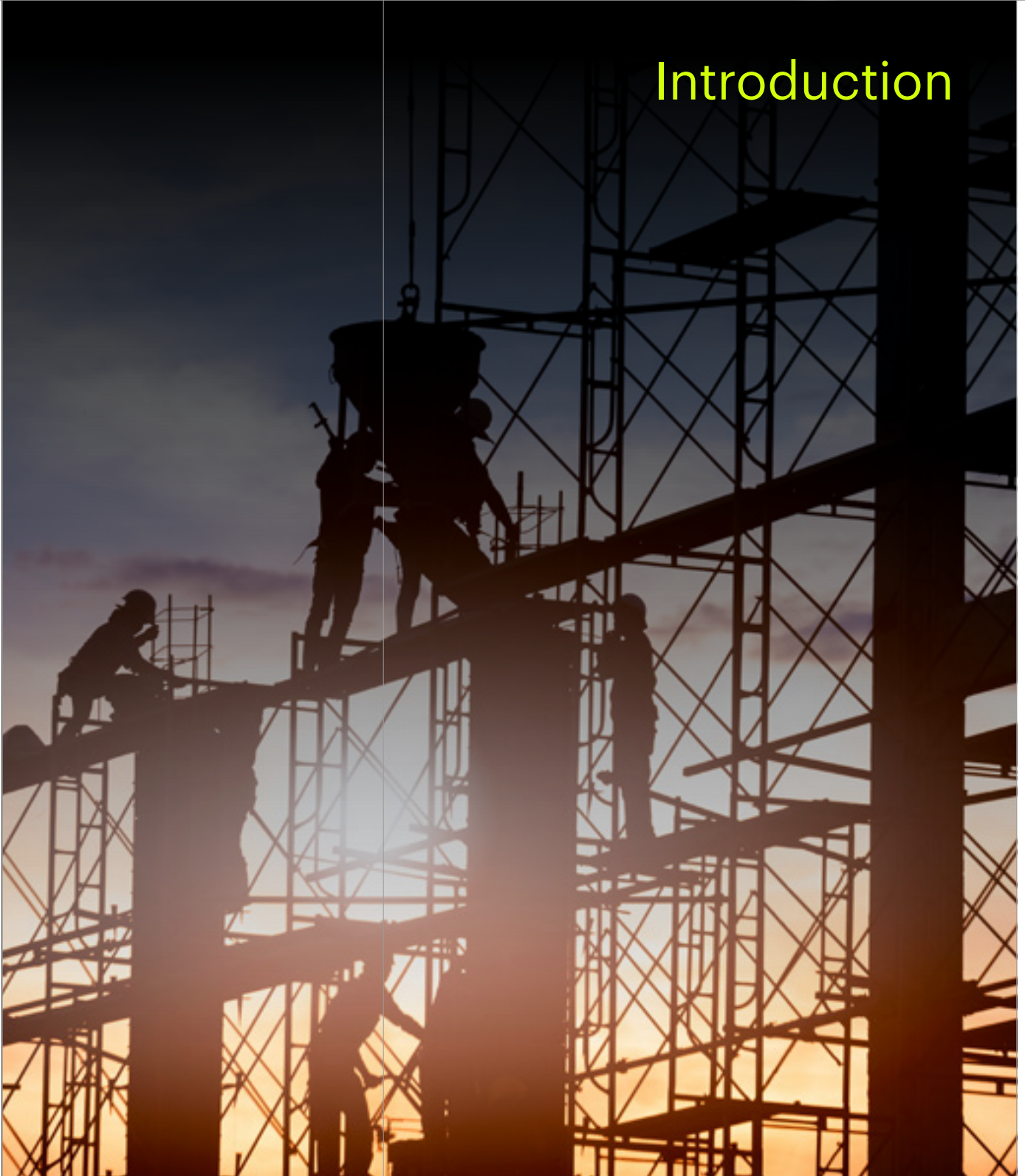
States and territories

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03

Introduction



03

Introduction

In May 2023 the BCA released the first edition of Housing Australia's Talent. That paper advocated strongly for the need to improve housing supply across the nation. It was one part of a chorus of work from industry and government that underscored the need for housing supply to help make rents and house prices more affordable.

The business community relies on employees having well-serviced and well-located housing, and customers who can afford to spend on goods and services as part of the broader economy.

We have previously underscored the importance of the well managed growth of Australia, of migration that adds to skills and to the economic strength of the nation. Our previous research has shown that there is broad consensus in the community that well managed migration is good for Australia⁸. However, in the political debate over recent times, a lack of new housing supply is being used to undermine this consensus.

8 Business Council of Australia, *Seize the Moment*, 2023.



Housing supply is not simply about supporting the nation's growth. It is about providing existing residents with choice. Choice to live where they want to live, to move close to a new job, or to stay in a community where they grew up. Choice to move out of a shared dwelling, to have room to set up a place to work from home, or to have room and security to start a family. Without sufficient housing supply, these choices are denied to people who are forced out of the places they want to live. Without this choice, without more housing, Australia faces a major intergenerational challenge, where homeownership becomes the province of the older established homeowners and unattainable for younger people.

The BCA strongly supports the position put forward by Prime Minister Albanese, after National Cabinet in August 2023, that "the best way to ensure that more Australians have a safe and affordable place to call home is to boost housing supply."⁹

Our 2023 report made recommendations that went directly to the crux of this. These included:

- Establishing long-term dwelling targets tied to forecast population growth, with state and territory targets linked to financial incentives and penalties.
- Speeding up the time it takes to rezone land and approvals for new housing projects.
- Rejuvenating areas close to transport connections.
- Adopting more innovation around housing products, such as build-to-rent.
- Better aligning the planning of new housing stock and the planning of infrastructure.

None of these recommendations are earth-shattering or novel, but they are in our view essential to delivering the outcome sought. The BCA has been one of many groups advocating for these types of reforms, and many of the reforms have been part of longstanding calls from industry for action.

Over the last 12 to 18 months, governments have begun implementing reforms to boost housing supply. The BCA's policy recommendations, both in our 2023 report and in our subsequent state and territory comparison 'Regulation Rumble', have seen wins achieved, but the fruits of this



work are likely to take time to manifest. There have also been sections of the community with their own vested interests who oppose change and are working to stymie reform. All the while, housing gets more expensive, flowing into the broader cost of living for the average Australian.

That is why this year, we are calling on the community and governments to say yes to housing.

Governments and their agencies must have a pro-housing mindset, a predisposition to saying yes to new homes, and to the infrastructure and urban improvement needed to sustain them.

This paper will reexamine the key elements of the current housing market. It will explore the major policy shifts that have occurred to help drive supply in the Australian housing market since last year. And it will advocate for further reforms and changes to help this process. Together with the BCA's 'Regulation Rumble' comparison of state and territory planning systems, our intent is to drive positive change in the housing market, so more people can find an affordable, quality, well-located place to call home.

⁹ The Hon Anthony Albanese MP, Prime Minister, Press Conference - National Cabinet - Brisbane, 16 August 2023.

Social and affordable housing by government and community housing providers has an important role to play in the housing supply discussion. Several BCA members are involved in supporting the social, affordable and community housing sector. This paper is specifically focused on the market supply of housing, which is why those important areas of the housing system are not directly addressed. As last year's Housing Australia's Talent paper noted, housing supply policy must be targeted across the spectrum to ensure there is sufficient housing across all income levels.

In developing this paper, the BCA has engaged with our members who have experience in housing delivery, with housing finance, and in related delivery fields. We have designed the recommendations based on their feedback and insights, along with input from our internal policy and economics teams.

While there has been a strong start from governments in response to the National Housing Accord, as this paper will outline, there is much more that needs to be done. The states need to move forward with zoning that allows for

housing to be built. Both state and federal project assessment processes need to be reformed with an eye on speed and efficiency. Taxes need to be properly targeted, to reduce their impact on the cost of new supply, to remove barriers to downsizing, and to get more capital in to build new homes. The public need access to better information on quality builds. The sector's labour challenges need to be addressed, building our skilled workforce and tackling poor behaviour on building sites. And funding needs to be boosted for the infrastructure required to support housing supply.

The BCA believes that all of this and more is needed to definitively say Australia is saying yes to housing, and to actually get the homes the nation needs delivered.

What goes into building a new home

There is a broad range of elements that need to be in place to deliver on a new home. Ultimately, a home builder is seeking a risk-adjusted return on their investment. They are investing resources and taking the risk that they will be able to get approval, build, and sell the new home with a reasonable return.

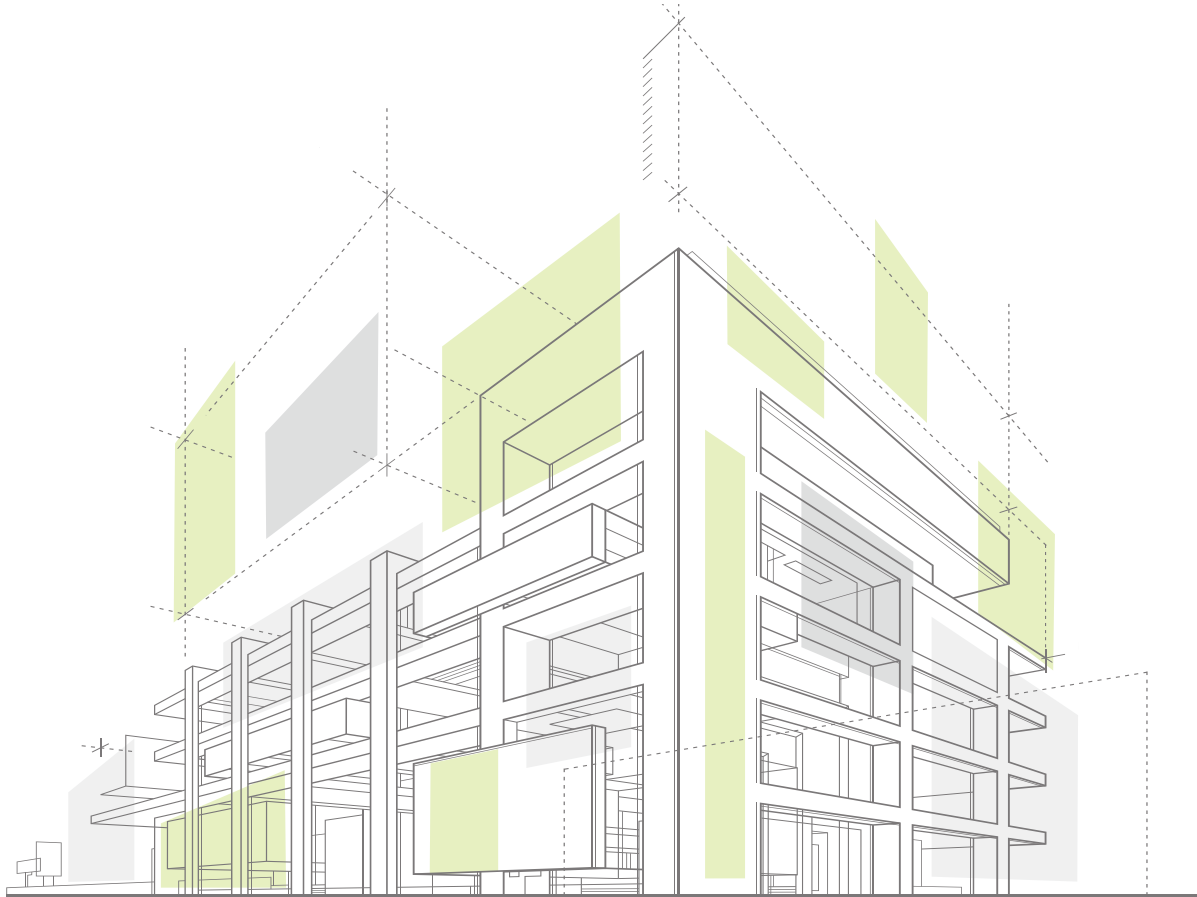
If all the elements do not align, then a new home will simply not be built.

Many of those elements – from zoning and development approvals and certificates (which impacts permissibility, time, risk and cost), to utilities and infrastructure, and a broad variety of taxes and government costs – are outside of a home builder's control, and in the hands of the various levels of government.

Others are also indirectly influenced by government, like labour availability (through training, migration, and scale of public infrastructure programs that also compete for labour), workplace relations, contract regulations, design and engineering requirements, finance/funding availability (including foreign investment), and legal requirements.



Figure 1: What goes into delivering a new home



Land

- Site selection
- Land duties/taxes
- Land cost
- Zoning
- Utilities & infrastructure

Building

- Development approval
- Design & engineering
- Developer contribution taxes
- Post-approval certificates
- Materials
- Equipment
- Labour & trades

Support services

- Finance/funding
- Project management
- Other taxes (GST, payroll)
- Legal services
- Marketing

Regulation Rumble 2023: planning system comparison

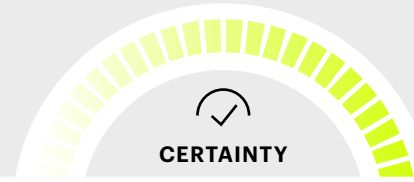
In September 2023 the BCA released the first edition of 'Regulation Rumble', a comparison of state and territory planning, regulation, and tax systems. The intention of 'Regulation Rumble' is to help catalyse reform through competitive federalism.

Regulation Rumble assessed planning systems based on their efficiency, consistency, certainty, and transparency. Essentially, scoring well in each of these metrics indicated a well-functioning planning system.



Efficiency

- Fast assessments for standard development applications
- Fast assessments for major development applications



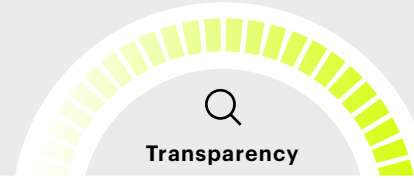
CERTAINTY

- Short timeframes for deemed decisions
- Minimises additional requests that extend decision times
- Delegated approvals
- Clear development contribution requirements



Consistency

- Standardised local planning instruments
- Standardised zones and development categories
- Minimises layers of paperwork
- Proponent-led rezoning provisions



Transparency

- Centralised application portals
- Open data on performance

The outcomes from the comparison were that the South Australian planning system ranked first in the nation. Conversely, the NSW planning system ranked last.

South Australia ranked well in terms of speed and efficiency of assessment. It has a single approach across the State, high levels of transparency, and limited 'stop the clock' provisions. It does not, however, rank first in every metric, meaning there remains room for improvement going forward.

On the other hand, while NSW ranks highly in transparency, it was the equal last performer in terms of time required to make a decision. The 2023 report showed NSW provides low levels of certainty given excessive 'stop the clock' provisions and delivers poor consistency across the state with local councils having significantly individualised approaches to controls and documents.

1st	South Australia
2nd	Tasmania
3rd	Western Australia
4th	Northern Territory
5th	Australian Capital Territory
6th	Queensland
7th	Victoria
8th	New South Wales

The BCA will be updating 'Regulation Rumble' in late 2024, given the extensive changes in the policy space through the year. While NSW came last in 2023, our members report a significant shift in the sentiment and focus of the NSW Government to deliver new housing supply.

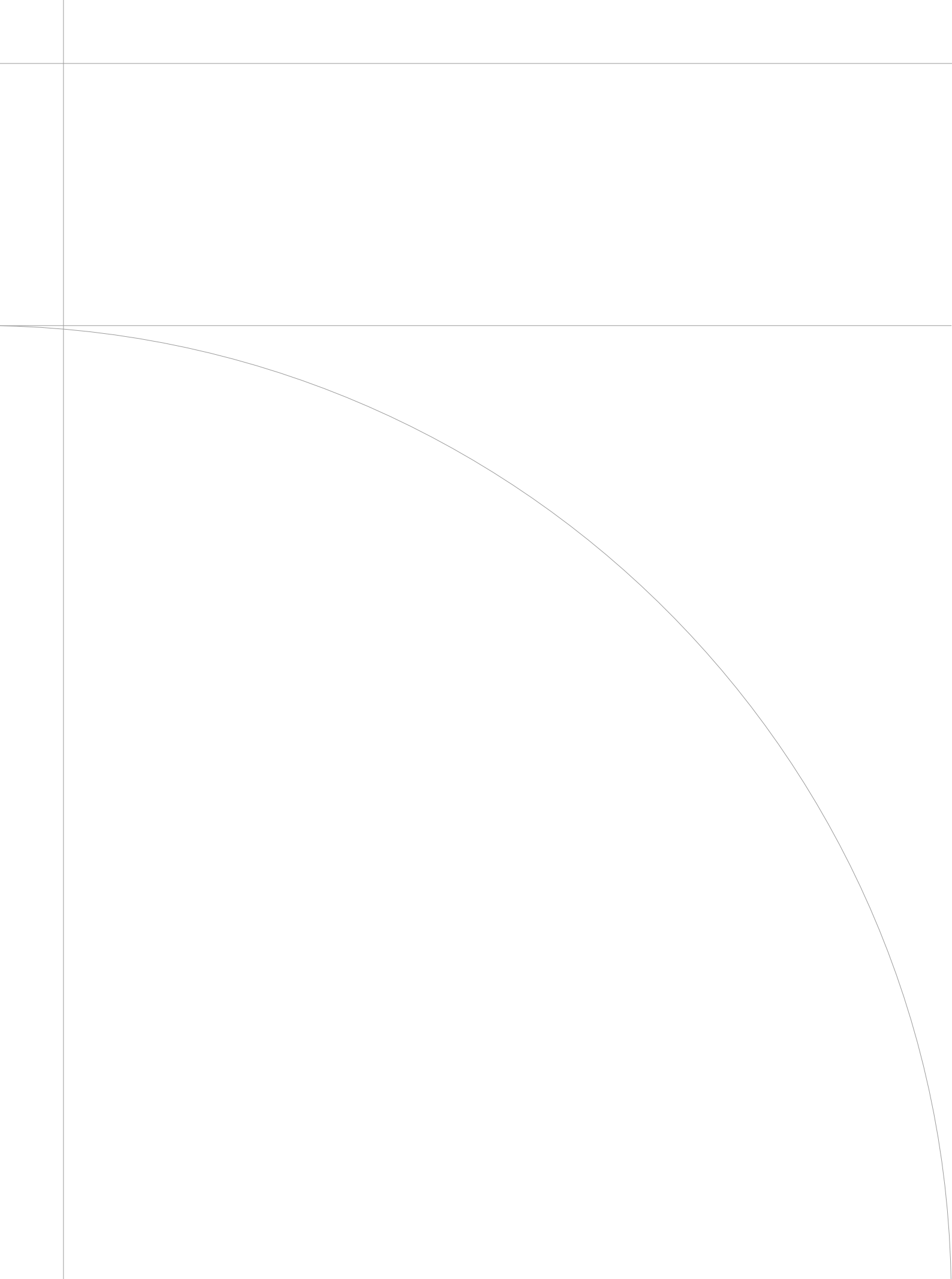
Planning system fixes

'Regulation Rumble' drew on the best elements of planning systems across the country and put forward a series of suggested improvements for governments to consider:

- Simplify multiple planning instruments into one common state-wide instrument. This will enable proponents to better navigate planning requirements, create familiarity, and reduce delays in development approvals.
- Adopt a 'mandated decision' approach instead of 'deemed refusal' for development assessments, remove 'stop the clock' provisions, and enforce timeframes for planning authorities to make decisions. This puts the onus on mutually beneficial decisions, while providing more certain timeframes and instilling accountability.
- Enable more permitted development uses in zones and limit the number of zones to avoid the need for rezonings.
- Adopt digital solutions for planning requirements to make it easy to find what is acceptable when lodging a development application, and to keep track of it. This will provide transparency and build trust between all parties involved in development application processing.



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04

Policy changes since 2023



04

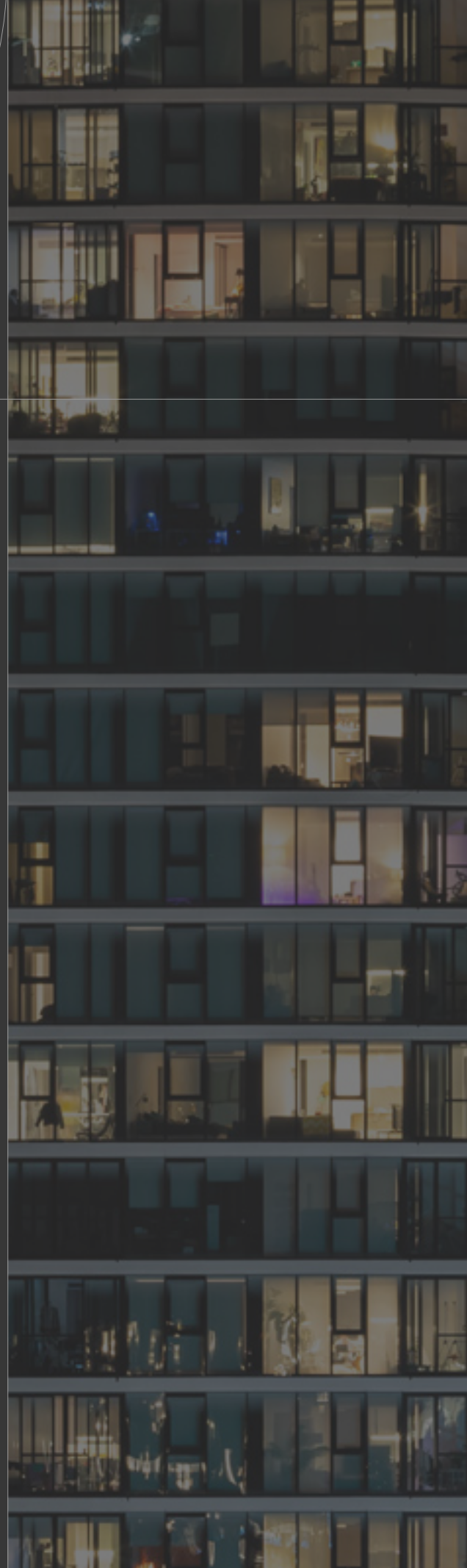
Policy changes since 2023

Since May 2023, there have been significant announcements from Australian governments on the issue of housing supply. Given the nature of both policy change and then delivery, there is a lag between announcement and implementation, and again between implementation and outcome.

If governments are going to address the housing shortage, this politically difficult work needs to be done. The Federal Government has been working through the National Cabinet process to drive supply-side reforms to the housing system.

The Federal Government does not have direct control over tools such as zoning or planning systems that limit where new dwellings are built, and so must act with the states and territories to see reform enacted.

States and territories have embarked on major reform over the last 12 months, with ambitious programs that seek to facilitate an uplift in housing supply, particularly in major centres.



National and state changes

Figure 2: Federal and state policy changes since 2023



Many of these changes are welcome. They reflect the priorities outlined by the BCA over several years, including in our previous budget submissions, and last year's 'Housing Australia's Talent' and 'Regulation Rumble' papers.

Federal Government

National Housing Accord

The Federal Government has upped its targets in the National Housing Accord with the states and territories, with a target of 1.2 million new dwellings over five years from 1 July 2024.

As part of this commitment the Federal Government is providing \$3 billion in performance-based funding to incentivise take up. This 'New Homes Bonus' will be available to state and territory governments that achieve more than their original Accord targets (previously 1 million new dwellings).

While the Federal Government itself does not have many direct levers to deliver housing supply, the Accord has shaped the policy conversation nationally and is helping to drive state and territory policy.

Enabling infrastructure investment

The Federal Government has made \$1.5 billion (an initial \$500 million announced in August 2023 as the Housing Support Program, and a further \$1 billion in the 2024-25 Budget) available for infrastructure investment that is specifically targeted at facilitating new housing.

To deliver new dwellings, particularly in greenfield areas, local infrastructure provision by state and local governments is essential. Without local roads and essential services, land remains locked up and undevelopable. This funding is designed to facilitate the development of new housing through the provision of this enabling infrastructure.

Tax and fee changes for build-to-rent

The 'build-to-rent' sector brings institutional capital into the housing market, delivering new dwellings for the rental market. However, build-to-rent investments are at a tax disadvantage compared to the more traditional build-to-sell sector, to individual housing investors, or other parts of the property sector. For example, foreign investors in managed investment trusts generally have access



to concessional tax rates on fund payments, but this is not currently available for trusts that invest in build-to-rent projects. Capital works deductions are available at 4 per cent per annum for income producing buildings in the industrial sector or for hotels, however, build-to-rent projects cannot access this full rate. There are also issues around GST treatment for properties designed for renting compared to those intended for sale.

The Federal Government committed to tax changes in its 2023-24 Budget, with a bill being introduced into Parliament which would increase the capital works tax deduction and reduce the final withholding tax rate on eligible fund payments from managed investment trust investments. The Government has also moved to cut application fees for foreign investment in build-to-rent projects.

The tax changes for managed investment trusts are of marginal benefit, however, given how they have been structured in the Bill. Given the legislation has not been passed yet, there is still an opportunity to resolve this, but there is also a risk that no changes pass the Senate given the position taken by both the Coalition and the Greens.

Additional commitments

- Funding fee-free training places to boost the number of skilled construction workers to support new housing construction.
- Significant investment in social and affordable housing through the Housing Australia Future Fund. This \$10 billion fund will provide revenue to reinvest in the nation's government supported housing stock, with the aim of delivering 20,000 social and 10,000 affordable homes over five years.

New South Wales Government

Transport Oriented Development program

Eight 'high priority' precincts (within 1,200 metres of major metro or rail station hubs) will be rezoned for high and medium-rise housing, as part of a government-led master planning process. Developments with a capital investment value over \$60 million within these areas will have access to a State Significant Development pathway (rather than local council process) up until November 2027, with a commitment that applications are in government hands for no more than 90 days. Home builders will be able to select from a list of pre-approved architects to avoid the time-consuming requirement to run a design competition.

While at face value this appears positive, the NSW Government will need to make sure that the outcomes produced by these plans match its rhetoric in delivering on new housing and avoid replicating historical decisions in these precincts that might negatively impact feasibility.

Additionally, the program has begun the process to amend planning controls within 400 metres of 37 metro and rail stations, allowing for residential apartments of up to six storeys (22 to 24 metres) around these stations. These changes will come online between April and December 2024, with the first 18 locations having already commenced. The NSW Productivity Commission has recommended that these reforms need to go further to address the state's housing supply needs.¹⁰

Zoning reform for low and mid-rise development

The NSW Government committed to amend zoning restrictions to allow greater housing diversity in areas zoned for low and medium density. These reforms were implemented from the end of June 2024.

The changes see low density residential zoning amended to ensure the construction of duplexes across the state is permitted; as well as terraces, townhouses and two storey apartment blocks near transport hubs and town centres in Sydney, the Illawarra, Central Coast and the Hunter.

The proposal will also amend medium density zoning to allow for apartment blocks of three to six storeys near transport hubs and town centres.

New housing targets

The NSW Government set new five-year housing supply targets across the state in May 2024. The stated objective of these targets is building more well-located homes, close to infrastructure and transport links, and next to amenities and work opportunities.

These new targets have been coupled with \$200 million in grants for councils to fund more green space and for maintenance of local streets and footpaths, if councils meet or beat their targets.

Incentives for developments with affordable housing

In June 2023 the NSW Government introduced incentives for large-scale developments (above \$75 million in capital investment value) that provided at least 15 per cent of their gross floor space to affordable housing. These developments would gain a floor space ratio boost of 30 per cent and a height bonus of 30 per cent above the local environmental planning limits. Importantly, they also gain access to the state agency run State Significant Development pathway, rather than relying on local council assessment and approvals.

Pattern-book designs

The NSW Government is developing a set of endorsed designs for low- and mid-rise apartment buildings, up to six storeys in height. These designs are intended to showcase best practice and are being developed via an international design competition.

Home builders that use one of these designs, once they become available, will have access to a 'faster' approval pathway. Details are still forthcoming, with the designs expected in 2025.

Additional commitments

- New investment in the state's planning system, to speed up decision-making and state led rezonings.
- Additional investment in enabling infrastructure to support new housing supply in Western Sydney.
- Major new investment in additional and refurbished public housing stock.
- New monthly scorecard that tracks timeframes for approvals across councils, ranking best and worst performers.
- State significant rezoning policy, providing a streamlined pathway for targeted rezonings.

¹⁰ Review of housing supply challenges and policy options for New South Wales, NSW Productivity and Equality Commission, August 2024.

Victorian Government

Good Decisions, Made Faster

Last year, the BCA's Regulation Rumble comparison of state and territory planning systems found Victoria the sixth least efficient jurisdiction, only superior to NSW and the ACT. This reform package aims to reduce the time taken to decide on development applications. The reforms include:

- A dedicated state government team to work with councils to clear the application backlog, and additional planning resources for the state department.
- Expanding Victoria's Development Facilitation Program, which makes the Minister for Planning the decision maker for significant residential developments, including affordable housing. The aim is to cut application times for large residential projects down from more than 12 months to four months.
- Identification of 10 activity centres around Melbourne for density uplift, to deliver additional homes.
- Exemptions on planning requirements for delivery of 'granny flats'.
- Expansion of pre-designed residential buildings which are eligible for streamlined planning approvals, with new designs for its four and five-storey developments.
- Speeding up water connections to new developments, with a revised statement of expectations to water corporations, to strengthen the need to work with home builders and local councils.

New Plan for Victoria

The Victorian Government is creating a new Plan for Victoria, to help it deliver on its target for 70 per cent of new homes to be built in existing areas. This plan will include new housing targets for local government areas. It will focus on putting new homes near existing transport, infrastructure, and jobs. It expands on the previous Plan Melbourne to encompass the entire state.

The Victorian Government has begun consulting with industry and the community, with new proposed long-term housing targets announced.

A new modern planning system

Victoria has started reviewing and rewriting its planning system, the Planning and Environment Act 1987. The review is examining the timeframes for decisions, and looking at the roles and responsibilities of everyone involved in the planning system, from councils to the Minister, to state government agencies.

Additional commitments

The Victorian Government has made several additional commitments, to improve supply of new homes across the state:

- A long-term proposal for land use changes to accompany the Suburban Rail Loop project, with six Suburban Rail Loop East precincts identified to accommodate 70,000 additional homes between now and 2050.
- Commitment to develop an Institutional Investment Framework, creating a dedicated planning pathway for large investors to deliver more housing.
- 21 priority projects across Melbourne and Regional Victoria with new Precinct Structure Plans to unlock greenfield development capacity.
- Major investment in new public housing stock.

Queensland Government

Legislative reform

The Queensland Government has undertaken legislative reform which amends the State's Planning Act 2016. These changes include:

- Providing the Planning Minister with the ability to acquire land and create an easement for critical infrastructure to unblock development.
- A new and streamlined state-led assessment process to facilitate development that is a priority for the state.

In doing this, Queensland has established a State Facilitated Development team to fast-track developments which align with state priorities, including diverse and affordable housing. Industry has been invited to put forward projects under an Expression of Interest process to go through the new streamlined approvals pathway.

Infrastructure to support infill housing

Some \$350 million was announced earlier this year to deliver the infrastructure required to support infill development. This will also relieve infrastructure charges for market-ready development. This infrastructure charging relief is seen as a key lever in facilitating development and fast-tracking new housing, to reduce the cost of building more affordable housing in well-serviced areas.

New targets for supply

The ShapingSEQ 2023 Plan came into effect in late 2023 and provides for dwelling targets across 12 local government areas in Southeast Queensland; this includes a 2031 target and a 2046 target. The Plan also includes dwelling diversity sub-targets for each local government area, which will see a greater mix of density, and a reduction in the proportion of detached dwellings. The Plan incorporates governance mechanisms to track implementation.

Western Australian Government

Major legislative reform

The Western Australian Government has legislated to improve the State's planning system. These changes implemented five major reforms:

- A new permanent significant development pathway to streamline decisions for projects over \$20 million in the Perth and Peel regions, and over \$5 million in regional WA, including a 120-day determination timeframe.
- Reforms to clarify decision-making in local government for single houses, with most single-house applications to be determined by local government staff, rather than by the elected council.
- Providing an opt-in pathway to Development Assessment Panels for proposals over \$2 million (excluding single houses), where local councils will undertake assessment, consultation, and make a recommendation but the decision will revert to the panel.
- Improving existing planning processes to cut unnecessary red tape, including removing duplicate processes for the subdivision of land, and streamlining the review of planning schemes and planning codes.
- Reform of the Western Australian Planning Commission.



Together with these legislative changes, Western Australia has established a one-stop-shop website for planning applications, to improve lodgement and tracking of applications.

Duty concessions for new builds

Western Australia has improved its processes for stamp duty concessions for off-the-plan apartment buyers. Buyers into off-the-plan apartment purchases receive stamp duty concessions for properties valued at up to \$750,000, with additional incentives for purchases before the start of construction.

The Government also updated foreign purchase duty refund provisions for foreign buyers that purchase land and deliver 10 or more dwellings on that land.

Together, these changes are designed to encourage investment in new housing supply.

South Australian Government

Accepted development reforms

New houses built in greenfield areas will no longer require planning approvals, provided they comply with a set of basic minimum requirements.

This allows for new homes to bypass separate planning consent processes and associated costs. The minimum requirements will instead be assessed by a building certifier at the building consent stage, rather than as part of the earlier planning consent stage.

Australian Capital Territory Government

The Territory Plan and Planning System

The ACT has implemented a new Territory Plan together with a new Planning Act after four years of consultation. The new plan outlines zoning and development guidance across the ACT. It includes changes to some residential zones to allow dual-occupancy developments on large blocks.

The new Planning System introduces ‘outcomes based’ requirements rather than solely focusing on compliance with rules. It establishes new processes for development applications, including creating a new stage in the process prior to a decision being made.

Tasmanian Government

Independent decision-making reform

The Tasmanian Government is advancing reforms to the State’s planning system which would institute an independent decision-making approval pathway for development applications. This pathway intends to allow more complex or contentious projects to be assessed by a non-political Development Assessment Panel.



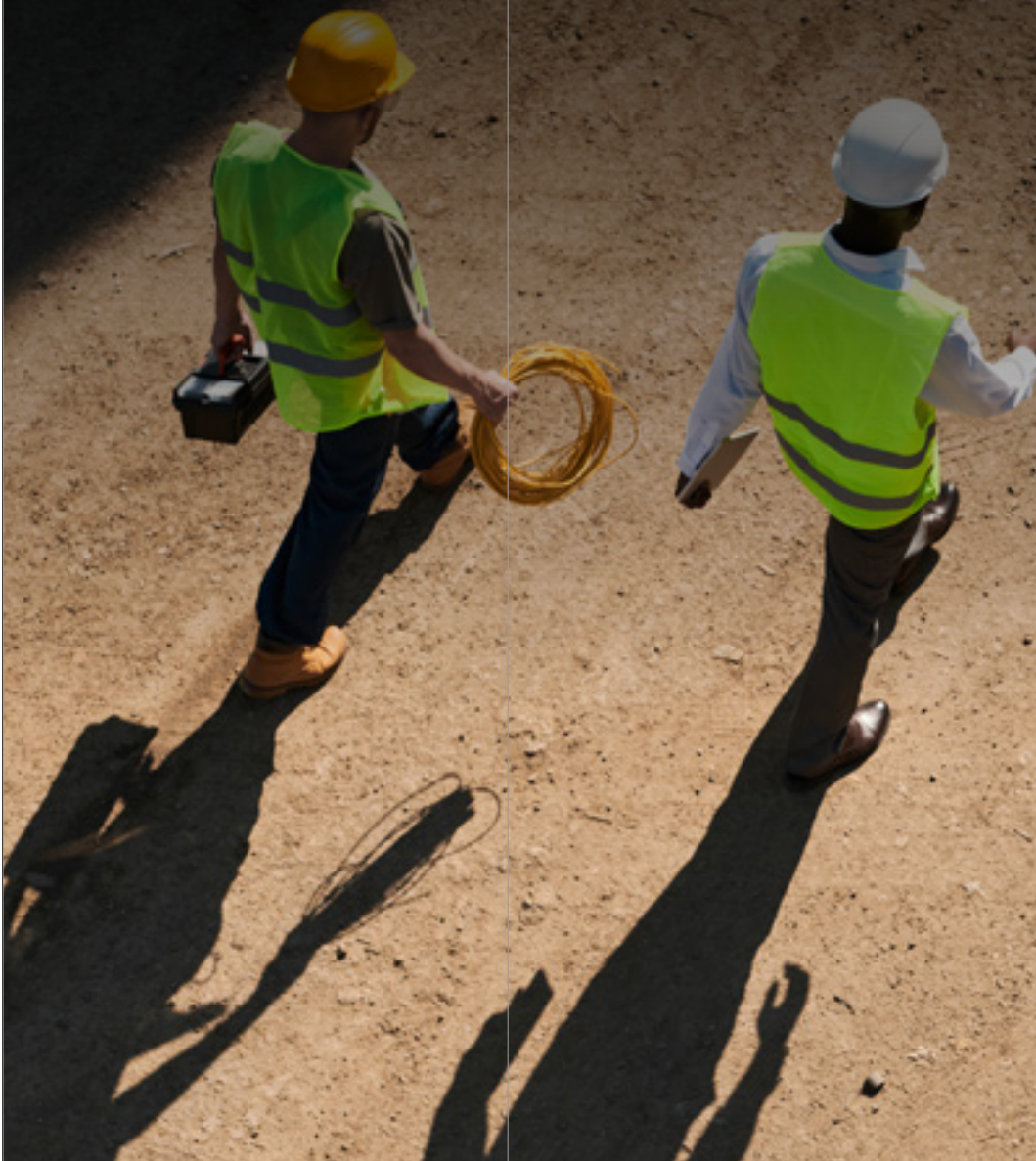
Recommendation 01

State and territory governments should share their reform experiences, with the aim of cross-pollination of ideas, establishing a ‘planning reform departmental working group’.

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05

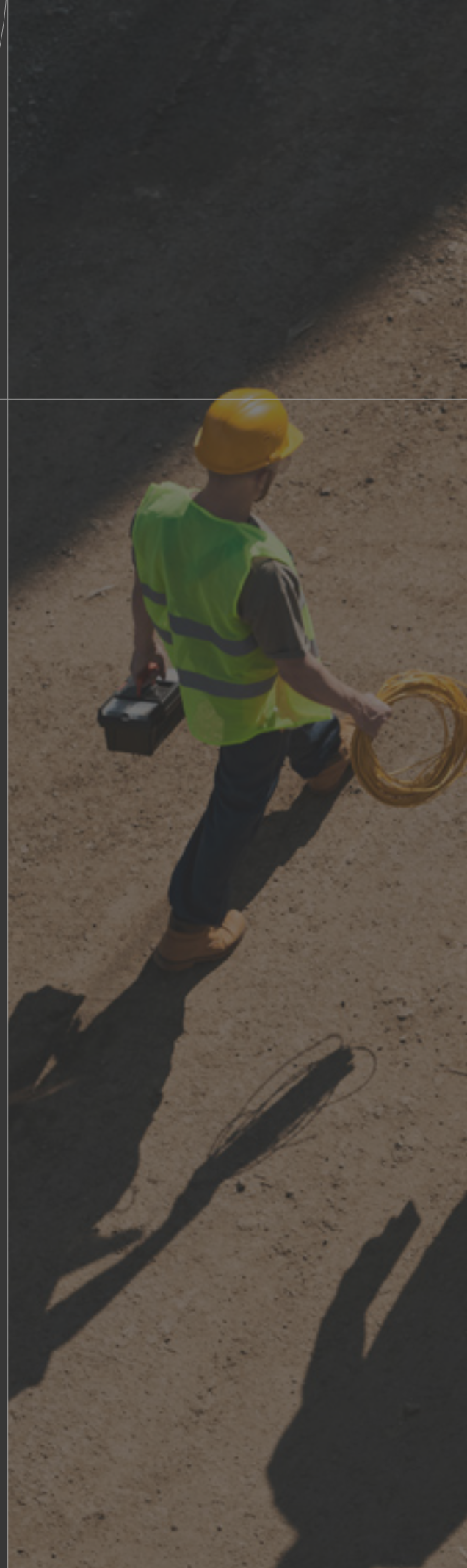
Current situation



05

Current situation

Reform takes time. Time to be developed. Time to be consulted on. Time to be legislated or otherwise implemented. Time to filter into the system and result in new housing supply. The reforms over the last 12 months are in many cases only just starting to be put in place. This means the current housing situation remains dire in many parts of the country, irrespective of the progress made so far.



Housing remains expensive

Australian cities remain some of the most expensive in the world for housing. Once again, Sydney is the second most expensive city globally, with Melbourne now seventh (up from ninth), Adelaide now ninth (up from 14th), and Brisbane now 15th (up from 17th)¹¹ compared to 2023.

Over several years there has also been growth in rent year on year, pushing rental prices up for tenants. In the latest Consumer Price Index figures, rental price growth remains elevated across the nation in many markets, although it appears to have peaked for the moment.



Completion and approval numbers remain at near decade lows

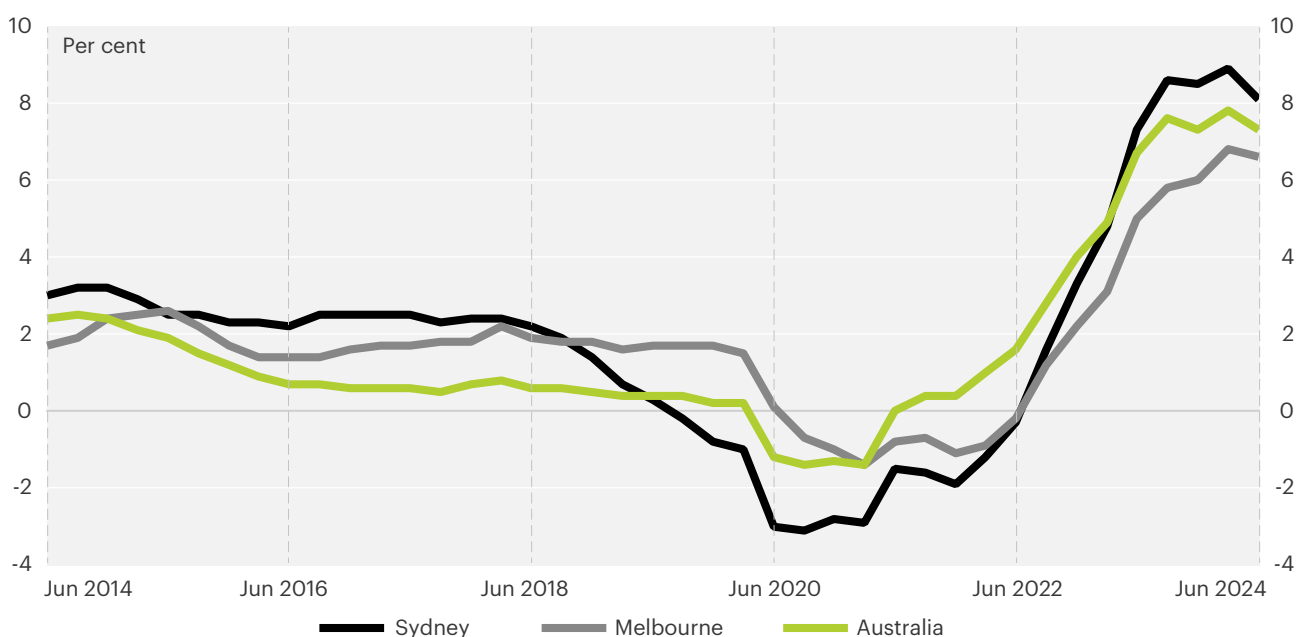
Feeding the current housing situation, housing completions over the year to March 2024 remain at near decade lows. This is particularly driven by lack of apartment delivery, which is at levels last seen in 2013. This means there are simply less new dwellings being delivered today.

Even worse, the forward pipeline of projects represented by dwelling approvals is also at decade lows, particularly for new apartments. We are unlikely to have reached the bottom of the cycle for delivery of new dwellings, given lower

approvals translate into lower completion rates.

This is somewhat unsurprising given that many reforms being pursued at state and federal levels are still being developed or are in the very early stages of implementation. This means rezonings that have been promised, for example, will not be evident in the numbers because they are either not yet law or have only recently been gazetted. There are other factors at play, such as labour supply and interest rates, which also dampen feasibility for new builds.

Figure 3: Rents have increased significantly across Australia – Rental price growth, through the years



Source: ABS

¹¹ Demographia, International Housing Affordability, 2024.



Some states are performing better than others

Across the country the Federal Government has targeted 1.2 million new dwellings over five years as part of the National Housing Accord. Every jurisdiction needs to perform if they are to deliver the housing required for the nation.

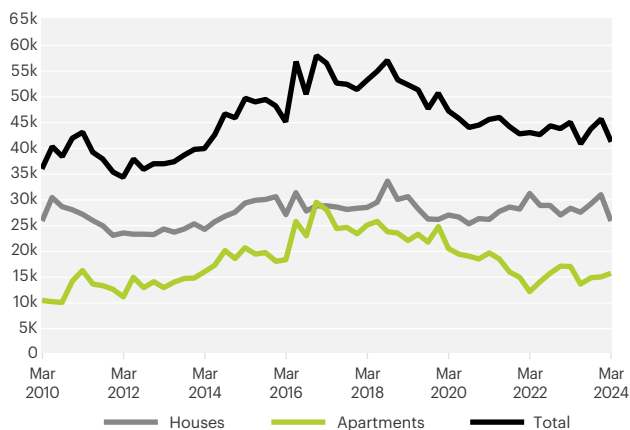
Looking at dwelling approvals over a 12-month period to end July 2024, the Australian Capital Territory is the standout performer, with almost 9.6 dwellings approved per 1,000 people. Victoria is the best performing of the large states (with populations over one million), approving around 7.5 dwellings per 1,000 people. At the other end of the spectrum, the Northern Territory has approved only around 1.4 dwellings per 1,000 people, with New South Wales the worst performer of the large

states, approving around 5.0 dwellings per 1,000 people.

To give some extra context to these numbers, on average, to meet the 1.2 million dwelling target would require around 8.9 dwellings per 1,000 people across the country (based on current population), assuming that every approval is followed through to completion, with only the ACT exceeding that level.

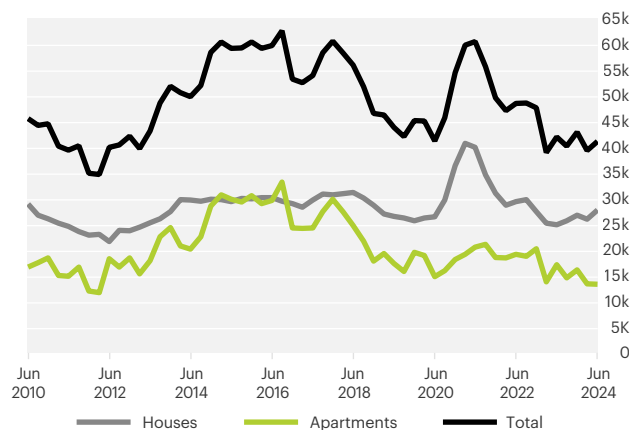
It takes many factors to align to turn a dwelling approval into actual homes. So these figures represent the maximum number of new homes per capita given the green light to be built within a state or territory last financial year.

Figure 4: Dwelling completions are near decade lows
Number of dwellings completed, quarterly



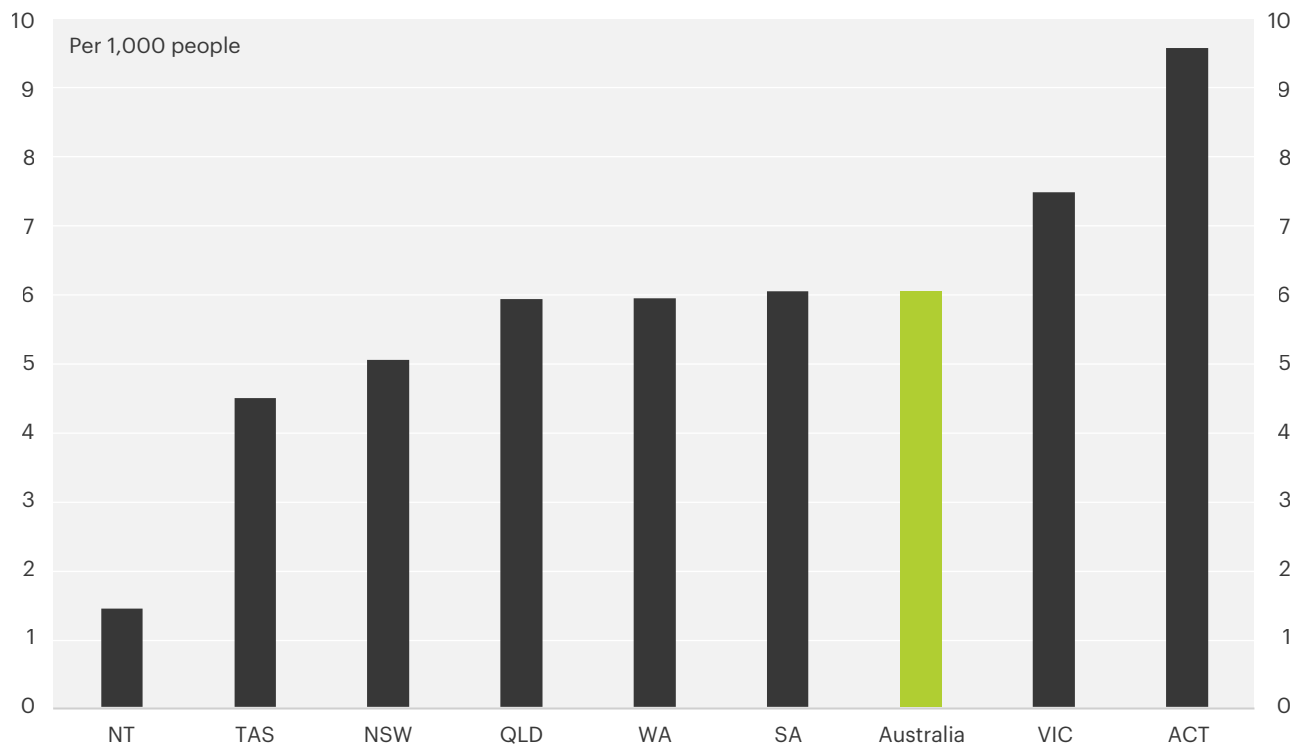
Source: ABS

Figure 5: Dwelling approvals are also near decade lows
Number of dwellings approved, quarterly



Source: ABS

Figure 6: Dwelling approvals vary across the states and territories – Dwelling approvals per 1,000 people, 2023-24



Source: ABS

The cost of building has risen significantly

There are numerous factors that need to be right for the delivery of new homes. As we explored in last year's 'Housing Australia's Talent', zoning and approvals processes – the regulatory processes that must be satisfied before a new dwelling can be built – impede land availability, create delay and risk, and ultimately constrain new dwelling supply. Beyond this however, there are other factors that need to be right to facilitate housing supply, including financial feasibility. The private sector will not deliver new dwellings unless the new dwelling supply delivered makes an adequate risk-adjusted return. That means all other things being equal, when costs are too high, less dwellings will be built.

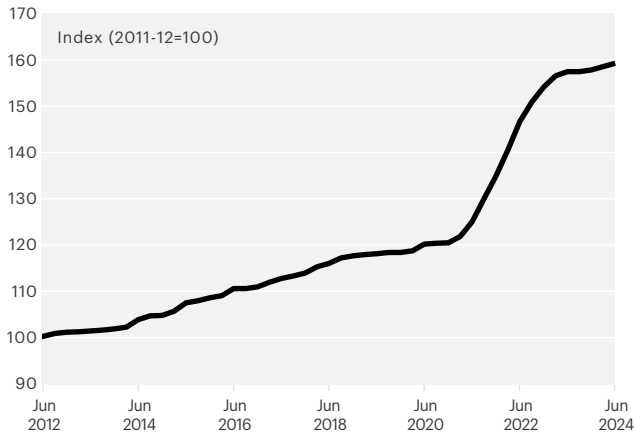
It is not surprising in an inflationary environment that costs over the last few years have been increasing rapidly. The cost of materials has grown significantly and has only just levelled off (creating a new, higher cost base for many material inputs).

In a tight labour market wages across the board, including in construction, are also growing strongly with current private sector wage growth above four per cent. As we will see in the following

section however, labour productivity across the economy is not growing fast enough (even declining over recent years in the construction sector) and is being outstripped by wages growth, so these wage increases are inherently inflationary.



Figure 7: The cost of building materials has increased significantly – House construction input price index



Source: ABS

Significant movement in prices of:

- Timber (structural, joinery, plywood, doors, windows)
- Ceramic products
- Clay bricks
- Terracotta tiles
- Sand
- Electrical (equipment, cabling)
- Mirrors and glass
- Plaster

Data from Jobs and Skills Australia shows several key occupations in the construction sector are in shortage across the nation:

- Architect
- Bricklayer
- Carpenter
- Civil Engineer
- Construction Project Manager
- Electrician
- Glazier
- Painter
- Plasterer
- Plumber
- Surveyor
- Welder

The data is supported by what BCA members tell us has occurred over the last several years. They have seen construction prices exceed inflation. While more recently materials inflation has come off the boil, it has left costs at a permanently inflated level when compared to the period prior to the pandemic. Labour costs and skill shortages continue to be an issue.

In general, members tell us that these factors have created a more difficult construction environment, which has led to increased subcontractor insolvencies.

Looking forward, there is an expectation of continued strong demand for skilled workers in the construction and building industry. Many of the skills required overlap with those necessary for the

nation's energy transition, the mining sector, and governments' infrastructure delivery.

Some forecasts indicate that the slowing in construction inflation is temporary and will accelerate again in the coming years.¹² Infrastructure Australia's market capacity work, while not focused on housing, identifies a number of common inputs between housing and infrastructure that are expected to be in short supply. This includes skilled labour and quarry products.¹³

This must be addressed with improvements in productivity, as well as bolstering of material supplies. For example, new sand and quarried product sources close to housing growth centres would reduce cost pressures for the sector.

¹² Oxford Economics Australia, *Cost escalation pressures are easing but key risks remain*, June 2024.

¹³ Infrastructure Australia, *2023 Infrastructure Market Capacity report*, December 2023

Construction is getting less efficient

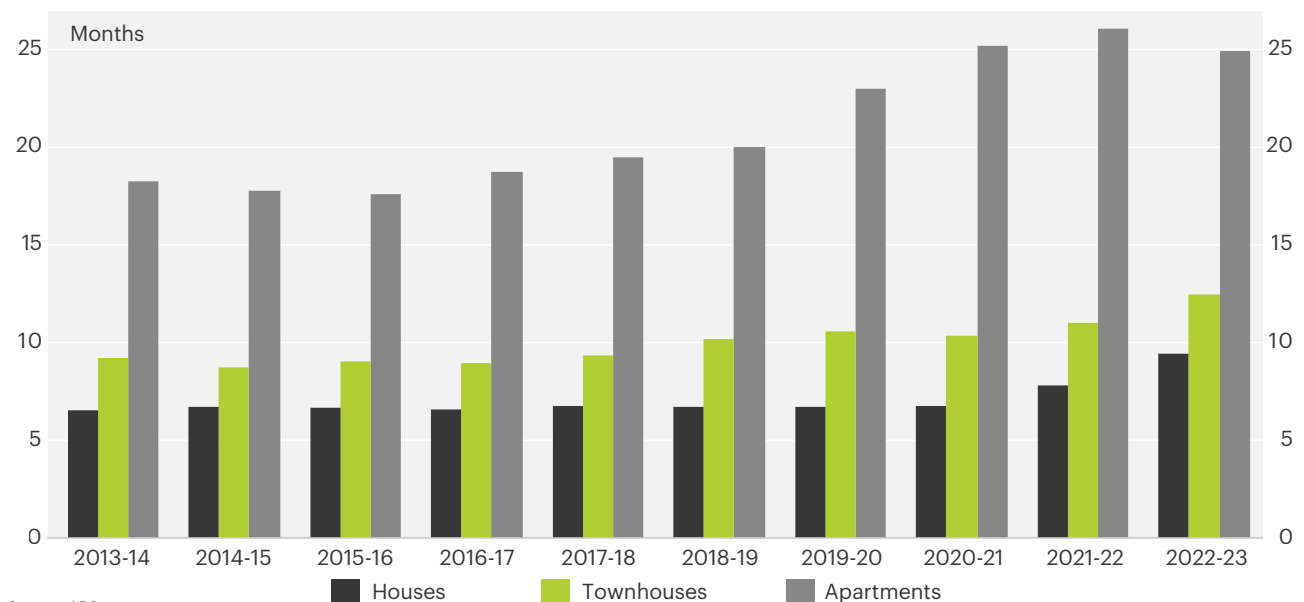
The amount of time from start to completion is taking longer. Over the last decade there has been a marked increase in construction timeframes for new homes. On average across the country, compared to nine years ago, it takes almost three extra months to build a new house (a 45 per cent increase), and more than six and a half extra months to build new apartments (a 37 per cent increase).

This translates to additional cost and reduced capacity for the construction sector, as resources

are tied up for longer to deliver a dwelling, meaning that all other things being equal, our capacity to build is reducing.

BCA members told us that they are seeing major productivity challenges driven by industrial disputation and union militancy. This can vary by state, with Queensland often singled out. One member told us that in Queensland they are experiencing up to 2.5 days a week in lost productivity on some jobs.

Figure 8: It is taking longer to build new dwellings – Dwelling completion times, months



We can see that labour productivity in the construction sector has been stagnant over recent decades, with even the improvements in the early 2010s eroded in more recent years. Compared to productivity growth in the wider economy, the construction sector has significantly underperformed.

Over the last 10 years, this essentially means that while workers across the economy have marginally improved in productivity, workers in the construction sector have become less productive over that same period. On a gross value added per hour worked basis, the broader workforce's productivity across market sector industries increased by around 11 per cent over 10 years, while during the same period the construction industry's productivity fell by 12 per cent.

The Productivity Commission is currently undertaking timely research on what is weighing down productivity in housing construction. It is looking at issues including barriers to adoption of innovation, government regulation, and the construction workforce. It is due to report in February 2025.

Ultimately, poor productivity makes home-building more difficult in terms of time and cost compared to ten years ago.

The cost of debt has increased

Over the last 24 months interest rates in Australia, and globally, have increased substantially from their previous record lows. The Reserve Bank of Australia began hiking rates rapidly in May 2022, with the most recent increase in November 2023.

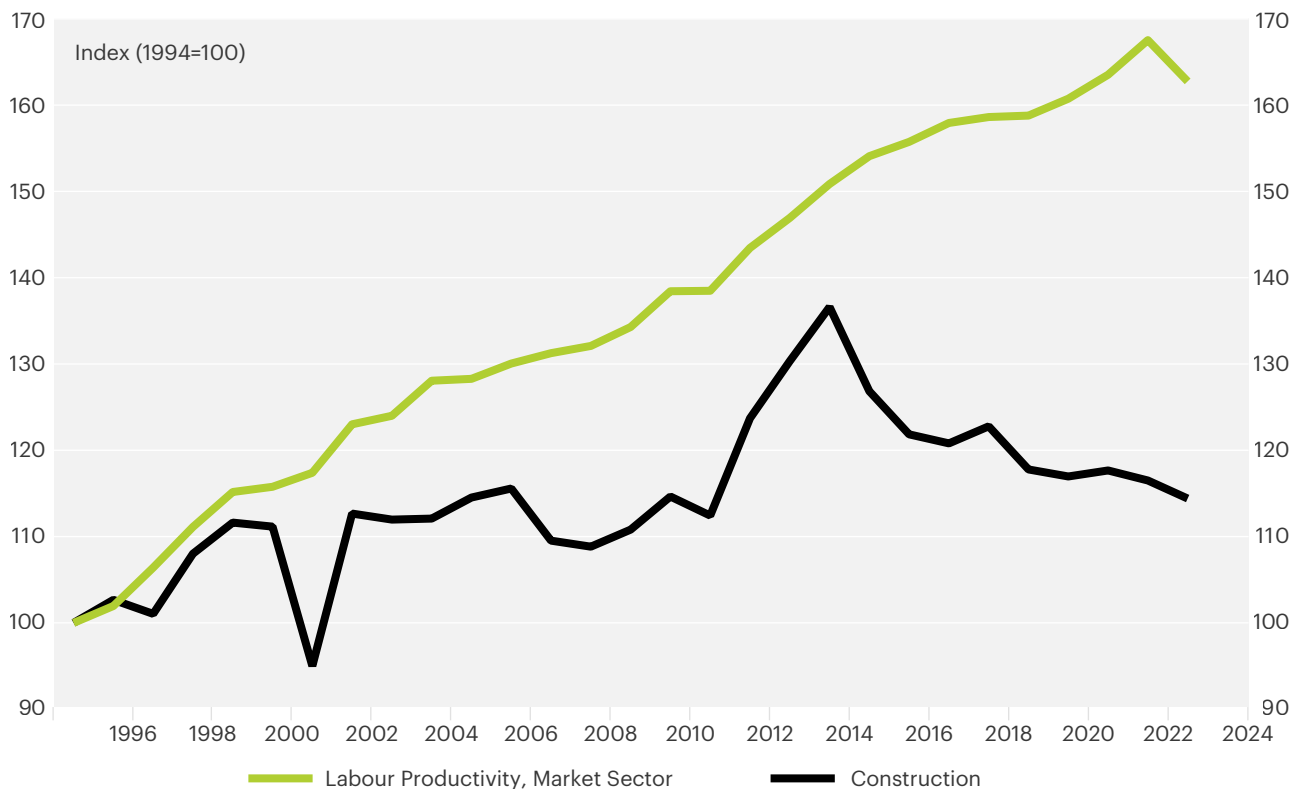
As of publishing, rates have increased from 0.1 per cent to 4.35 per cent.

This has flowed through to costs for household borrowers with a mortgage, making purchasing a property for living or investment far more expensive. The average mortgage in Australia of around \$641,000 has seen monthly repayments increase from around \$2,700 per month to around \$4,300 per month.¹⁴

BCA members report that while demand for housing supply has not gone away, the ability of customers to afford a new home following these interest rate rises has been significantly dampened, with customers' borrowing capacity reduced.

Interest rate increases also flow through to business decisions, impacting the cost of debt funding and the hurdle rate for investment decisions. This means

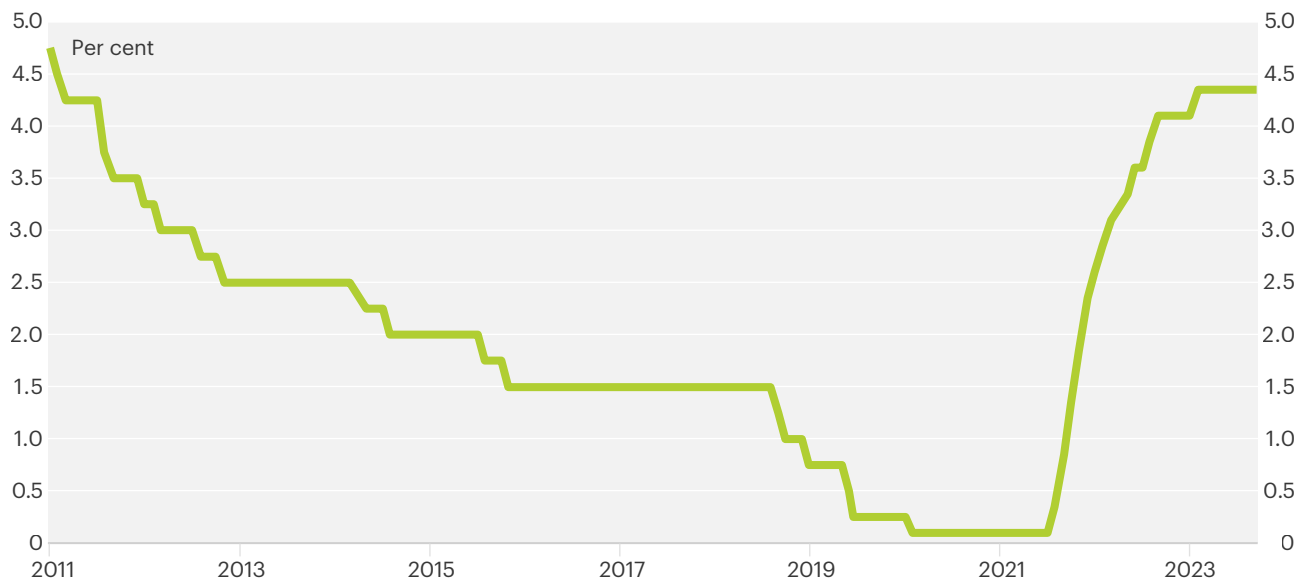
Figure 9: Productivity in the construction sector has languished – Gross value added per hour worked



Source: ABS

¹⁴ Approximate amounts based on average mortgage and home loan rates from Canstar.

Figure 10: Interest rates have increased significantly – Cash rate target



Source: Reserve Bank of Australia

that project feasibility for new investments like new housing must achieve a greater gross return to justify the capital the business is investing, making marginal new properties less likely to be built.

Ultimately, the only way to tackle the impact of interest rates is to address the underlying causes

of inflation – an issue that is broader than the scope of this paper. It is important however to recognise the impact of interest rates on housing affordability and supply.

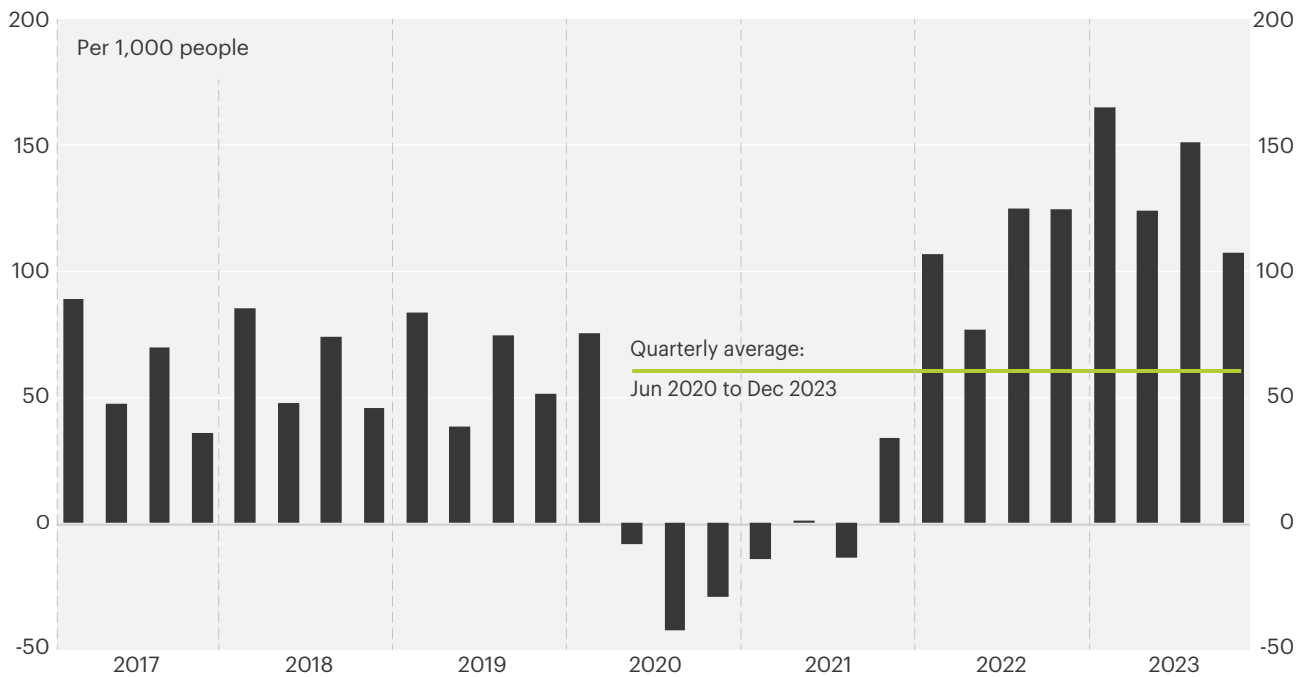


Housing demand

Migration is frequently cited as an underlying driver for housing demand. Yet when migration levels are considered in the context of the COVID border closures, the average net overseas migration figure is still in line with long-term pre-COVID averages. Government policy settings have already been adjusted to ensure that the swings in migration numbers are short-term. The Government’s forecasts, as per the 2024-25 Budget, show an expectation that net overseas migration numbers will rapidly decline back to historical long-term levels, from 528,000 net arrivals in 2022-23, to a forecast of 395,000 in 2023-24, back to the long-term average of 235,000 by 2026-27.



Figure 11: Migration is in line with pre-COVID averages since the pandemic – Net overseas migration, quarterly



Source: ABS

More recently released figures from the ABS confirm that these numbers are declining, although at a slower pace than the Budget’s forecast. What is clear is that growth has peaked and is moving back towards historical levels.

Furthermore, the BCA’s previous research shows the central importance of a sustainable migration program in supporting the Australian economy and the wealth of all Australians. Annually for every 1,000 migrants there is \$38 million more in tax

revenue, \$124 million in higher economic output, and \$59 million in increased investment.¹⁵

International students are often cited as an area of focus to reduce demand on the housing market. Government data from the Department of Education for calendar year 2023 shows that there were 786,891 international students studying in Australia. This compares with 756,737 in 2019, immediately prior to the pandemic. That is an increase of less than four per cent over a period of four years (i.e. an increase of less than one per cent per annum).¹⁶

¹⁵ Business Council of Australia, Migration makes Australia stronger, 2023.

¹⁶ Australian Government Department of Education, International student numbers by country, by state and territory.

What's more, international students typically live in shared houses or apartments, or in student specific accommodation, taking up less general housing than their numbers imply. Research cited by the National Housing Supply and Affordability Council shows that over half of international students live with at least two other people, and around 10 per cent live with six or more people. 12 per cent live in purpose-built student accommodation or university housing.¹⁷

Housing demand is driven by more than just population growth. It is also about choice of where to live, the ability to move near jobs or family, and the ability to live in a household that suits a person's needs.

Over a long period, the average number of people per house has been falling – meaning that more homes are needed to house the same number of people. This drives housing demand, even if the population was held at a constant.

The ABS estimated that in 2019 there was an average of 2.55 people per household. By 2023 that had fallen to 2.50 people per household. In a historical context, this is a rapid fall. This means that Australia needed an estimated over 180,000 additional homes compared to a scenario where people per household had remained at pre-pandemic numbers.

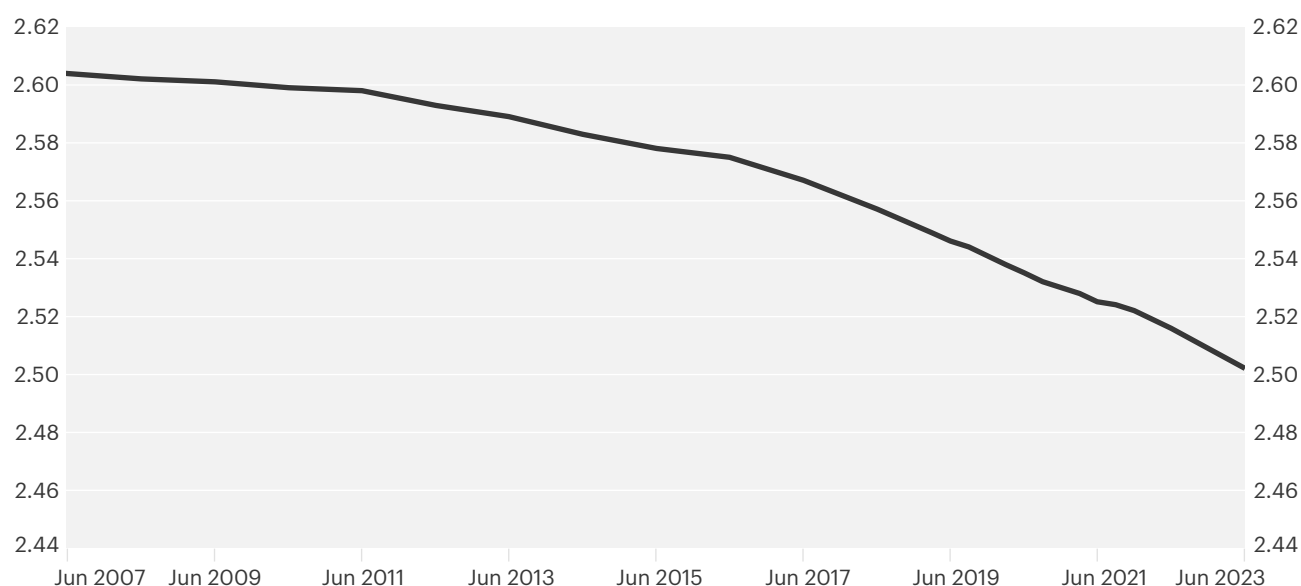
The RBA recently noted that in the mid-1980s this number was 2.8 people per household. Taking

that as the starting point compared to 2.5 today, the RBA estimated that “we would need 1.2 million fewer dwellings to house our current population”.¹⁸ This is the equivalent of the entire National Housing Accord target.

Demographic shifts (an ageing population with more older couples, and more singles) have driven this change. This accelerated during the pandemic with a shift in preference towards more living space, fewer group households, and working from home requiring more space per person. It is also worth noting that declining housing affordability has likely reduced the rate of household formation, for example, through young people staying with their parents for longer. The decline in persons per household might have been even larger if housing had been more affordable.



Figure 12: More homes are needed as the number of people per household is falling – Average number of persons per household



Source: ABS

¹⁷ National Housing and Affordability Council, *State of the Housing System 2024*.

¹⁸ Sarah Hunter - Assistant Governor (Economic), Reserve Bank of Australia, *Housing Market Cycles and Fundamentals*, May 2024.

Short-term rentals and vacant properties

Short term rentals

Restrictions on dwellings being used for short-term rental accommodation rather than long-term housing are regularly brought up as a solution to housing supply problems, rather than building new homes.

The evidence of the impact of platforms like Airbnb is limited however, and typically only felt in specific holiday-focused markets. The Australian Housing and Urban Research Institute (AHURI) examined the impact of short-term letting platforms, like Airbnb, and found that they are unlikely to significantly worsen rental affordability across our major cities as a whole. They did, however, suggest that there was an impact in areas with significant tourism appeal.¹⁹

In its recent discussion paper on short and long-term rental accommodation, the NSW Government cited a figure of 33,000 registered, non-hosted short-term rental accommodations listed in the state - around one per cent of the stock of private dwellings in NSW. These properties are again highly localised in areas with high tourist demand, such as Byron Bay, the NSW Snowy Mountains region, the NSW South Coast, and around Bondi Beach.²⁰

Vacant properties

Unused, vacant properties are also often cited as an area of untapped housing potential. This has been driven largely by Census figures which in

2021 showed around one million vacant homes, or over 10 per cent of the nation's housing stock. There were similar figures in the 2016 Census.

However, many of these are a product of what the Census is counting, which is a vacant home on Census night. There are a wide range of reasons why a home may be vacant on Census night, which can include:

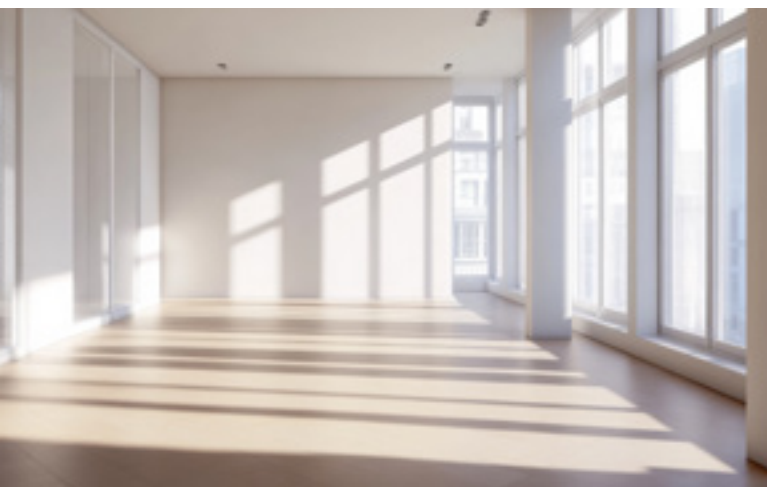
- Homes where people happen to be away (e.g. travelling) on Census night.
- Homes that are in the process of being renovated or repaired.
- Homes that have recently been sold or rented, or are in the process of being rented or sold, and the new occupants have not yet moved in.
- Newly completed homes that have not yet been occupied.
- Some underutilised homes – holiday homes, or people's second homes.

So, it is simply incorrect to say that there are 'a million empty homes', but rather that 'on Census night there were a million dwellings where someone wasn't home' – a significant distinction.

The NSW Government has estimated that 15,000 dwellings across the state are left vacant across the year.²¹ This is under half of one per cent of the state's total dwelling stock.

Victoria has a specific tax targeted at vacant properties. Currently, this applies to Melbourne's inner and middle ring suburbs and will expand to cover all of Victoria in 2025. The tax is applied if a property is vacant for more than six months of the year. In 2023 the Victorian Parliamentary Budget Office undertook analysis of potentially vacant properties in the context of these tax changes. They estimated, based on various data sources (such as data drawn from water and electricity usage), that around 10,000 properties across Victoria or around 0.4 per cent of dwellings, may be liable for the vacant property tax once expanded across the state.²²

The ABS itself has produced a set of experimental administrative data for housing supply.²³ Depending on the methodology, this found between 107,000 and 136,000 inactive dwellings



¹⁹ AHURI, *Submission: Senate Inquiry into the worsening rental crisis in Australia*, August 2023.

²⁰ NSW Government, *Discussion paper on short-and long-term rental accommodation*, February 2024.

²¹ NSW Government, *Discussion paper on short-and long-term rental accommodation*, February 2024.

²² Victorian Parliamentary Budget Office, *Vacant residential land tax: Tax specifications and number of liable properties*, 2023.

²³ Australia Bureau of Statistics, *Administrative data snapshot of housing*, August 2023.

across the country, or 1.3 per cent of the nation’s housing stock. This estimate includes higher figures on an individual state basis for NSW and Victoria than those above made by those states.

Ultimately, in the context of the national target to build 1.2 million homes in five years as part of the National Housing Accord, these numbers are at best peripheral. This is not to say that this issue should be ignored, but rather it is not the million-home honeypot claimed by some.

demand for 871,022 dwellings. It also estimates that in 2023-24, the year preceding the start of the National Housing Accord, there was a net deficit of around 37,000 homes (new demand less new supply), that a further 46,500 dwellings would be required to house the nation’s existing homeless population, and finally that between 208,200 to 577,400 households face rental stress.²⁴

When taken together these estimates broadly align with the Government’s target of 1.2 million new homes over five years.

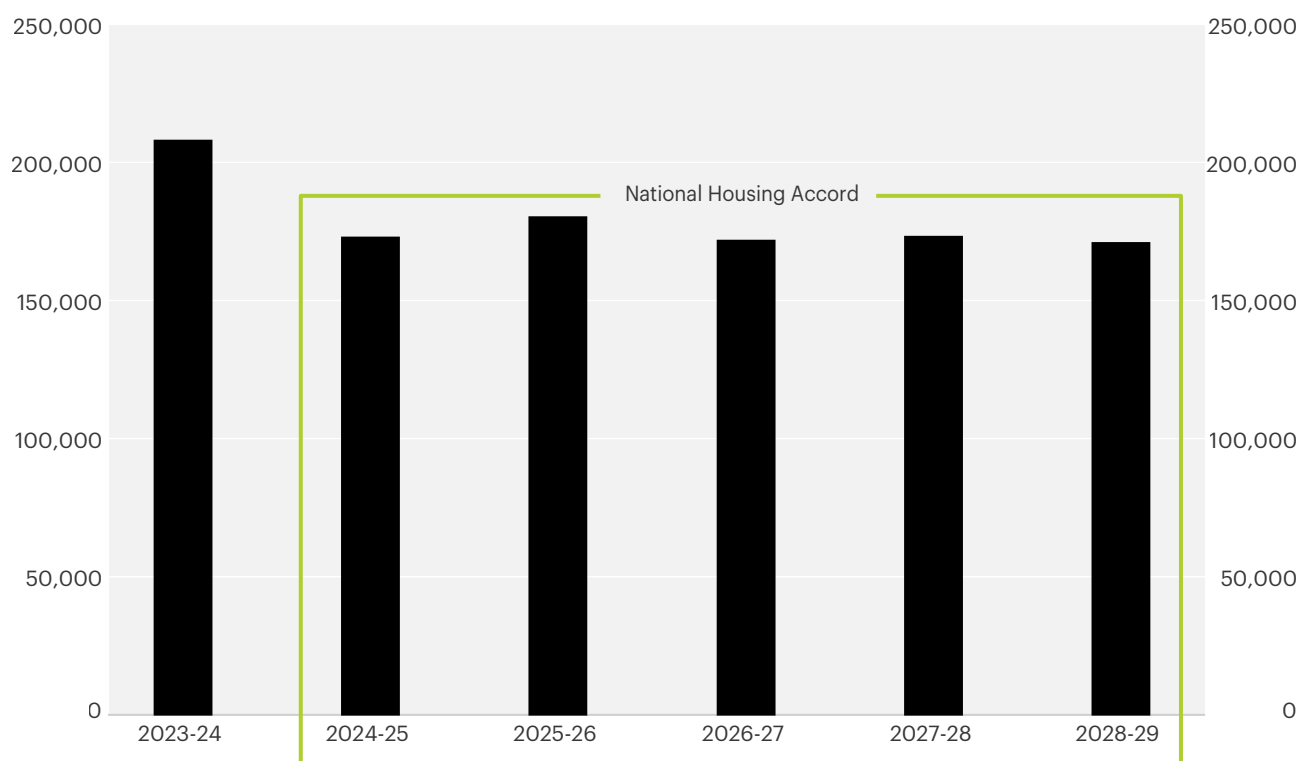
How many homes do we actually need to be building?

Australia’s housing supply needs are driven by multiple factors. Population growth, changing demographics, consumer preferences and social trends, different ways of working, and people’s income levels all influence supply requirements.

The National Housing Supply and Affordability Council has undertaken modelling and analysis of housing demand for the country. It finds over the National Housing Accord period (five years between 2024-25 to 2028-29), there will be new

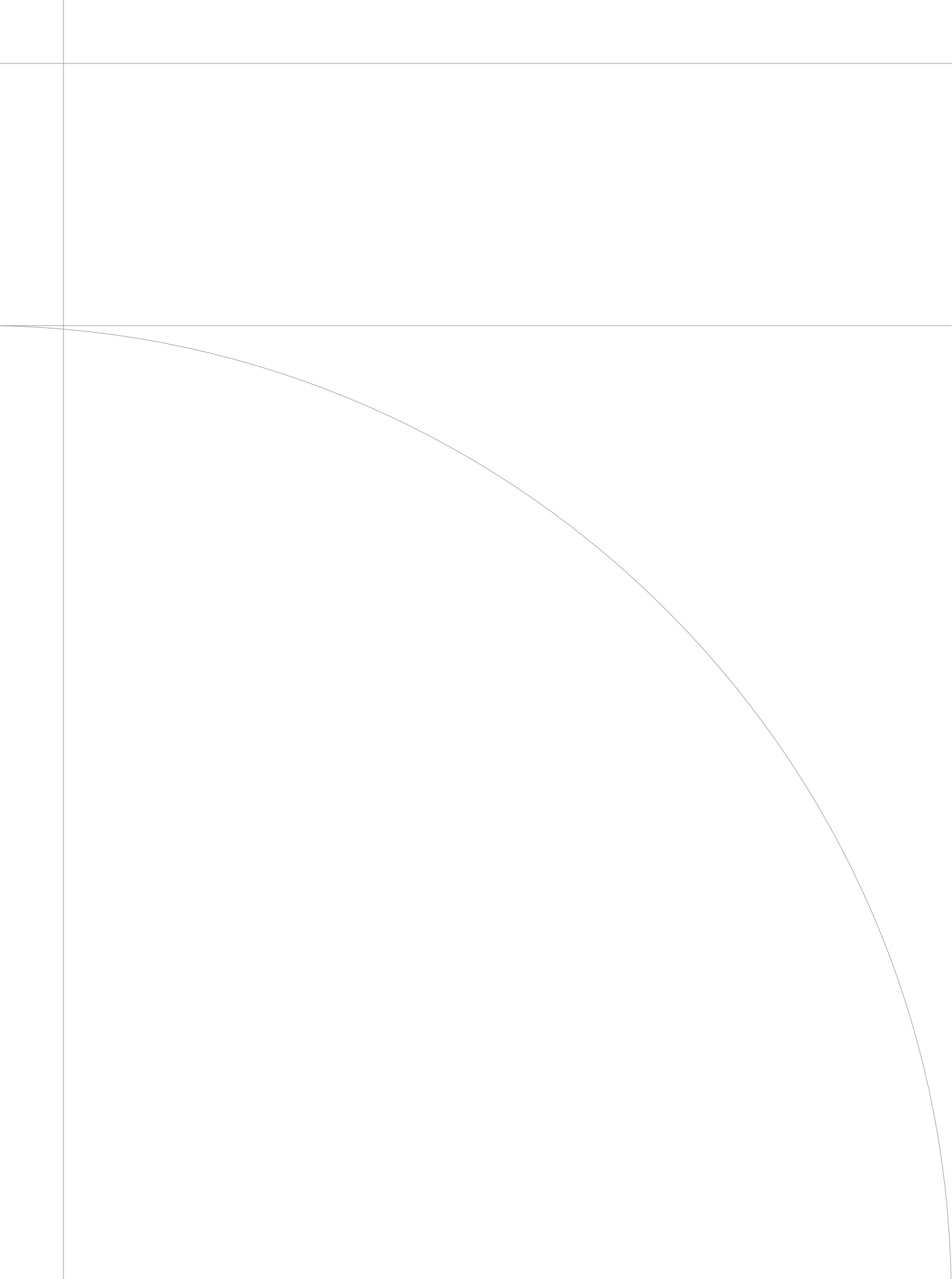


Figure 13: There is forecast new demand for 871,000 new homes over the next five years, adding to existing unmet demand – Estimated demand for housing



Source: data as per the National Housing Supply and Affordability Council

24 National Housing Supply and Affordability Council, State of the Housing System 2024.



06

What experts say



06

What experts say

There have been several pieces of work released since 'Housing Australia's Talent' in 2023. Several reports have focused on housing supply challenges. Key findings include the slow responsiveness of Australia's housing system, increasing construction costs, the importance of infill over greenfield development, and the role of zoning reforms. Efforts to build well-located homes, streamline planning processes, and manage infrastructure costs are essential to improving affordability and economic productivity.



Federal Treasury

As part of this year's Federal Budget, the Treasury published a statement on Australia's housing challenge.²⁵ It highlighted that Australia's housing system is too slow in responding to housing demand. The factors they identify holding housing supply back include planning and zoning, speed of land releases, lack of infrastructure to service greenfield housing, the shortage of skilled labour, and falling construction sector productivity.

Planning and zoning restrictions limit the speed at which land is made available for new housing, with delays in assessment timelines increasing cost and uncertainty for home builders. Planning and zoning restrictions divert new housing from well-located areas where demand is greatest. This means increased commute times for new residents and additional infrastructure support costs for governments.

The result is a long-term decline in housing affordability, with housing prices moving from 4.9 times the median gross disposable household income in 2002 to 8.6 times in 2024. Treasury recognises it is important that housing supply is well located in urban areas with access to transport and amenities, to make it easier for workers to switch jobs and improve the capacity of the Australian economy.



NSW Productivity Commission

The NSW Productivity Commission has undertaken a large body of work on housing supply in NSW. This includes a multi-paper series released over the last 12 months.

Building more homes where people want to live

The first paper discusses the benefit of building more well-located homes.²⁶

The Commission directly links rising rents to a lack of supply, and demand fuelled by increasing real incomes and demographic preferences for smaller household sizes. It finds that a 10 per cent increase in housing lowers costs by between 15 and 30 per cent at a national or sub-national level.

The paper explains the concept of 'filtering' and the importance this plays in the overall housing market, in contradiction to those who oppose the building of high-quality homes they deem as 'luxury':

- While a new 'luxury' property may be occupied by a high-income family, that puts a lower cost property that they leave into the market, and so on in a chain effect.
 - This 'filtering' effect has been documented in Australia, the United States, and in Europe.
 - The converse is also true; if new housing is not being built, what was previously cheaper housing is taken up at a higher price by higher income earners, pricing others out.

Apartments are a more efficient way to deliver housing. It would take 200-300 construction sites to produce the same number of homes as just one large apartment development.

Building more homes where infrastructure costs less

The second paper addresses the comparison between infill and greenfield development from a government infrastructure investment perspective.²⁷

Greenfield developments require all-new infrastructure to support them. Sydney infill infrastructure costs approximately \$39,000 less per property than greenfield developments, though costs vary widely by location.

²⁵ The Treasury, Statement 4: Meeting Australia's Housing Challenge, Budget Paper 1, 2024-25 Budget.

²⁶ NSW Productivity Commission, Building more homes where people want to live, May 2023.

²⁷ NSW Productivity Commission, Building more homes where infrastructure costs less, August 2023.

Road congestion is the largest cost of extra housing for most areas. The Commission finds that additional homes in areas close to the city have lower congestion costs as they are typically better served by transport and are closer to more jobs. By prioritising growth in high-quality locations which are already well-serviced by infrastructure, governments can substantially reduce the burden of new infrastructure provision on taxpayers.

What we gain by building more homes in the right places

The third paper examined the benefits of adding to housing supply, particularly in places where housing demand is strongest, and the impact caused by the lack of new supply.²⁸

The paper highlights that the slow delivery of new homes increases prices and rents, and when housing is expensive, most low-income households have no choice but to move further away from jobs and public amenities. Across Australian capital cities, there is a strong positive correlation between median rents and the rate of overcrowding. Cities with higher rents tend to see more overcrowding.

The economic impact of high housing costs is that it prices workers out of living near their best employment prospects. This inevitably lowers labour productivity.

The Commission examines the impact of various topologies of urban development, finding:

- Dense, walkable cities tend to be more productive, innovative, and resilient to a changing climate than their low-density, sprawling counterparts.
- Where we live affects how far we commute, how much energy we need to heat and cool our homes, and the amount of land we take up that could be preserved for the environment.
- Limiting urban sprawl via infill development can help prevent the loss of natural habitat and native species.

The Commission also addresses the issue of opposition to new housing and the way consultation processes magnify that opposition by amplifying the voice of a subset of the community. The benefits of new housing are realised over a long period and are quite diffuse, while the adverse impacts are felt immediately and are

locally concentrated. It finds that planning systems give great weight to keeping things the same:

- Although objections to new housing are frequent, it is less clear that they are representative. International evidence suggests that young people, women, and renters tend to be underrepresented.
- While existing residents may have strong views about the housing types appropriate for people to live in, prospective residents do not necessarily share those views.
- Typical community consultation mechanisms usually fall far short of being representative in the way that voting would be. They disproportionately attract those with strong views and/or available time.

Finally, the Commission identifies the need to address heritage protection, finding that preserving heritage should not prevent our cities from meeting the needs of residents. It advocates for a balanced approach that protects what is important while allowing people to live near and enjoy the city's heritage.

Review of housing supply challenges and policy options for New South Wales

As the BCA finalised this report, the NSW Productivity Commission released a fourth paper on the housing challenges facing NSW.²⁹

One key highlight worth noting is the cost feasibility challenge faced by proponents trying to deliver new housing. The report lays out significant increases in construction, financing, and land acquisition costs over the last five years. It also identifies the need for elevated risk margins given the operating environment. This translates to a 36 per cent increase in the cost of delivering a new apartment in a mid-rise building between 2018 and 2023, exceeding the potential sale price. This creates a feasibility gap between the cost that these new apartments can be sold at, and the cost to actually build them – so they do not get built.

The paper identifies several areas that create friction in the building process, and they largely align with the BCA's recommendations in this report. This includes further upzoning, more efficient approval processes (beyond the development application), and growing the industry's workforce.

²⁸ NSW Productivity Commission, *What we gain by building more homes in the right places*, February 2024.

²⁹ NSW Productivity Commission, *Review of housing supply challenges and policy options for New South Wales*, September 2024.

Update on Auckland

In last year's 'Housing Australia's Talent' paper, we examined the impact of zoning changes in Auckland. In 2016 rezoning of around three-quarters of the residential land in Auckland resulted in a significant increase in approvals for new housing supply. These reforms resulted in large amounts of low-density residential land being upzoned to medium density.

In March this year, Auckland Council released a paper on the learnings from its zoning reform.³⁰ At a high level, the paper describes the effect of upzoning – in that it causes land prices in an area of high demand to increase, while reducing the cost of housing in the long run. This is because rezoning allows multiple dwellings to be built on the same pieces of land, so the cost per home is reduced.

The paper examines the economic evidence collected by studies that have focused on the Auckland experience and confirms the strong benefit the rezoning has delivered.

It finds that six years following the reforms, the impact on housing affordability is:

- Rents for three-bedroom dwellings in Auckland are between 26 per cent and 33 per cent less than they would have been without the rezoning.
- Rents for two-bedroom dwellings are between 21 per cent and 24 per cent less than they would have been without the rezoning.

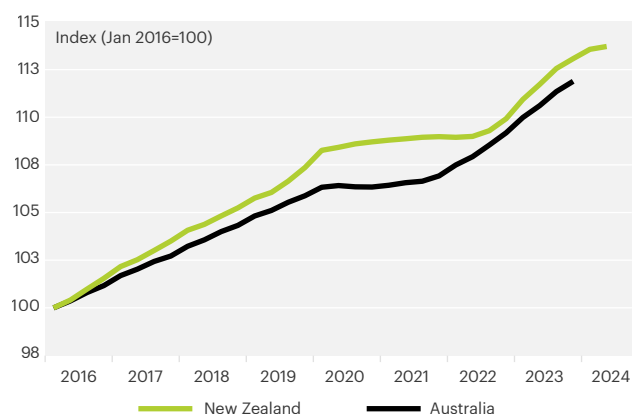
Depending on methodology, between 21,800 and 43,000 additional dwellings have been built due

to the rezoning. This equates to between 33 per cent and 45 per cent of dwellings delivered in Auckland since the change. Long-term modelling in response to the rezoning shows a reduction in dwelling prices of between 23 per cent and 39 per cent. Despite the broad scale of rezoning, development is not randomly dispersed across rezoned areas but is concentrated where land values are highest.

Other evidence supports this modelling work. Over the last half-decade, Auckland house prices have fallen and stabilised at a lower level, unlike Sydney. Historically, Sydney and Auckland price growth tracked closely but have diverged more recently. This is despite New Zealand having stronger population growth than Australia over the same period.

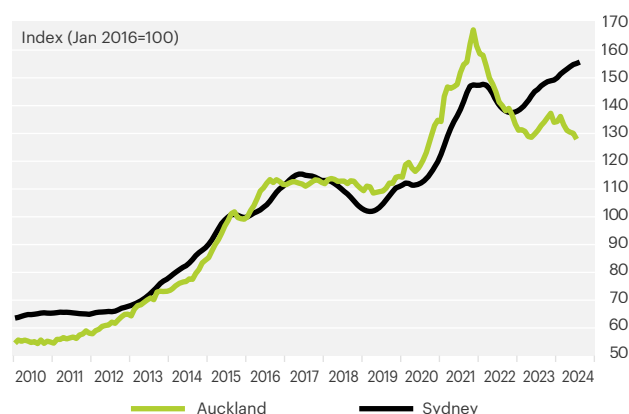


Figure 14: New Zealand's population has grown faster than that of Australia – Population by region



Source: Stats NZ, StatCan, ABS

Figure 15: But property prices have risen by more in Sydney than in Auckland – Residential property price index



Source: PropTrack, REINZ

³⁰Dr Kade Sorensen, Dr Janes Allan Jones, Zoning reform in Auckland – what can we learn from the emerging literature?, Auckland Council, March 2024.

Housing supply ‘scepticism’

A recent survey by the independent Susan McKinnon Foundation, referenced by the e61 Institute, found that one-third of respondents expected housing prices to increase in response to building more homes.³¹ This flies in the face of economic theory, and of actual evidence.

The e61 Institute paper explains the potential thought processes that could lead to this scepticism:

- “When housing supply and population grow, local amenities like entertainment options and transport infrastructure can improve, lifting demand to live there, and prices with it.”³² This generates more demand for an area, resulting in house-price growth. e61 calls this a misattribution, attributing the growth in price to supply, when it is driven by demand.

- “Another possibility is that supply sceptics are confusing correlation with causation. Housing demand in Australia tends to constantly grow due to population and income growth, which itself pushes up prices when housing supply does not keep up”.³³

e61 examined the question of supply and demand, and its impact on prices, by looking at areas of Sydney. Examining 194 Sydney postcodes over 10 years from 2012-13 to 2021-22, they matched new apartment data against percentage change in median sale price. They found that “Sydney areas that built more housing during the decade to 2022 had lower overall price growth”³⁴. Postcodes that had low and medium supply growth had median price increases of around nine per cent per annum, while postcodes with high supply growth returned around six per cent per annum over that 10-year period.



³¹ Nicholas Garvin, *The Effect of Supply on Prices: Expectations Versus Reality*, e61 Institute, 27 October 2023.

³² Nicholas Garvin, *The Effect of Supply on Prices: Expectations Versus Reality*, e61 Institute, 27 October 2023.

³³ Nicholas Garvin, *The Effect of Supply on Prices: Expectations Versus Reality*, e61 Institute, 27 October 2023.

³⁴ Nicholas Garvin, *The Effect of Supply on Prices: Expectations Versus Reality*, e61 Institute, 27 October 2023.

07

It's time to say yes
to housing



07

It's time to say yes to housing

We have consulted with BCA members and other experts who provide housing to understand what they see as the key impediments and fixes they believe necessary to deliver more housing supply.

From the perspective of governments, the regulatory and policy settings must be squarely aimed at delivering more places for people to live.

This includes:

- Zoning of land to legally allow for more homes.
- Fast and efficient permitting and approval processes (and subsequent construction certificates) to allow individual developments to proceed.
- Taxes and charges that do not adversely impact feasibility or detract from capital availability to support supply.
- Labour laws and training to address labour shortages and ensure a productive workforce.
- Infrastructure investment to support additional dwellings.



We need to get these things right to increase new homes and deliver greater housing affordability. Only then will governments truly be able to say they are 'saying yes' to housing.

That also means community attitudes need to change from being anti-housing to accepting that if we want future generations to have a place to live in our cities, homes need to be built, and they will need to be built in existing suburbs with existing infrastructure and services.

These recommendations are presented to aid the national reform agenda, for the Federal Government and states and territories. As stated throughout this report, we acknowledge that some jurisdictions have begun progressing some of these recommendations.

Zoning

Upzoning land

Zoning determines what can legally be built on a particular piece of land. Rezoning land to allow for higher density of dwellings quite literally legalises

the development of new housing supply. We need zoning that allows for new housing where it is most in demand, which generally is in areas with quality infrastructure and close to jobs. This cannot be piecemeal given the scale of the transformation required, it needs to be broad and sweeping across significant areas to provide more housing capacity where it is most needed.

It is also worth noting that appropriate heights are an important part of achieving feasibility, particularly in areas that have high land costs. This allows the cost of the land to be divided by more dwellings. The NSW Productivity Commission identifies the lowest-cost apartment height as 15 storeys³⁵, while the RBA identifies 20 storeys as the efficient building height.³⁶

Some states have already begun moving ahead with these kinds of changes. BCA members have told us that NSW is the leading state in terms of its ambition here, with its two key policies, the transport-oriented development program (both accelerated precincts and new planning controls) and low and mid-rise reforms, that will provide new housing capacity across the state. The most recent work from the NSW Productivity



³⁵ NSW Productivity Commission, *Building more homes where people want to live*, May 2023.

³⁶ Reserve Bank of Australia, *RDP 2020-04: The Apartment Shortage*, August 2020.

Commission however recommended that this work needed to go further, to more locations, with a greater coverage and with higher densities.³⁷ Victoria has also announced some activity centres around Melbourne. Even with these programs, governments will need to demonstrate that outcomes on the ground match ambition, and that political will is translated into action by their public service. They also must be implemented in a way that does not inadvertently reduce achievable yield given the broader context of a given location.

Ultimately, given the experience in Auckland, state and territory governments should prioritise actions that uplift zoning across major cities, particularly around transport nodes.

Beyond government-led processes, states and territories need to have efficient processes that allow for proponent-led rezoning, so that proponents can advance proposals on their own to deliver new housing supply. Some states lack these processes, while others rely on support from local governments that may have diverging priorities from those of the broader community or are overly risk-averse.

Processes that are not reliant on local government agreement, allow flexibility, and can move with relative speed in assessing and deciding on an application are essential components of a quality planning system. Ideally, these processes should also allow parallel rezoning applications alongside development approval applications, to reduce time to final decision.



Recommendation 02

State and territory governments should undertake a program of rezonings across major cities and towns and focus on allowing medium and high-density development in the vicinity of infrastructure and services.

Recommendation 03

States and territories should have efficient proponent-led rezoning processes, that are determined at a state agency level.

³⁷ NSW Productivity and Equality Commission, *Review of housing supply challenges and policy options for New South Wales*, August 2024.

More flexible and consistent zones

Beyond upzoning, governments need to ensure there is flexibility and consistency in zoning.

Flexibility means zones are sufficiently broad to allow acceptable development in an area, rather than being overly restrictive or prescriptive. This will allow the market to deliver a product that best meets the needs of potential buyers in a particular area and allows for greater responsiveness to demand.

Consistency means that across a state, a zone type should be consistent. This reduces bureaucratic overhead and complexity of zoning systems, with project proponents knowing that if a site is zoned in a particular way, it means the same thing as the same zone in a neighbouring suburb. This will mean reducing or removing inconsistencies across local government areas. South Australia is an exemplar in this area, given its single state-wide planning scheme.

Recommendation 04

States and territories should have consolidated zoning types that are broad and consistent across entire states. This provides clarity for proponents while allowing flexibility by not being overly specific and constraining.

Fixing assessment processes

Getting zoning right is only part of the solution. New housing will still be hindered without efficient and clear assessment, decision-making, and permitting processes for individual projects. There are a broad range of reforms that can be implemented to improve decision-making, which some states may already have in place. Our 'Regulation Rumble' work is intended to identify and highlight good practices around the nation, to spread these positive practices far and wide.

Aside from the Federal Environment Protection and Biodiversity Conservation (EPBC) Act, much of the reform required sits at the state government level. Nevertheless, given the criticality of the challenge, the centrality to people's quality of life, to the cost of living, and the functioning of the economy and society, reform of planning systems cannot just be a talking point at a federal level. Housing supply reform needs to be matched by action that supports states and territories to reform what are historically difficult systems to change.

Some states and territories – Western Australia and the ACT for example – have recently changed their planning systems. Other states like Victoria have begun the reform journey. These changes need to deliver efficiency and speed, certainty, consistency, and transparency to project assessment. Not all states are starting on an equal



playing field. As our 2023 'Regulation Rumble' comparison found, the largest jurisdictions (like NSW) can often be some of the worst performing. That means states like NSW have more difficult reform to do to get housing supply moving. But if we are going to deliver across the nation, we need to get every state to improve its housing approval system. Currently, based on the public statements from governments, the political will is there to get those reforms done.

The BCA proposes that the Federal Government should play its part by incentivising the states and territories by providing financial support that backs reforms that deliver an efficiency, consistency, certainty, and transparency dividend. This sends a far stronger signal on the importance of housing supply as a priority than national-level targets and accords alone.

Recommendation 05

The Federal Government should establish a National Reform Fund, with reform payments to states and territories for efforts to make planning systems faster and more efficient, reducing the overall planning bottleneck.

Decisions at the right level of government

Typically, many development decision activities sit with local council. These councils range in size from the large Queensland local government areas like the Brisbane City Council that covers much of Greater Brisbane, with a population of over 1.3 million, to small councils in the heart of Sydney like Hunters Hill Council that covers less than 14,000 people.

Depending on their size and funding base, councils have varying resources to deal with applications. They also have different economic and political imperatives, with smaller organisations much more likely to be swayed by small local interest groups with vocal views rather than being incentivised by what is best for the broader population or community in terms of facilitating housing supply. In NSW for example, while the state government is working to implement transport-oriented development reforms, one local council initiated legal action and deployed heritage overlays to try and prevent implementation around its local train stations.

This challenge also applies to developments that are necessary to support new housing and to support the construction industry, like infrastructure or quarry projects.

While the concept of local decision-making is good in theory, it can often mean skewed incentives that ignore the needs of prospective residents which results in decisions that have a negative impact on a broader part of the population.

In this context, state governments are better placed to undertake assessment and decision-making, particularly for projects of any significance, rather than a local council.

This is not about diminishing scrutiny or undermining the quality of assessment processes.



Rather, a process that removes local politics from the equation and focuses on the strategic needs of the region, state, or nation is much better placed to make quality decisions and be resourced to ensure that decisions are made quickly and expertly. That should include not only the elevation of decision-making, but also of the assessment process.

This challenge has been recognised by several states already, with various schemes that facilitate state planning authorities assessing and determining projects based on capital value or other significant attributes. There are examples of these processes in NSW, Victoria, Western Australia, and Queensland, often with clauses around affordable housing percentages. State governments should consider whether their processes need to be further revamped to move more decisions of this type to the state level, and that those state bodies are adequately resourced, so that there is more housing that gets a 'yes'.

Recommendation 06

Decision processes for all developments of any strategic value (based on capital value or other significant attributes) should have the option to be elevated from council assessment and decision-making to state government assessment and decision-making. This should be broadened so that as many new strategic scale housing and supporting projects are captured as possible.

Handling of referrals

Referrals and concurrences allow a planning authority to seek advice (or concurrence where appropriate) from other agencies typically within government on the impacts of a project within their area of expertise. This might be on fire risk, transport impacts, environmental impacts, heritage, or a wide range of other areas that might require referral. They need to provide advice to the planning authority that makes the final decision on approving and conditioning a project.

Depending on volumes and resourcing, this can delay a development application or permit significantly. States need to have processes in

place to manage these referrals to ensure that they are handled promptly and not delay applications.

The Queensland Government's State Assessment and Referral Agency is often cited as a best practice model for handling referrals by BCA members. The Agency handles many referral triggers, providing a single point of contact for state government agency referrals rather than requiring contact across multiple agencies. The Agency has its own key performance indicators that it is assessed against in terms of timeliness and performance.

Recommendation 07

States and territories should establish a single point of contact for referrals across government agencies, with enforceable service-level agreements.

Council governance and accountability

Even with the elevation of significant projects to state government planning authorities for assessment, councils will still assess the bulk of new projects and housing. To this end, state governments must keep councils – which legislatively are a state government construct administering state government planning laws – accountable for their performance and responsiveness.

Members tell us that their experience with council performance varies greatly across the

country. Some councils are highly professional and responsive. On the negative end, we hear examples of waiting weeks for decisions because a key individual is on leave, or a total lack of responsiveness to inquiries.

Some states have established dashboards to provide transparency on council performance. Victoria for example publishes 'Know Your Council' performance reporting that includes planning metrics. NSW, in particular, has recently begun publishing detailed monthly dashboards of council

performance across numerous planning metrics. These types of transparency initiatives are a good first step.

The KPIs that are reported on should be detailed and stretch across the decision steps. From lodgement timeframes to development application assessment, through post-development application construction certificates. These KPIs need to be well designed, and regularly reviewed with both councils and industry, to ensure they are capturing the right information, that they are not being manipulated, and that they are continually updated to drive continuous improvement.

Governments however need to take this further to ensure timeframes are upheld, and all councils

are responsive and have processes in place to ensure applications are dealt with swiftly. It is not acceptable to hold an application until the return of an individual officer. It is also not appropriate to delay an application on other pretexts to prevent advancing a project. If a council regularly fails to meet basic timeliness requirements, then state governments should strip that council of planning responsibility altogether. Without accountability to drive performance improvements, they are not likely to occur. Conversely, good performance should be rewarded, with funding for meeting and exceeding KPIs made available for additional local projects or council priorities. We acknowledge that some jurisdictions, like NSW, have already begun moving down this incentivisation pathway.

Recommendation 08

State and territory governments should establish metrics across all aspects of planning decision-making (from pre-lodgement to post-approvals) and monitor their councils' performance. Underperforming councils should have planning decisions removed from their set of responsibilities. High performing councils should be rewarded with incentive payments.

Forcing decisions rather than stalling assessments

To ensure decisions are made efficiently, rather than allowing them to be stalled, governments should implement maximum time periods after which a decision must be made. To provide context on the importance of this, in one example, a BCA member reported a council asking for additional information on applications some two years after applications were lodged, delaying hundreds of new homes.

These 'deemed decision' requirements allow an applicant to force a decision to be made on a project if it is not decided within a certain period, so that it is not kept waiting indefinitely.

Some jurisdictions, like Queensland, go further and have 'deemed approval' provisions for certain limited development assessments like code assessments. This means that if an application is not decided within a set period, an applicant can seek to have their application deemed as 'approved'.

These types of provisions, allowing an applicant to force a decision where they feel they are being stalled by the planning authority and the statutory time limit has passed, gives proponents powers to cut short significant delays. This gives them back some power over their application. The provisions also provide a tangible consequence for planning authorities in meeting decision timeframes.

Recommendation 09

State and territory governments should ensure that planning systems have mechanisms for proponents to force a decision to be made if statutory timeframes have been exceeded.

Fixing consultation processes

Consultation processes for new developments or changes in suburbs typically attract those with time to spare or with a particular vested interest. As the research cited by the NSW Productivity Commission found, they are neither always representative of communities' views, nor do they typically capture the views of the broader city or region.

Given the economic and social impact of preventing a development proceeding, the approach to community consultation needs to be rethought. There also needs to be better recognition that submissions to projects are not an appropriate tool for justifying a decision or conditions on a project. While they may raise legitimate concerns, they may also surface many irrelevant views, or views that are not evidence based, which should not be given serious thought by the planning authority. They also may

be subject to campaigns that are designed to pressure decision makers by trying to provide the illusion they represent the broader community view when that is not the case.

The most appropriate approach when considering objections and comments should first be to determine whether they represent concerns that should be addressed or should be dismissed. Only if the concerns raised are likely to be seen as legitimate by a reasonable and uninvolved person should there be consideration of the appropriate approach to addressing a comment. The volume or tone of objections should be irrelevant given they will only ever represent a small cross section of the actual community. Comments around intangibles such as 'character' should not be considered, noting the BCA supports a balanced approach to heritage protection, as discussed later in the paper.

Recommendation 10

Community consultation processes should be refocused on evidence-based impacts on the existing community. Consideration of community feedback must weigh any comments in the context of the benefits of a project. It should acknowledge that comments represent a portion of the community, which is not always representative and often does not reflect the views of future residents of the proposed new homes.

Fixing the Federal EPBC System

While all new homes must go through a state or territory planning system, those that impact a 'Matter of National Environmental Significance' (such as threatened species or protected habitat) must also be assessed under the Federal Environment Protection and Biodiversity Conservation (EPBC) Act system. This typically impacts new homes on the fringes of a city, in greenfield areas. Over the life of the EPBC Act so far (from July 2000 to March 2024), residential development is the second most common type of project referred for consideration, only just after mining.³⁸

The EPBC Act was reviewed in 2020 by Professor Graeme Samuel, who found that "The Act is complex and cumbersome and it results in duplication with State and Territory development approval processes. This adds costs to business, often with little benefit to the environment".³⁹

One BCA member has told us that they have over 26,000 homes currently subject to EPBC Act assessment or in the pipeline requiring assessment soon across three states. Their experience is that EPBC decisions are taking longer than ever, with inconsistent methodology and decision-making.

The Federal Government has embarked on a multi-stage reform of the EPBC Act, as part of its 'Nature Positive' reforms. To date, however, the changes introduced into Parliament will deliver limited, if any, benefit for new housing. The Government has provided around \$100 million in funding to support faster decision making. The later stage of the reforms is hoped to improve efficiency and deliver clear standards for proponents and decision-makers, but these are still in development.

³⁸ Department of Climate Change, Energy, the Environment, and Water.

³⁹ Professor Graeme Samuel, *Independent Review of the EPBC Act: Final Report*, October 2020.

Recommendation 11

Reform of the EPBC Act to improve efficiency and certainty, in line with the broad recommendations of the Samuel Review, needs to be progressed.

Getting taxes and charges right

Poorly designed taxes and charges can impact the feasibility of a development and can also influence purchaser behaviour. That can mean less housing is built, people are less likely to move to appropriately sized premises, and it can impact capital available for new homes.

Developer contributions

States and local governments typically charge home builders levies, ostensibly to help fund infrastructure in a local area. These charges can vary depending on a range of factors including the cost, the contribution rate per square metre of new floorspace, the number of dwellings, the hectare size of the development, and whether the development is in a special development area. Work in 2021 by the then National Housing Finance and Investment Corporation (NHFIC) found that these charges can range between \$25,000 and \$85,000 per dwelling, or around eight per cent to 11 per cent of total construction costs.⁴⁰

Combined with the lack of certainty in some jurisdictions on the amount that will be charged, as well as circumstances where there is a lack of a direct nexus between the infrastructure expenditure and the housing being delivered, they can impose unnecessary cost and create new risks for home builders.

In that context, the risk identified by the NHFIC is that "... developer contributions increasingly act like a tax on new housing, which can impede new housing supply and reduce housing affordability for buyers and renters".⁴¹

Reform of development contributions is difficult and often fiercely resisted by local councils who are dependent on this funding. For instance, recent

attempts at reform in NSW were significantly pared back in the face of council criticism.

If housing supply is the priority, however, reform must be advanced. This is not to say that local infrastructure is not critical, but in the overall context of the housing supply crisis, high interest rates, and historically low approvals and completions, this funding method needs to be re-examined.

Some states have already recognised these charges can impact the delivery of housing supply. The Queensland Government has established a \$350 million fund to incentivise infill development by paying for infrastructure charges on eligible developments. The Victorian Government has committed to reforming its infrastructure charging system to facilitate more supply. The NSW Government's Accelerated Infrastructure Fund provides funding for infrastructure that supports the accelerated delivery of new housing supply.

Building on the Queensland example, over the next two years, state governments should provide relief to home builders on developer contribution requirements for projects that add to housing supply. They should provide direct funding to reduce the cost burden to facilitate the local infrastructure for new homes (in concert with the Commonwealth). That period should then be used to deliver new, nationally consistent contribution regimes that focus on limited cost/affordability, clear requirements that provide certainty, a direct nexus to the needs of the new housing, transparency on expenditure, and maximum delivery timeframes so that funded infrastructure is delivered promptly.

⁴⁰National Housing Finance and Investment Corporation, *Developer Contributions: How should we pay for new local infrastructure?*, August 2021.

⁴¹National Housing Finance and Investment Corporation, *Developer Contributions: How should we pay for new local infrastructure?*, August 2021.

Recommendation 12

States and territories should reduce the cost burden of developer contributions for two years and provide additional funds to support infrastructure provision directly during this timeframe. This time should be used to reform contribution systems completely, to fix issues around cost, nexus to housing, transparency, uncertainty, and delay in infrastructure delivery. The Federal Government should support this with funding, contingent on reform commitments.

Supporting build-to-rent

With rental vacancy rates well below healthy levels, Australia needs more rental supply in the market. The vast bulk of the current rental supply sits with individual property owners. This can mean a lack of stability in tenure for tenants and wildly uneven servicing of rental properties.

The build-to-rent industry is relatively nascent in Australia, yet it addresses these shortcomings with providers building apartments designed for renters, with building facilities and services focused on the rental market. These properties can improve the tenancy experience with longer tenures which reduce uncertainty, and professional management that supports maintenance and servicing of tenant needs. Australia should aim to facilitate higher-quality rentals by supporting build-to-rent development.

Political opposition to build-to-rent on the basis it supports renting over buying, or is aimed at high-income earners, is short-sighted. Build-to-rent on its own will neither be the panacea for new supply into the market nor most new homes delivered, but it is one important solution among many. Supporting the overall increase in the supply of dwellings helps ease pressure on the housing market for everyone, even those not directly taking up residence in a brand-new rental development. By bringing more capital into the housing market

to build new homes, build-to-rent is doing just that. The opposition to reform in this area only exacerbates the housing supply crisis and puts politics before people needing a home to live in.

The Federal Government has recognised that build-to-rent development has an important role in the housing market. Part of that is facilitating foreign capital investment in build-to-rent property, because that capital inflow results in the construction of more homes for Australians to live in.

The Federal Government recently introduced legislation intended to provide a more even playing field for foreign investment into Managed Investment Trusts that are funding build-to-rent developments. This is an important objective and one that should receive broad support. Unfortunately, the legislation introduced by the Federal Government has not progressed in the Senate. Furthermore, the Bill itself falls short of what is needed and was expected by industry when these changes were first promised. That is largely because access to the concessional tax rate is still too restrictive to be useful for much of the industry.

If the Government is serious about addressing this issue it will need to ensure Australia's build-to-rent tax settings are internationally competitive and help unlock a significant pool of capital.

Recommendation 13

Remove restrictions on access to the concessional managed investment trust withholding tax rate for build-to-rent projects that receive distributions from other trusts and extend access to existing projects.

Foreign investor surcharges

Several jurisdictions around the country have introduced 'foreign investor' surcharges that apply to foreign purchases of property. Fees may also apply in the context of Australia's foreign investment screening regime. These provide a financial penalty and send a broader signal that Australia does not want foreign buyers of our real estate. Australia, however, needs capital and funds to help deliver new home supply to the market. Sending the signal that we do not want foreign capital on new housing deters that money coming to Australia and paying to build new supply.

Some states, like Western Australia, provide exemptions for foreign buyers that produce at least 10 residential dwellings with their purchase.

We need new housing supply in Australia and that means we should be harnessing all the capital available to deliver it, including foreign investment. Ultimately, a new home built is a new home added to the Australian housing market, irrespective of where it was financed from. Whether that home is then on-sold or rented, it is providing a home to an Australian citizen or resident.

States should therefore reevaluate their foreign investor surcharges and provide exemptions that support rather than discourage foreign capital where it is used to deliver new housing supply.

Recommendation 14

States should reevaluate their foreign investor surcharges to exempt investment in new supply.

Moving from stamp duty to land tax

Stamp duty, or transfer duty, is charged by states and territories on the purchase of a property. While some concession schemes exist across jurisdictions (particularly for first-home buyers or for off-the-plan purchases, depending on state or territory), only the ACT is slowly phasing out stamp duty. Stamp duty is an inefficient tax that provides a disincentive to move to appropriately sized homes. For example, when a family home is occupied by empty nesters whose children have moved out, they are disincentivised by stamp duty from downsizing as they will have to pay a large upfront tax amount when they sell their larger property and buy a smaller one. The high cost of stamp duty also impacts labour mobility, as it is a disincentive for people to move to where new jobs may be available because of the cost of selling and buying another home.

Work from the e61 Institute shows that, on average, stamp duty in our capital cities costs five months of take-home income, and six months for Sydney and Melbourne. Referencing survey work undertaken by the Susan McKinnon Foundation, e61 also identified that stamp duty is deterring

almost a quarter of potential downsizers.⁴²

Instead, governments should repeal stamp duty and move to a land tax system, with much smaller regular payments rather than a large upfront lump sum.

This not only removes a tax disincentive for downsizers to right-size property, but a land tax also creates a new incentive to optimise the use of property. If a property is underutilised or vacant, the landowner is presented with an incentive to reduce or remove their tax liability, which they would be paying to hold the property.

The Federal Government should ensure that the GST distribution process rewards rather than punishes states and territories that make this transition. They should also consider incentive payments to encourage and reward reform and address the short-term financial impact of such a transition on state and territory budgets.

The BCA understands that this change has a major financial impact for state and territory governments. One option would be to phase this change in over several years.

⁴² Nicholas Garvin, Gianna La Cava, Angus Moore, and Aaron Wong, *Stepped on By Stamp Duty*, e61 Institute, 12 February 2024.

Recommendation 15

States and territories should move to phase out stamp duty and replace it with a broad-based land tax. The Federal Government should amend policy settings to reward jurisdictions that do this, such as by ensuring they are not penalised by GST distribution and providing incentive payments that assist with the financial impact on state and territory budgets from the transition (which may be phased over a number of years).

Vacant property taxes

Vacant properties form a relatively small portion of the nation's housing stock. There are several reasons why a property is vacant yet is also not appropriate for occupation (such as repairs or renovations). Yet vacant properties have a prominent position in the media and some politicians' arguments around the housing supply crisis.

The Victorian Government has instituted a vacant property tax, which is currently in effect in Melbourne and is being expanded across the state. The Federal Government charges additional fees to foreign property owners who leave their properties vacant.

A broad-based land tax (replacing stamp duty) on all property would better achieve the intended objectives of a vacant property tax. As described in the previous section, this performs the role of incentivising property owners to maximise use of their properties, without the unnecessary regulatory complexity of determining whether a property is vacant.

A well targeted and well-designed vacant property tax that minimises distortions, minimises compliance costs, and exempts appropriate circumstances where properties are vacant



(such as when a development is awaiting approvals) would be difficult to design in practice. As discussed earlier, this remains a niche issue in the context of the overall housing targets for the nation. The other solutions discussed in this paper would represent a better use of government's limited resources in terms of addressing the shortage of houses.

Recommendation 16

Rather than hard-to-police and complex vacancy taxes, to achieve the desired economic effect of encouraging best use of a property, governments should focus on removing stamp duty and replacing it with broad-based land tax.

Negative gearing and capital gains tax discounts

The issue of negative gearing (where expenses on an asset are greater than revenue received providing a tax offset opportunity) and the capital gains tax discount (a 50 per cent discount on capital gains tax from the sale of an asset if held for longer than 12 months) are often discussed in the context of housing, although these tax treatments apply across asset classes.

There is a disproportionate focus on these tax treatments as a solution to the housing supply crisis. Negative gearing is a longstanding general tax provision that allows investors to deduct interest payments on borrowings and other expenses incurred in producing assessable income. The provision simply recognises interest paid as a legitimate expense. It is most well-known for the purchase of rental housing and allows landlords to deduct the excess of their borrowing costs over rental receipts (net of other allowable costs such as maintenance, depreciation and fees) from their other taxable income.

It is widely accepted that savings income should be taxed at a lower rate than labour income to offset the compounding effects of taxes and inflation over time. This is needed to encourage investment and risk-taking. The 50 per cent capital gains tax discount on nominal gains provides

a concessional tax rate within the progressive income tax structure.

Negative gearing will only be attractive to a borrower where there is an expectation of an overall income gain. Perpetual losses, even if they reduce taxable income, are still losses. The interaction of negative gearing and tax treatment of capital gains tax may encourage investment in rental properties.

The BCA is not opposed to examining changes to the treatment of capital gains tax. We have previously argued that there was a benefit to achieving more neutral taxation of savings. We are open to investigating options such as changes to the capital gains tax discount (including both the rate and its broader application), the taxation of real gains, and the introduction of a tax-free threshold. Any such reforms will require analysis of effective marginal tax burdens and their compounding impacts on savings over lifetimes and likely behavioural responses to changes.⁴³

Ultimately, however, changes in these tax treatments will not deliver new supply of houses or make more houses available for occupation, which is what is required to address the current needs of the nation.



⁴³ Business Council of Australia, *Seize the Moment*, 2023.

Infrastructure delivery

Successful delivery of new housing requires supporting infrastructure. As the NSW Productivity Commission's work points out, making better use of existing infrastructure and services greatly reduces the overall cost to government of servicing new housing supply, even when upgrades to infrastructure are required. This was also highlighted by Infrastructure Victoria,⁴⁴ which was referenced in last year's 'Housing Australia's Talent' paper.

Whether it is greenfield housing that requires wholesale new supporting power, water, roads, transport, schools, parks, and other facilities, or infill housing that drives upgrades to existing infrastructure, funding is key to make this happen. That is why the BCA has previously advocated for federal funding for infrastructure that specifically supports new housing supply. Several states already have these types of funds in place to unlock new housing supply. The Federal Government has also stepped up through the National Housing Accord, with programs like the Housing Support Program providing a significant investment in infrastructure necessary for new housing supply.

The BCA commends governments on these investments and supports the continuation of these programs. We note, however, the Federal Government's commitment of \$1.5 billion in investment in housing specific infrastructure across the nation is only a small portion of its overall \$120 billion 10-year infrastructure spend. This type of infrastructure should be amongst the most highly prioritised.

Investment in major new infrastructure – like new metro and rail lines – also provides the basis for

supporting significant uplifts in housing. As already discussed, transport-oriented development opportunities are being pursued by some states to this end. Governments must continue to invest in this major infrastructure given it is truly transformative not only in terms of how people get around, but how they live and work.

Given the labour needs in the construction sector, governments will need to get the balance right between continued infrastructure investment, and industry capacity to support the delivery of other priorities, including housing supply and the



net zero transition. Infrastructure Australia has undertaken extensive work on capacity within the sector with a focus on infrastructure, and there may be opportunities to broaden that work across construction more broadly.

Recommendation 17

Governments should continue to invest in infrastructure that supports new housing supply. The Federal Government should increase its investment beyond the \$1.5 billion it has dedicated in this area. This includes both targeted local infrastructure programs necessary to unlock housing in specific areas, as well as transformative projects that support housing uplift across entire regions. Government infrastructure delivery will need to be managed in a way that does not overly strain construction market capacity required to also build new homes.

⁴⁴ Infrastructure Victoria, *Our Home Choices*, March 2023.

Confidence in quality

The new build market, particularly in terms of apartments, has been hit by a lack of confidence in quality in recent years. Fuelled by reports of major defects in apartments, as well as builder insolvency issues, it is understandable that purchasers are wary, particularly given a new home is typically the most expensive purchase in an individual's life.

Survey work by the NSW Government found that only 30 per cent of NSW residents had confidence in buying an apartment. The biggest challenge identified was not knowing whether a building had defects (64 per cent).⁴⁵



In NSW, the Government has undertaken a series of reforms to lift quality and restore confidence in the market, including the establishment of the NSW Building Commission. In Victoria, the Government has reformed the Victorian Building Authority.

NSW has gone further in its reforms, with the Government working with the private sector to provide new tools to support consumers in terms of information and safeguards for new developments. The iCERT star rating rates builders and developers out of five, providing buyers with a measure that allows them to consider the trustworthiness of a developer and builder, and assessment of their ability to honour commitments and fix defects. Home warranty insurance for new apartment builds has also recently returned to the market, to allow for defects coverage of high-rise builds.

More states and territories should be working to have these tools extended for builds in their jurisdictions and focus on lifting the quality of new builds across industry so that consumers have confidence to invest their money in the new buildings that will be necessary to support the nation's housing supply needs.

This is a customer-centred approach that recognises and rewards quality home builders and improves information for buyers deciding who to trust in building and purchasing their new home. It contrasts with regulatory-heavy systems that focus on licencing, as considered in other jurisdictions. Governments must balance the need to lift standards with the risk that more red tape will slow delivery of housing supply.

Recommendation 18

State and territory governments should work together to deploy a national rating system for developers and builders (preferably expanding the system already in NSW). They should prioritise actions to restore quality and confidence in new builds and apartments, including fostering an environment that will allow the broader return of building warranty insurance for high-rise developments.

⁴⁵ McCrindle, *Construct NSW: The state of consumer confidence*, NSW Government, May 2022.

Tackling poor behaviour on building sites

The behaviour of one of the construction unions, the CFMEU, has been subject to extensive news coverage in 2024, with accusations of corrupt conduct and criminal behaviour. The construction industry unions have a long history of issues, with the predecessor to the CFMEU, the BLF, deregistered by the Hawke Government in the 1980s due to corrupt conduct.

The CFMEU's history of unlawful conduct in the construction industry is long-standing and well known. Apart from recent media reporting about the allegations regarding criminal conduct and the engagement of criminals as officials and delegates, the CFMEU has a long history of civil contraventions of workplace laws. The Federal Court has noted that "on any view, the CFMEU is properly to be described as a well resourced, recidivist offender. Since 2010, it has been held to have contravened [section] 500 of the [Fair Work] Act more than 170 times in no fewer than 50 proceedings. Its record of contravening demonstrates a general disregard on its part of workplace laws".⁴⁶ The union has also been described as one of the greatest recidivist offenders in Australian corporate history,⁴⁷ one which views civil penalties as just a "collateral cost of doing its industrial business".⁴⁸

Allegations have been made against the CFMEU concerning enterprise agreement-making. These allegations are being reviewed by both the Fair Work Commission and the Fair Work Ombudsman. While the CFMEU pattern agreements are most relevant in commercial apartment building, civil and infrastructure construction, those terms can have flow on effects to other residential construction projects as builders compete for labour.

This behaviour has significant implications for the construction industry, including residential construction. It has the potential to drive up costs, lower productivity, and drive both individuals and businesses from the sector at a time when they are needed to address the national need for more housing. As already discussed, productivity in the sector has been declining, while construction times have been growing.

This is completely unacceptable and must be properly addressed by the Federal Government. The Government has appointed an administrator for the CFMEU's construction divisions. Even while this is occurring, the Government has resisted calls for a specialist regulator to be re-established.

Administration of the construction and general division of the CFMEU alone is insufficient, especially given the central importance of this industry. The Government must call a full judicial inquiry into the conduct of the building unions to root out criminal and unlawful elements once and for all and to examine the external circumstances and environments in which this conduct has reportedly flourished. Such an inquiry should not shield corrupt or criminal businesses either. This is an urgent and critical task if the reputation and productivity of the industry is going to be restored.

It is also worth noting that the CFMEU is not the only union involved in the industry, although it appears the most problematic given the issues that have been publicly aired. The Electrical Trades Union (ETU), for example, is also a significant player in enabling new housing supply given its involvement in electrical trades. In NSW, the ETU has engaged in a campaign of industrial action disrupting new housing supply through refusals to connect new housing lots to electricity, stalling the delivery of thousands of new homes.⁴⁹ Holding new housing supply to ransom is not a socially acceptable way to achieve their bargaining outcomes.

The Federal Government's 2023 decision to abolish the Australian Building and Corruption Commission (ABCC), at the urging of the CFMEU and the broader union movement, has proven to be ill-advised. When a strong and well-equipped regulator was needed more than ever, it was abolished. A regulator that can root out illegal conduct and has the powers to deal with potential organised criminal elements in the industry is critical given the behaviour laid bare for all to see.

⁴⁶ *Fair Work Ombudsman v Construction, Forestry and Maritime Employees Union (The Mordialloc Freeway Project Case)* [2024] FCA 655.

⁴⁷ *ABCC v CFMMEU (Boggo Road Cross River Rail Case)* [2022] FedCFamC2G 574.

⁴⁸ *Director of the Fair Work Building Industry Inspectorate v Construction, Forestry, Mining and Energy Union (No 2)* [2016] FCA 436.

⁴⁹ David Marin-Guzman, Campbell Kwan and Angela Macdonald-Smith, *Threat to customer safety cited in call to end sparkie work bans*, *The Australian Financial Review*, 9 August 2024.

Recommendation 19

The Federal Government must hold an urgent judicial inquiry into the criminal behaviour that pervades elements of the building industry.

Recommendation 20

The Federal Government must re-establish a specialist building industry workplace conduct regulator, with powers and penalties sufficient to deal with corrupt and criminal behaviour.

Getting the skills we need to build the homes we need

Australia faces a skills shortage in many of the areas required to support new housing supply. Over the long term, we must build and expand the workforce required to deliver the new housing we need. These range from the white-collar roles in delivery (project managers, architects, surveyors and engineers) through to the trades skills (plumbers, electricians, carpenters, bricklayers and the like).

The Federal Government is investing in 20,000 fee-free TAFE training places to support the construction industry. It is streamlining skills assessments for 1,900 potential migrants from countries with comparable qualifications who want

to work in Australia's construction and housing sectors. It is also prioritising the processing of around 2,600 Trades Recognition Australia skills assessments in targeted construction occupations.

We welcome these initiatives, but more needs to be done.

With one in three jobs in shortage last year – many of which are in the construction industry – migration will play an important role in providing the skills we need to boost housing supply and overcome the current crisis. Yet restrictions with international trade licencing recognition slow down and often prevent employers from hiring talented construction workers from overseas. Addressing this, together with better-targeted attraction of skilled migrants, is vital.

To develop the skills Australia needs to boost housing supply, we need an apprenticeship system that is seen as an attractive and valuable pathway to employment, has industry confidence, and builds a pipeline of skilled construction workers who can adapt to future labour market needs. A well-designed, targeted and effective employer incentive program is essential to this system.

However, recent Government changes have seen the employer apprenticeship incentives significantly reduced. This is a retrograde step, as reduced incentive payments will limit the ability of small and medium businesses to take on apprentices, including in construction trades.



The Government should restructure the existing Australian Apprenticeship Incentive Scheme to be employer-centric and increase payments to employers commensurate to the pre-June 2024 incentive rates. We propose an incentive system that:

- Has clear targets to raise quality commencement rates.
- Enhances assistance for apprentices and incentives for employers to improve completion rates and commencement diversity.
- Incentivises large businesses to expand successful pastoral care programs to support the broader supply chain of workers.

Employer-centric incentives that encourage and reward an employer's apprentice supervision, mentoring and diversity practices will improve the work environment and lead to higher commencement and completion rates in construction trades. This will provide a steady pipeline of qualified workers entering and remaining in the construction sector, helping to overcome the extreme labour shortages that are impacting housing supply.

Recommendation 21

Develop an employer-centric apprenticeship incentive scheme to boost apprentice numbers in the construction trades, and improve the quality of construction workplaces.

Recommendation 22

Improve efforts to harmonise and standardise trade licencing and accreditation across Australia to the highest standard to increase mobility of the construction workforce. Apply funding and compliance consistency between states and territories to remove operational red-tape and assist workforce planning. This includes apprenticeship regulations, licencing fees and legislation, and compliance and supervisor requirements for trades, as they vary in each state and territory.

Recommendation 23

Incentivise international workers with construction skills to migrate to Australia, including with a fast-track to permanency. This should include an expedited system for mutual recognition between comparable countries of occupational licencing and trade qualifications in construction occupations.



Securing the materials we need for building homes

Over the last few years there has been a substantial cost escalation in many of the materials needed to build new homes. Many of the materials required as an input to construction are shared with the infrastructure sector, and Infrastructure Australia's Market Capacity report⁵⁰ assesses a number of risks in the nation's capacity to support the forward delivery pipeline.

Infrastructure Australia identifies the capacity to meet the requirement for quarry products as high risk, with planning processes cited as the biggest constraints to expanding capacity. If sufficient well-located supplies are not established to support forward demand, there will be renewed pressure on costs for these critical inputs. Jurisdictions around the country should

have construction materials plans, developed with industry, so they have sustainable long-term supplies for the materials needed to build housing and infrastructure.

Efficient planning approval processes are important not only to directly support housing construction, but also to allow for the resources and materials necessary for that construction. The Victorian Quarry Approvals Coordinator is referenced as a good practice example of that state's focus on addressing this issue, and feedback from BCA members supports this model. States and territories facing quarry materials shortages should follow the Victorian model in establishing an approvals coordinating entity.



Recommendation 24

States and territories should develop construction materials plans aimed at ensuring long-term supply needs for industry are able to be met, and jurisdictions facing shortages should establish an approvals coordinating authority.

⁵⁰ Infrastructure Australia, 2023 Infrastructure Market Capacity report, December 2023.



Supporting innovation

There are several innovations in housing supply that should be supported and nurtured by governments.

Build-to-rent is one of these, and the previous section on taxation discusses the key change needed at a federal level to support the funding of these projects. Some states have also implemented measures that go towards further supporting build-to-rent. Queensland, NSW, Victoria, and Western Australia have all introduced state tax concessions that incentivise the development of build-to-rent housing. There are also planning pathways in some states specifically catering for build-to-rent projects.

The use of modular or prefabricated housing is another area where new homes can be delivered

more quickly to meet demand, at a lower cost level, while maintaining quality of build. Standardised design guidelines and approval processes can assist in the rollout of these properties. Regulatory barriers to the deployment of these homes as part of the housing mix also need to be identified and overcome.

Land lease communities can be leveraged to provide more affordable housing stock and another opportunity to harness institutional investment. Under this model, an institutional investor retains ownership of the land and receives rent for the site, while the homeowner owns the house outright and retains capital gains on sale.

Recommendation 25

Governments must prioritise processes which enable and supercharge innovation in housing supply. This includes build-to-rent, modular/prefabricated housing, and land lease communities.

Reforming heritage laws

Australia's multilayered heritage protection systems are intended to protect and conserve the nation's cultural heritage. Examples of the wanton destruction of architectural heritage in the 1960s and 1970s, and near-misses like the proposals to tear down Sydney's Queen Victoria Building for car parking, must never be allowed to happen again.

Yet today, with much of our major cities frozen due to heritage protection, it appears that the pendulum has swung too far in the opposite direction. The protection of entire suburbs, particularly close to high amenity centres, has pushed up prices by increasing scarcity of dwellings and forcing new builds farther from city centres. Media reporting of the heritage protection of brutalist car parks⁵¹ and the apparent use of heritage systems by councils to stymie new developments that they oppose⁵² makes a mockery of the current heritage laws.

These laws must be reformed. Heritage protections should not be allowed to apply to entire suburbs where housing development is ruled out irrespective of amenity and need, and irrespective of the genuine uniqueness (or lack thereof) of what is being protected. Heritage controls must be balanced with social and economic consequences, including opportunity cost.

In essence, heritage laws must be balanced to protect the most unique and important cultural heritage of Australia while still allowing the upgrade of the nation's cities and their housing stock so people have somewhere to live close to transport, services, infrastructure, and jobs.



Recommendation 26

The Federal Government should develop a set of best practice heritage laws for consistent application across the country by state and territory governments. These must restore the balance between building our cities and protecting unique and important heritage.

⁵¹ Cara Waters, 'Like protecting a cigarette factory': This '70s car park has been heritage listed, *The Age*, 4 April 2023.

⁵² Michael Koziol, Eastern suburbs councillor admits 'heritage' used to block development, *The Sydney Morning Herald*, 29 March 2023.

Fixing precinct development

The development of new precincts, unlocking new land for housing, is a key role for government. This can mean new supply on the outskirts of cities, or it can mean redeveloping large precincts in existing parts of the city from unutilised or underutilised land. To facilitate new homes, there is often a need for lots of land to be consolidated for master planning and rezoning to occur and for new infrastructure to be delivered.

This is a role that governments often undertake but they can sometimes lose sight of the end goal, which is delivery of quality housing supply. Precinct development should not be about selling land for maximum profit, nor should it be about exercising maximum control which can delay start of delivery. Governments must do the work required to get sites ready for new housing efficiently and then get a home builder in to start building homes.

Our members tell us that the Victorian model, under Development Victoria, is good practice

in Australia and worth replicating, but even that model can struggle to meet timeframes.

Members underscore that precinct development is not just about selling land as an end in of itself. Nor is it an infrastructure project which needs complete project control from the agency. Governments need to prioritise fast delivery of housing supply, which means getting a delivery partner in quickly, and potentially establishing a profit-sharing approach.

Governments should set clear goals and timeframes for delivery, not solely reliant on the views of the delivery agency based on how long it plans to take, but also on the needs of housing policy. These projects obviously must be well designed and supported with infrastructure, but they also cannot be left to languish as bureaucracies take too long to get things ready.



Recommendation 27

State and territory governments should review their precinct development processes to establish a single coordinating function within government, and minimise time between identification of a precinct and its delivery.

Utilities supporting new housing



In terms of delivery of housing supply, and of infrastructure more broadly, utility connections like water and electricity are a major input. To that end, it is important that utility providers have quality, responsive processes in place that aid and support delivery of new housing supply. Across the country there are a mix of private sector and government owned providers that the community rely upon to facilitate the connection of new homes to power and water networks.

These service providers have an important role to play in our communities, and typically operate in a highly regulated environment. It is critical that we do not place additional costs or new regulatory burdens on them, particularly given those costs risk being passed onto consumers. But it is also important that they are responsive to the national objective of delivering new homes. An approach with a clear customer-centric focus will help greatly with this, and we acknowledge that some providers already have this as part of their DNA.

Governments should work with utility providers to ensure that all, particularly those that they own, are lifted to these high standards. This must occur with appropriate, clear, and transparent processes to support the delivery of housing, as well as escalation mechanisms for when they are required.

Some governments, such as in Victoria, have enforceable standards for electricity connections on greenfield sites, with the goal of supporting

housing sector connections. The Western Australian Government has also recently reformed processes for greenfield electricity connections to facilitate faster connections.

The BCA is not calling for further regulation, but rather a cooperative approach that recognises the priority governments have placed on new housing supply.

Endeavour Energy, a NSW electricity distributor servicing some of Australia's fastest growing regions, has streamlined its connection process and replaced paper-based application systems with a transparent online portal which has dramatically reduced connection times and transformed the customer experience. It has also signed a memorandum of understanding with water and gas utilities to strengthen collaborative opportunities and improve planning and delivery outcomes.

To the greatest extent possible, utilities should work together to facilitate streamlined plans to deliver electricity and water for new developments. This will require local and state governments to plan and approve transport corridors well ahead of utility construction. Governments should also consider funding these infrastructure assets where they have the potential to unlock new housing supply, particularly where it can support multiple developments, to reduce the impact on housing supply feasibility.

Recommendation 28

Governments should work with their utility providers to ensure they have appropriate, clear, and transparent processes in place to support the delivery of housing. Governments should provide funding for utility projects that facilitate new housing supply. Further, utility regulatory and governing bodies should consider a list of reforms to utility connection asset provision such as requiring utilities to:

- Streamline and allow, where possible, digitised standard residential connection processes.
- Establish online portals to enable the free flow of information to and from utilities.
- Develop and publish clear, transparent, and consistent guidance on when contributions are required to be made to utilities for new infrastructure.
- In cases where entities are required to contribute, develop a servicing market to enable choice of provider with the aim of improving timeliness and lowering costs.
- Make information available on their websites such as available capacity, emerging constraints, and augmentation plans.



Regional housing supply

Housing challenges are not solely constrained to the nation's capital cities. Home prices across regional Australia grew faster than capital city prices in the first quarter of 2024. Rents also continued to rise strongly in the regions, despite beginning to slow in capital cities.⁵³ Those increases have only begun to moderate more recently, with regional property value increases just recently falling back behind capital cities, and rents still growing faster than in the capital cities albeit at a slower level than earlier in the year.⁵⁴

The move to deliver more housing supply across the nation cannot be at the exclusion of regional Australia.

Several state government programs across the nation are designed to specifically target regional housing supply needs. This includes specifically targeted funding programs, supply targets for regional areas, and different dollar thresholds for regional areas that allow them to access programs

that facilitate faster decision-making, recognising absolute price differences with capital cities.

Regional infrastructure is more reliant on work across the three levels of government. Federal and state investment in regional roads, coupled with local council investment, needs to be well coordinated to deliver quality connectivity outcomes. Connectivity not just within towns but also between centres is essential to facilitate access to essential services, freight and jobs. Digital connectivity is also essential to support population growth and provide services.

Housing supply is key to helping regional areas reach their full potential. Different regional housing markets will have different demand drivers and demographics, which means a one-size-fits-all approach does not always apply. Opportunities such as disused government land or other brownfield sites should be harnessed when they are available.



Recommendation 29

Governments should consider the centrality of housing in helping regions reach their potential when setting housing targets for regional Australia. All levels of government need to work together to deliver the infrastructure needed for successful growth and development of regional towns and cities.

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⁵³ CoreLogic, *Regional Market Update*, May 2024.

⁵⁴ CoreLogic, *Regional Market Update*, August 2024.

08

Conclusion



08

Conclusion

For Australia to remain prosperous and competitive – with vibrant communities and affordable housing options that give people real choice in where they live – we must address housing supply.



If Australia as a nation is going to address inequality, if the nation is going to avoid further displacement of people away from jobs, services, friends and family, and if we are going to prevent economic stagnation, we must address housing supply.

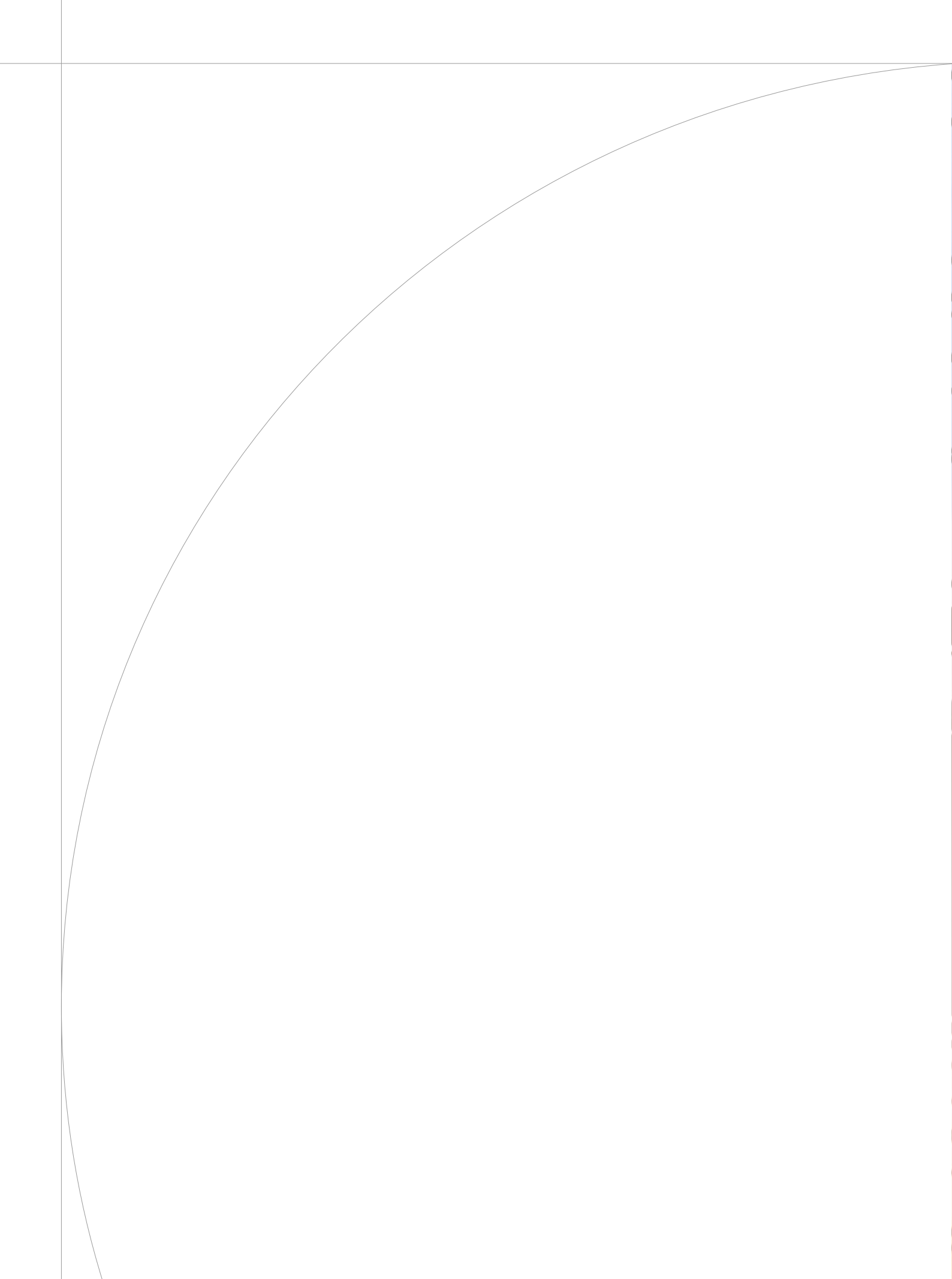
Governments have heard this message and have begun the work needed. But as this paper makes clear, there is so much more to do.

The BCA backs the Federal Government's ambition to deliver 1.2 million new homes over five years. But the regulations that govern housing supply need to be fixed and foundational policy addressed if Australia is ever going to reach that milestone. The above recommendations focus on this challenge and range from how planning systems operate, to tax changes, industrial relations, skills needs, and related infrastructure delivery.

Changes made by governments will take several years to result in new supply. That means the nation does not have the benefit of time to see if the current set of reforms will be successful. Nor do we have the luxury of pursuing populist or ideologically driven housing policies which will not actually deliver on the supply of homes needed. We need further reform that creates supply now.

The BCA is one of many groups calling for further action. The recommendations in this report are the things we think – based on the expert advice from our members – need to happen as soon as possible. The ball is squarely in the court of governments around the nation to make the changes necessary for industry to act on the ambitious housing targets to address Australia's housing supply crisis.

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