



# 2024-25 HIA WA Pre-Budget Submission

WA State Government and  
Department of Treasury  
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## 2024-25 Pre-Budget Submission

The Housing Industry Association (HIA) makes the following submission to the Treasurer and the Department of Treasury to inform deliberations ahead of the 2024/25 Western Australian Budget.

### Housing Overview

Without dwelling on the past, the events that have occurred since the beginning of 2020 have created an environment locally, nationally, and globally that has dramatically shifted the focus onto the housing industry.

The last three years have been as challenging for the home building industry as any time we have seen in the last 40 years. Material and labour availability challenges, well documented price rises, shortages of skilled workers, global conflict, and rising interest rates are just a few of the challenges the home building industry has been navigating.

Some businesses have made it through, unfortunately some have folded? and many are still navigating their way through their own volumes of work. Cash flow still remains a significant challenge for many sectors of the home building and construction industry. Credit insurers are cautious due to the recent solvency issues around the country and many manufacturers and suppliers are unable to provide the flexibility that was once there having further impacts on builder supply and cashflow.

Many of these challenges though have not been isolated to home builders. Similar challenges have been felt by land developers, property developers, government departments and GTE's; all key contributors to the housing delivery pipeline.

As well as those that build the homes, the last three years have created significant challenges for those just seeking a roof over their head. Rising interest rates and cost of living pressures have significantly increased the demand for social, community and affordable housing.

WA's rental vacancy rate has hovered below 1% for the best part of two years and this combined with a significant amount of 'homes under construction' demand has meant that the median rental price and the median house price continues to rise, placing significant cost pressures on many in Western Australia.

The social and community housing sector suffered from significant periods of under investment between 2015 and 2018 resulting in a shortage of social and affordable accommodation. This is evident in the metropolitan area as well as the regions with GRO housing in high demand. The social housing sector has been a key focus of the current government with significant investment allocated.

NHIFIC recently released a report that suggests WA will be 25,000 houses short over the next five years. This shortage is only likely to see a further widening in the already highly constrained affordable rental market creating further challenges for renters.

Skilled workers remain Western Australia's biggest restriction to delivering it's housing targets. As a state, currently we only have the capacity to complete 14,500 homes per annum. Apprentice commencements grew significantly over the last three years and while completion rates remain a focus, many new tradespeople will expect to be qualified and working in the sector by the end of 2024.



While every attempt should be made to boost housing supply it must be done in a way that is coordinated to ensure that we don't overheat the construction market again. This can be achieved with continual support for the increase in trade capacity as has occurred over the last three years and promoting sustainable future growth.

## Housing Forecast

While there is no debate that WA has a significant housing challenge ahead of itself over the next five years, there is also reason for optimism.

The current economic outlook suggests that WA has the potential for a steady and sustained recovery with a strong pipeline of projects across a broad portfolio of industries that will help diversify our economy.

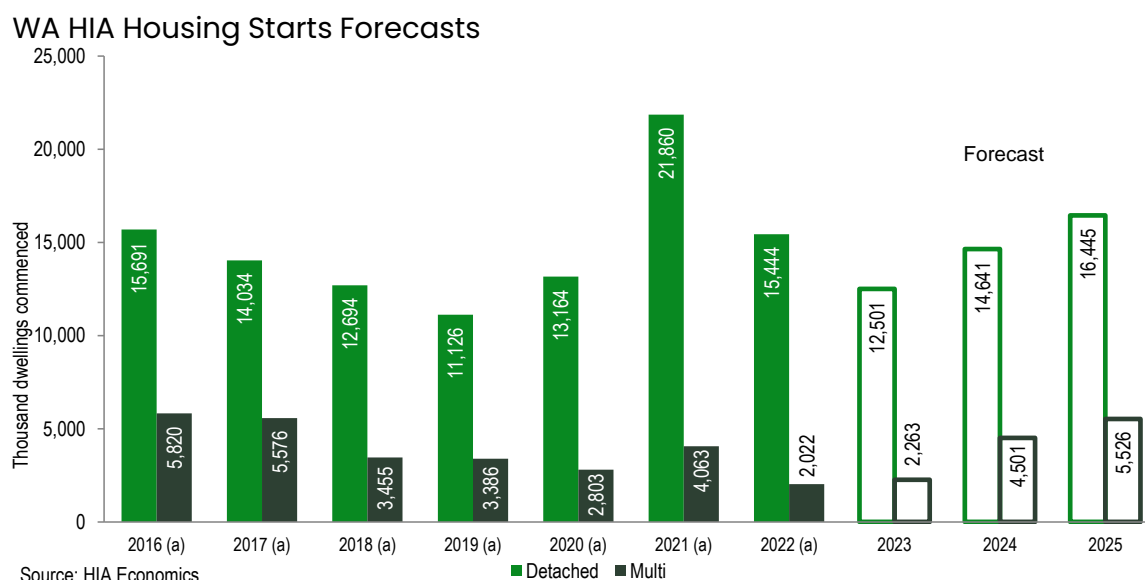
More than 75,000 people migrated to Western Australia over the last 12 months with no evidence of this number slowing down. WA's unemployment rate is currently 3.6% with even the most pessimistic economist suggesting it may only rise to 4%.

HIA acknowledges that the WA State Government has worked collaboratively with all stakeholders over the last two years to pull all levers possible to deliver housing supply for the short, medium and long term.

This includes significant money invested in social housing, infrastructure funds, removing red tape in planning schemes and processes, investment in TAFE and our workers of the future, and a skilled migrant program that will help employers bring new skilled workers into Australia.

Many of these announcements have followed comprehensive engagement with all aspects of the housing industry.

The recent announcement of the National Accord, Housing Australia Future Fund, and a target of 1.2 million homes across Australia presents both a challenge and an opportunity. WA represents approximately 10% of the national housing market meaning our share is approximately 120,000 homes or 24,000 homes per year. The reality is that number is unachievable in the short term but consistent home delivery of 20-22,000 homes per annum should be an aspirational target that provides continued certainty to an industry that has endured four peaks and four troughs over the last 20 years.





With significant opportunity, the question remains where resources should be placed to set the housing sector up for long-term and sustained success.

To support the ongoing sustainability of the industry in the short, medium and long term, HIA proposes a number of measures that can be taken in 2024/25 under the broad headings below:

- Building careers and workforce for the future.
- Delivering quality and compliant homes.
- Stability to the market by investment in supply.
- Building capacity across the housing continuum to sustain the long-term supply of housing.
- Builder support package for the Engineered Stone transition.

### **Building careers and a workforce for the future**

The residential building industry is founded on vocational education and training. Over the next five years new technologies and new building materials will emerge that seek to increase the level of prefabrication and offsite construction creating pressure to change what we build with and how we build. Despite this pressure, the nature of residential building is expected to continue to focus on the delivery of 'handmade' homes produced by a technically skilled workforce.

The pressure from the pandemic on Australia's local workforce has generated a spike in the take up of apprentices and trainees – an extremely positive side effect. These graduates will emerge into the workforce needing both technical and life skills to assist them to move through their career in the industry with greater ease.

There are now more than 12,000 apprentices in the construction industry – up 100% from 2019/20. It is critical that we now support these apprentices and trainees through to completion and continue to support their entry into a long-term career in the residential building and construction industries.

HIA acknowledges the investment that the WA Government has made in the residential workforce over the last twelve months.

Extending the GTO wage subsidy to private sector residential and commercial projects resulted in more than 150 apprentices getting an opportunity to start their career in our industry between June and September. The recent announcement to extend the program to include an additional 150 places from 1 January 2024 is a sign that the government recognizes the need and is willing to lend support. HIA urges the WA State Government to continue that support by committing to a minimum of 300 places per annum in 2024 and 2025 with an option to review the program into the future.

HIA also acknowledges the WA Government's investment in supporting local businesses to bring skilled trades into WA. The \$11 million committed and the establishment of the Construction Migration Office within the Department of Training and Workforce Development has been a continued success.

The investment in these programs not only supports the residential and commercial sectors but is also having measurable flow on effects to many of the trades and industries that will support the economic growth of Western Australia. Investing in this workforce addresses long-term housing challenges as well as long term workforce development objectives.



As well as the ongoing support of existing programs, HIA proposes that the WA Government continues to support initiatives that unlock future workforce opportunities for Western Australians.

HIA proposes that by supporting some of the following initiatives the WA Government can continue supporting those who provide Western Australians with one of the most basic fundamentals, a roof over their head.

- \$43 million to extend the GTO wage subsidy program providing 300 apprentices with the opportunity to start in industry and limit the impact on housing affordability.
- \$11 million to embed the Construction Visa Migration Program in 2024/25.
- Social Housing workforce activation pilot to provide a pathway for those in social housing to find a career without fear of losing their public housing.
- Development and enhancement of the female and non-traditional trade programs.

Supporting these programs that feed much needed talent into the residential building industry will not only support the construction of new dwellings but provide social benefits to our community. More people will develop the technical and life skills to deliver longer term benefit to the state.

## **Delivering quality and compliant homes**

Building today's new homes has become a complex business.

New building materials, new building techniques, constant changes to building codes and standards, all mean today's home builder needs to know more and manage more moving parts than ever before. Staying informed is hard, staying ahead of the game is even harder.

Over the last five years a focus on building quality has emerged that has generated changes in building codes and standards. It is expected this pressure will continue over the next five years.

Along with this, changing community expectations are also driving changes in the outcomes a new home is expected to deliver. These changes may not necessarily be aligned with the needs of the new home buyer.

HIA welcomed the WA Government's support to the staged implementation of the National Construction Code 2022. Implementation timeframes will enable all of industry time to adapt and consider how the changes may be implemented in their business. It is expected that WA can avoid a majority of the issues around adaption to the markedly different provisions faced by the Eastern States.

Notwithstanding, government alongside industry can play a leading role in supporting those within the residential building industry to ready themselves for the biggest technical changes in 20 years.

HIA encourages the Government to adopt the following initiatives in order to ready industry for NCC 2022 when it takes full effect in May 2025:

- Allocate \$500,000 to fund industry to deliver training specifically tailored for residential builders and trade contractors on the NCC 2022 changes including the new structure of the code, reference to new Australian Standards, and in particular new energy efficiency and condensation requirements.
- Staged roll out of the Building Confidence Report recommendations, as well as other future reforms, to provide confidence to market while limiting the impact on builder supply and affordability.



- Promote the voluntary early uptake of NCC 2022 through government projects.
- Action a review of the *Home Building Contracts Act* to ensure it is fit for purpose following the events and learnings of the past three years.
- Investment in new and emerging building methodologies to allow businesses to build scale and prototypes that promote safe, fast and efficient construction concepts and methodologies.

## **Stability to market by ongoing investment in supply**

HIA forecasts suggest that the pipeline of work in Western Australia remains strong in the detached dwelling market. To clarify, 'strong' suggests that it is likely to maintain the current levels with the potential for small amounts of sustained growth in line with additional workforce capacity.

It is widely acknowledged that over the next two years that the median house price is likely to rise by up to 20%. This increase, while challenging for many in the state, will have benefits in making medium and high-density development become feasible and see the potential for a large volume of dwellings to market.

An important role the government has played over the last 18 months has been to review what aspects of the housing pipeline it controls and how it can continue to facilitate changes and funding that set the state up for continued growth over the next 5 - 10 years.

To continue this work HIA recommends that the WA State Government considers the following initiatives as part of the 2024/25 budget process.

- Extension and broadening of the Infrastructure Development Fund to include roads and infrastructure that will continue to help land be development ready by removing significant headworks costs.
- Keystart has been one of the most important mechanisms for Western Australians to enter the housing market over the last 30 years. In the last three years through, large increases in construction costs and reduced borrowing capacity have significantly decreased the window of opportunity for people to take advantage of Keystart. Reviewing Keystart's income limits to be more dynamic and adjust to market conditions will enable Keystart to continue to help WA home buyers into home ownership.
- HIA acknowledges that the Foreign Buyer Surcharge is low in Western Australia when compared with many other states around Australia, however the fact remains that it is still a tax on housing supply that is disincentivising supply. HIA would encourage the WA State Government to remove the Foreign Buyer Surcharge as a sign to the market that WA is a destination state and place to both purchase a home and develop housing generally.
- Adjusting Stamp Duty concessions to the median house price. The current first home buyer will pay \$21,000 in stamp duty for an entry level house and land package valued at \$570,000. Reducing this number by adjusting the stamp duty threshold up from \$430,000 will make housing more affordable for more renters and first home buyers.

## **Ongoing Government investment to support housing supply**

As the industry recalibrates after a challenging three year period, HIA supports the government's investment in the elements that it controls to set the industry up for long term success.



HIA acknowledges the significant investment by the WA Government over the last three years to develop housing stock in Western Australia. This has helped the residential building industry by investing in workforce and reducing taxes and red tape from the planning and buying process.

In the 2024/25 budget HIA would encourage the State Government to continue this investment externally but also continue to build capacity internally to deal with some of the impending housing challenges. Investment in building capacity and capability may include:

- Continuing to invest in social housing projects around Western Australia to provide much needed homes to Western Australians, stability to market, and opportunities for ongoing work for our growing workforce. This includes using the social housing program to help create the scale required to support new building companies and methodology to enter the market.
- The community housing sector is critical in WA to support the provision of affordable accommodation for Western Australians. Working with industry to build capacity and capability in this sector to deliver large scale housing projects will have long term benefits for the state and this includes financiers and equity partners.
- Investment is necessary to ensure TAFE and private RTO's in Western Australia remain contemporary. This includes continued investment in facilities and resources, but most importantly staff, to ensure that industry has the most passionate and skilled trainers influencing our upcoming skilled workforce.
- Western Power is a critical partner in the delivery of housing in Western Australia. We acknowledge that they have significant resourcing challenges like many businesses in WA. The current timeframes of over 12 months will continue to cause challenges of getting people into their new homes sooner. Investment is required to support Western Power.
- As efficient and well functioning DEMIRS will be an essential partner in improving confidence within the housing market in Western Australia. While HIA does not support mandatory inspection in Class 1 and 10 dwellings, an opportunity exists to increase Building and Energy's resources for audits and inspections based on the feedback and information that it receives through various channels. Building this capability within DEMIRS ensures high building standards can be maintained and further market confidence in the sector.

## **Builder support package for the Engineered Stone transition**

Exposure to RCS is an issue that industry takes very seriously and HIA is supportive of measures that would better ensure the safety of those working with RCS.

HIA have however continuously stressed that a ban on the use of engineered stone would not resolve the health and safety issues associated with exposure to RCS.

HIA has made substantive submissions and is continuing to meet with Federal, State and Territory Ministers to express our concerns, including offering alternatives to a complete ban and developing a comprehensive transition plan should a ban be implemented.

Notwithstanding the above the State Government's stance to support the ban on engineered stone at the Work Health and Safety Ministers meeting on 13 December, will place the industry under further stress as we seek to finish more than 20,000 homes that likely contain engineered stone.

The result of this decision will cause a large volume of work for new builders, renovations and those in commercial and hospitality sectors.





Suppliers and distributors have already indicated that they are not likely to carry emergency stock meaning any remediation or replacement required is likely to be a costly exercise.

HIA urges the state government to take these concerns seriously and allocate the following funds in the 2024/25 State Budget to support industry.

- Work with industry to ensure that builders and consumers are impacted as little as possible through a thoughtful and practical transition period.
- Acknowledge those in industry that have invested and do have the infrastructure in place to continue to cut the remaining supply in a safe and controlled environment.
- Financial support for those businesses that have invested significantly in tools and technology to safely cut engineered stone as they transition to alternative products.
- Financial support for builders who will be forced to make changes to new and existing customers.
- Financial support for many of the display homes around Western Australia that may require renovation as their current displays will contain product that is not replicable.

## **Conclusion**

The 2024/25 State Budget presents an important opportunity post-pandemic, for the Government to create the business settings that can support population growth, home building, and improved housing affordability. Ensuring that the State can maintain a year-on-year level of housing activity, while gradually making up the existing shortfall, is fundamental in achieving this outcome. Whilst the impact of allowing home building to decline is now a hard lesson learned, HIA looks forward to working with the Government to deliver a Budget that can grow the State's economic activity and meet our future housing demand.