



HIA FEDERAL ELECTION IMPERATIVES 2022

**HOME
OWNERSHIP
MATTERS**



HOME OWNERSHIP MATTERS



75% think 'everyday Australians' should be able to own their own home.



of renters aspire to own.



Feel they will achieve it.

53% believe there is a role for incentives that support home ownership.



69% say governments have a role in helping Australians become home owners.



Housing affordability

is among Australians' top concerns, after COVID-19, cost of living and healthcare.

Source: National poll of 1500 Australians on Housing Issues, JWS Research, January 2022



Alwyn Even
HIA National President

HIA PRESIDENT'S MESSAGE

While no one could have predicted the impact COVID-19 would have on housing – both new and existing – the essence of the COVID-19 shock for all Australians has been to reaffirm that home ownership matters now more than ever.

This year's federal election comes at a time when constraints on labour, building material supplies and residential land have become the biggest impediment to home building in many decades.

More than 1 million people are engaged in residential building work across Australia every day helping hundreds of thousands of people realise their dream of home ownership.

Australians have experienced a mix of restrictions on the way we live and work over the last two years. Lockdowns, prolonged 'work from home' arrangements, travel limits and new safety practices to address a hidden virus, have transformed how we all do business. While some things may return to the way they used to be, it's safe to assume that many of the changes are here to stay.

The 2020 stimulus for new home building and renovations is proving to have been just the beginning of Australia's largest home building boom. Australians are continuing to put their savings into their home, whether it's a new home or a renovation.

Despite this, 57% of Australians say COVID-19 has made it more difficult to buy a home. Housing affordability remains a top concern for Australians.

69% of Australians believe there is a role for governments to help people become home owners. A federal government can clearly have a positive impact on housing supply and support Australians to achieve home ownership.

HIA's 2022 federal election imperatives set out the key issues we believe an incoming government must address if we are to sustain the benefits of stronger new home building activity well into the future to support the Australian economy and most importantly, help first home buyers move into their own home.



HOUSING OUTLOOK

There is an exceptionally high level of residential construction underway across new home building and home renovations. This is the culmination of low interest rates, fiscal policy measures promoting economic recovery following the pandemic and a marked shift in household spending patterns. Households increased their savings and increased expenditure on their homes during the pandemic.

Leading indicators imply that a high level of home building activity will be sustained throughout 2022. Looking further ahead, a shift away from the expansionary monetary and fiscal policy settings are expected to see household's reduce expenditure on their homes.

The number of new homes that commenced construction in 2021 was comparable to the all-time high recorded in 2016. Yet this cycle differs from the 2016 cycle in that activity is driven by a record volume of detached house construction which is geographically dispersed rather than a boom in capital city apartment construction.

This cycle had been characterised by elevated levels of demand, constrained supply and a rapid escalation in input prices. The spike in demand for new homes has exacerbated many of the supply side issues that have perpetually challenged the industry, such as the shortages of skilled trade workers and a lack of shovel ready land for housing. Disruptions to international supply chains and domestic and international freight have presented additional challenges.

The industry is set to face further challenges in 2022 and beyond as substantial changes to the National Construction Code are scheduled to be adopted.

There has been a marked shift in the housing market dynamics during COVID-19. Vacancy rates remain low despite the halt to overseas migration and high level of home building.

Changes in household spending patterns and newfound ability to work from home have changed the way people live. People have sought more 'breathing space' with some households seeking larger homes to accommodate space for work, others moved out of cities to regional areas while others created new households in order to reduce household density.

Now is the time to review the nation's housing supply strategies taking account of these changes and challenges.

Housing affordability has deteriorated further over recent years which is the enduring legacy of the past policy failures that have impeded the efficient supply of housing over several decades. The Australian Government must have the ambition to set the country on a path to make sustained improvements in housing affordability and ensure that home ownership is an attainable aspiration for all Australians.

HIA FEDERAL ELECTION IMPERATIVES 2022

1 MAKE HOUSING SUPPLY A NATIONAL PRIORITY

The Australian Government has a role to set a pathway to increase housing supply and reduce the cost of new housing.

2 UNLOCK LAND SUPPLY TO SUPPORT NEW HOUSING

A long term, national commitment to land supply management must be a priority.

3 SUPPORT HOME OWNERSHIP

Expanding support for people looking to own their own home is critical to improving Australia's home ownership rates.

4 INCREASE ACCESS TO RENTAL HOUSING

Over the next 5 years governments must focus on maintaining and growing the supply of rental housing.

5 GROW THE SUPPLY OF SOCIAL AND COMMUNITY HOUSING

The Australian Government has a role to play in facilitating ongoing investment that can increase the supply of both social and community housing.

6 A POPULATION STRATEGY TO BUILD OUR FUTURE

Australia must implement a strategy to navigate the population challenges post COVID-19.

7 MAINTAIN A STABLE INDUSTRY WORKFORCE

Support the pipeline of skilled trades by maintaining strong levels of training commencements and completions.

8 MAINTAIN THE RIGHTS OF INDEPENDENT CONTRACTORS

A streamlined, nationally consistent approach is needed to keep genuine independent contractors in business.

9 REDUCE THE BURDEN ON NEW HOUSING

Reducing the taxation and regulations on new housing can unlock activity leading to further economic benefits for all Australians.



1 MAKE HOUSING SUPPLY A NATIONAL PRIORITY

There continues to be an insufficient supply of housing to accommodate Australia's growing population. There are significant barriers that continue to prevent the housing industry from supplying enough homes to meet demand. As a consequence, the cost of housing in Australia is higher than it needs to be.

A well housed population is more productive, cohesive and healthy.

Setting Australia on a path towards a meaningful and sustainable improvement in housing affordability is a challenge. Real reform will require a coordinated approach by all levels of government, utilising national cabinet to ensure existing and future intergovernmental agreements target funding to genuine outcomes that support housing supply and improve housing affordability.

There is a role for the Australian Government to set a pathway that will lead to increases in housing supply and reductions in the cost of new housing.

ACTIONS:



- **Commit to appointing a Federal Minister for Housing Supply within Cabinet.**
- **Commit to making the necessary investment to achieve the objectives and commitments of the National Housing and Homelessness Agreement across public and private housing supply.**
- **Establish a National Federation Reform Taskforce for Housing Supply dedicated to developing a National Housing and Land Supply Strategy.**

2 UNLOCK LAND SUPPLY TO SUPPORT NEW HOUSING

Housing supply is fundamentally linked to land supply yet the supply chain for residential land in Australia remains broken.

The systemic issues arising from the zoning, subdivision and development processes across all states and territories means it continues to take more than a decade to bring unzoned land to market as shovel ready land.

Australia lacks the necessary data that can be relied upon at a national level to plan for Australia's housing future. While the National Housing Finance and Investment Corporation (NHFIC) has received seed funding to address this issue, a long term, national commitment to the land supply management must be a priority.

The National Housing and Homelessness Agreement provides the necessary foundations for this to occur, but is yet to be directed in a meaningful way by the Australian Government to achieve the outcome.

ACTIONS:



- **Task NHFIC to undertake land and housing data collection in line with the National Housing and Land Supply Strategy.**
- **Prepare an annual report for progress against the National Housing and Land Supply Strategy including reporting on the seven stages of land development. The first report being available by July 2023.**



IT CONTINUES TO TAKE MORE THAN A DECADE TO BRING UNZONED LAND TO MARKET AS SHOVEL READY LAND

3 SUPPORT HOME OWNERSHIP

Increasing home prices are a barrier to those trying to purchase a home, with the rate of home ownership in Australia declining, particularly amongst younger people.

Saving a deposit that meets the requirements of lenders, including the cost of upfront transaction taxes, is the biggest barrier to those aspiring to buy their own home.

The First Home Loan Deposit Scheme (FHLDS) is an Australian Government initiative that has supported thousands of first home buyers to build or buy their first home sooner.

Operating alongside new home building grants, the FHLDS and New Home Guarantee has contributed to first home buyer activity reaching historic highs in late 2020 and early 2021. While it is a positive outcome, improvement needs to be sustained in the years to come.

The FHLDS is currently capped at 10,000 places per year which is only around 10 per cent of the first home buyer market. Expanding the FHLDS in order to maintain the high levels of first home buyer participation is a real opportunity.

Most people who buy a home remain home owners throughout their lives, however some encounter hardship and are forced to exit home ownership. Identifying ways to support a person to re-enter home ownership is an equal challenge for thousands of Australians and deserves attention. The Family Home Guarantee has offered a useful first step in addressing this cohort of home seekers but more could be done.



- **Make raising the rate of home ownership among those aged under 40 a specific goal of the next National Housing and Homelessness Agreement.**
- **Expand the FHLDS by uncapping the number of places available and maintain the New Home Guarantee and Family Home Guarantee places.**
- **Introduce fiscal support measures that can assist households re-enter home ownership. This could be through enabling conditional access to superannuation savings or expanding the FHLDS to non-home owners.**
- **Investigate the viability of a shared equity scheme to enable low income households to purchase a home.**



EXPANDING THE FHLDS IN ORDER TO MAINTAIN THE HIGH LEVELS OF FIRST HOME BUYER PARTICIPATION IS A REAL OPPORTUNITY



4 INCREASE ACCESS TO RENTAL HOUSING

The high cost of housing has transferred to high rental prices in the private market with vacancy rates remaining very low across Australia, despite the gap in migration.

A change in internal migration has also seen population growth moderate in the major cities and strengthen in regional areas with a corresponding shift in demand for housing, resulting in acute rental shortages in almost every regional market.

As Australia's borders reopen, pressure on rental affordability will increase. It is critical that over the next 3-5 years governments focus on maintaining and growing the supply of rental housing.

The private rental market in Australia is underpinned by stable tax settings – this must remain the case.

Alongside the existing arrangements that support private rental housing, the 'build to rent' market is expanding. Providing opportunities for people seeking long term secure rental housing in the private market can supplement the traditional rental market. However it is important that growth in this sector is complementary and not at the expense of existing and future mum and dad owners of private rental housing.

Increasing housing costs mean a larger number of low income households are likely to require more financial support, through Commonwealth Rent Assistance (CRA) and access to dedicated affordable subsidised housing in order to avoid housing stress and provide stable housing options.

Indexation of CRA has not kept pace with growth in private sector rents. Even with CRA payments, many households are unable to avoid housing stress. This forces those who can least afford housing out of the private rental market and increases demand for subsidised housing, whether social or community.

ACTIONS:



- **Maintain the existing tax settings that apply to rental income and capital gains from investments in residential property.**
- **Ensure any incentives aimed at increasing the supply of 'build to rent' housing do not create unintended consequences on the existing incentives and supply of private rental housing.**
- **Review Commonwealth Rent Assistance to ensure it remains appropriate for the contemporary rental market.**

5 GROW THE SUPPLY OF SOCIAL AND COMMUNITY HOUSING

Underinvestment in social and community housing has persisted for decades and has diminished the capacity of the sector to accommodate the demand that will continue to grow post pandemic.

The creation of the National Housing Finance and Investment Corporation (NHFC) bond aggregator has facilitated much needed capital investment in the affordable housing sector over recent years and this needs to continue.

The Australian Government has a role to play in facilitating ongoing investment that can increase the supply of subsidised housing, both social and community, to provide year on year growth in the supply of homes for Australia's most vulnerable.



- **Continue to support the NHFC to issue bonds that facilitate the delivery of community housing.**
- **Implement a funding mechanism that will facilitate greater private sector investment in residential development projects that increase the supply of community housing.**
- **Through the National Housing and Homelessness Agreement identify mechanisms that can ensure all governments commit to the delivery of new social housing supply year on year without increasing the taxes on new housing.**



THE AUSTRALIAN GOVERNMENT HAS A ROLE TO PLAY IN FACILITATING ONGOING INVESTMENT THAT CAN INCREASE THE SUPPLY OF SUBSIDISED HOUSING



6 A POPULATION STRATEGY TO BUILD OUR FUTURE

Australia must rapidly implement a strategy to navigate the population challenges post COVID-19 and recognise Australia's ongoing demographic challenges.

The pandemic has delivered a significant shock to Australia's labour force that will take years to recover from. At the same time, older workers are continuing to exit the workforce in larger numbers. This will place pressure on expenditure in the years ahead for both aged pensions and health care.

The Australian economy must continue to grow and improve productivity to ensure that governments have sufficient fiscal capacity to deliver the standard of public services the community expects.

Attracting skilled and productive young workers from overseas will also be crucial in offsetting the impact of Australia's aging population.

Australia's immigration policies should target working aged skilled migrant and business migration to assist in mitigating the rate of decline in the share of our working aged population compared to those aged over 65.

ACTIONS:



- Remove the cap of 160,000 migrants per annum.
- Improve the timeliness and reduce the cost of the visa application process for skilled trades in construction.
- Remove the unnecessary barriers that temporary visa holders face in applying to transition to a permanent visa.
- Establish appropriate visa arrangements for students and skilled foreign workers to hasten the restoration of overseas migration.



7 MAINTAIN A STABLE INDUSTRY WORKFORCE

The shortage of skilled trade workers in the residential building industry is persistent. Prior to the pandemic there had been a steady decline in the number of students studying trade qualifications, with high rates of student attrition.

The measures put in place to support apprentices retain employment throughout the pandemic disruptions have successfully reduced the attrition rate. The apprenticeship wage subsidies also contributed to a substantial jump in the number of students undertaking trade training. The approach has been very effective in motivating employers to hire apprentices and it is expected that the extension for continuing apprentices will see stronger rates of completion in the coming years.

In order to alleviate the structural shortages of skilled trades it is critical that the current level of training commencements and completions are maintained.

While creating training and employment opportunities for local workers must always remain a priority, it is also critical that the migration system provide greater scope for unmet demand for skilled trades, whether through short or long term strategies. The pandemic has clearly shown a workforce limited to local supply cannot adequately meet the nation's needs during peak periods of home building.

The current visa categories and pathways for skilled building trades are inappropriate, complex and costly, meaning very few people take up the opportunity. The system is biased to university qualifications despite the minimum requirements to train and gain a license in Australia being through vocational education and experience.



- **Maintain strong financial support for apprentice commencements and completions to ensure the pipeline of skilled trades in construction is supported post COVID-19.**
- **Create a level playing field for appropriately qualified skilled trade workers under the visa points test for careers that are founded on vocational education in Australia.**
- **Develop pathways for international students to undertake recognised trade qualifications in Australia and gain industry work experience to forge a career in the Australian residential building industry.**
- **Introduce a new visa category for qualified tradies operating an independent business in their country of origin that addresses the point system bias to university qualifications and duly recognises the business skills.**

8 MAINTAIN THE RIGHTS OF INDEPENDENT CONTRACTORS

Independent contracting underpins the high productivity rate of the residential building industry in Australia.

Against this backdrop the rise of the 'gig' economy and contractors that work through online platforms is fuelling confusion regarding the definition of a genuine independent contractor.

Some of this confusion arises from the inconsistent treatment of contractors by government agencies based on varying definitions.

In seeking to define 'gig' workers there is also potential for more stringent regulations that unduly impact genuine independent contracting.

A streamlined, nationally consistent approach is essential and will ensure that more than 200,000 genuine independent contractors operating in residential building can continue to do business.

ACTIONS:



- **Ensure any regulatory proposals to address the gig economy do not seek to extend or change the existing regulation of genuine independent contractors.**
- **Establish one single national objective test, based on the 'results test', for determining who is an independent contractor for all relevant commonwealth and state legislation.**



INDEPENDENT CONTRACTING CONTINUES TO UNDERPIN THE HIGH PRODUCTIVITY RATE OF THE RESIDENTIAL BUILDING INDUSTRY IN AUSTRALIA



9 REDUCE THE BURDEN ON NEW HOUSING

Australia's tax system unfairly targets new home building and renovation work with housing remaining the second most heavily taxed sector in the Australian economy.

Research shows that the cost of a house and land package in Australia's capital cities includes up to 50 per cent taxation.

The excessive tax on new housing acts as an impediment to the supply. The productivity benefits of new home building and its multiplier effect in the Australian economy has been clearly borne out during the pandemic. Reducing the direct and indirect taxation of new housing can unlock more housing activity leading to further economic benefits for all Australians.

Residential building work is also one of the most regulated industries in Australia. While much of the regulatory burden arises from state and territory governments, the collaborative approach through National Cabinet and the many national partnership agreements in place that impact housing, provide a genuine avenue for reform.

COVID-19 has placed an unexpected and undue burden on small businesses. The rate of change in managing restrictions and risk has limited business capacity to manage other regulatory changes. Residential building businesses need time to recover and connect post pandemic.

ACTIONS:



- **Require states and territories to implement reforms that lower the tax burden on new housing through the next National Housing and Homelessness Agreement.**
- **Eliminate situations where a state tax is levied on a federal tax (e.g. stamp duty being calculated on a GST inclusive purchase price).**
- **Undertake a review of the regulatory impact assessment process to establish a method for assessing the cumulative impact of regulations, codes and standards on house prices and better addressing social policy issues.**
- **Gain agreement through National Cabinet for a national moratorium on new regulations affecting the price of new housing and provide 'clear air' for industry to focus on recovery.**

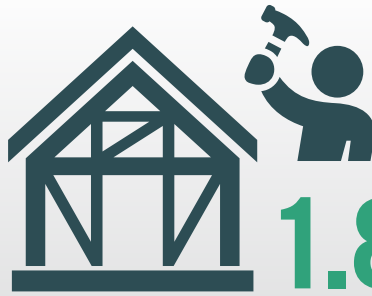
HOUSING FACTS



1.86M

over the last 10 years the housing industry built over **1.86 million homes**

Australia has around **10.72 million homes**



1.88M

Australia will need to build over **1.88 million new homes by 2031**

There are over 1 million people employed in residential construction in Australia



1M



\$108.1 B

There was over **\$108.1 billion of residential building work** done in Australia in 2020/21

6.9%

Residential building activity accounts for **6.9% of expenditure in the Australian economy**



Figures based on Australian Bureau of Statistics data and Housing Industry Association research

For further information contact:

policy@hia.com.au

02 6245 1364

@HIAhousingvoice

#homeownershipmatters

visit hia.com.au

Authorised by G. Wolfe for the
Housing Industry Association.
79 Constitution Avenue, Campbell ACT 2612.



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