

HOME OWNERSHIP MATTERS



HIA POLICY IMPERATIVES: 2022 VICTORIAN ELECTION

HOUSING VICTORIANS

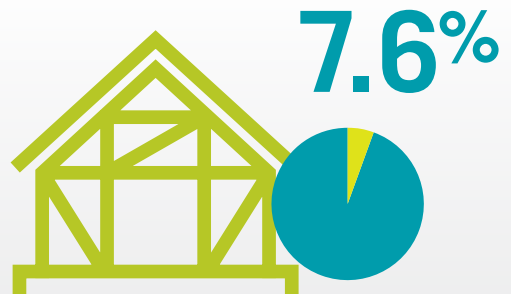
VICTORIAN HOUSING FACTS

There are **291,325** people employed in the residential construction industry

Source: HIA economics based on ABS workforce data 2021



+291K



The construction industry contributes **7.6%** to GSP

Source: ABS national accounts 2020/21 financial year

A total of **65,310** homes were built in **2021**



Source: ABS 2021 calendar year completions



VIC dwelling stock

2,805,661

Source: 2021 Census



Value of residential building work

\$32.0B

Source: ABS national accounts 2021 calendar year

FOREWORD

HIA has helped our members through some of the toughest challenges the Victorian residential building industry has ever faced.

Delays and rising costs remain the most significant issues for residential building businesses in 2022 as the industry works through the biggest detached home building boom on record.

COVID-19 and changing workplace arrangements have shifted the housing landscape. Home owners want more living space with greater amenity as a result of all the extra time spent locked down and working from home. This shift is continuing to support levels of new home and renovation demand usually only seen during periods of direct stimulus – over a year after the end of HomeBuilder.

An incoming state government needs to maintain a focus on home building. It is the backbone of the Victorian economy with almost 300,000 people engaged in construction jobs. Policies need to be focused on keeping the residential building sector strong and allowing Victorians the opportunity to achieve home ownership.

Victoria has experienced a marked deterioration in housing affordability over recent years. Improving housing affordability should be central to the incoming government's decision-making over the next term. Improving affordability is based on growing land and housing supply and limiting additional taxes and red tape that add to the upfront cost of new homes.

Our industry helps tens of thousands of Victorians each year achieve their dream of home ownership and making their home the place they want to live.

HIA's election imperatives set out our call to an incoming government to adopt policies that support new housing supply across all segments of the housing continuum. Housing supply underpins housing affordability and improving affordability will ensure all Victorians can have a place they can call home.

AN INCOMING STATE GOVERNMENT NEEDS TO MAINTAIN A FOCUS ON HOME BUILDING



STEVE BRIGHT
HIA VICTORIAN
PRESIDENT

NEW HOME STARTS IN VICTORIA ARE EXPECTED TO DECLINE FROM AN ESTIMATED 65,400 IN 2021/22 TO AROUND 51,800 IN 2024/25



INDUSTRY UPDATE

Record low interest rates and generous support for home buyers culminated in exceptionally strong demand for residential building in 2021. So strong was this demand that it has tested the limits of the industry's capacity. By the end of 2021 there was a record number of new detached houses under construction in Victoria.

The peak in demand for residential building coincided with major supply chain disruptions. The availability of skilled workers was hampered by COVID-19 outbreaks and border closures meant labour shortages could not be mitigated by interstate or overseas migration. Businesses are also being squeezed by rising costs for building materials and higher international shipping and landside freight costs.

Supply bottlenecks have caused widespread delays in the build process. It is now common for homes that would ordinarily have taken eight months to build, to take over a year to complete. However, the greater challenge facing the industry relates to the escalation in costs.

The vast majority of residential building contracts in Victoria are 'fixed-price' and there is very limited scope for builders to pass on these higher costs. While builders allow for variations in input prices, the speed, scale and breadth of the price rises has been very significant.

Delays in industry activity mean there is a large backlog of work. The industry will continue to operate near capacity through 2022/23. New home sales have slowed from the HomeBuilder peak and stabilised at a level that is around 24 per cent higher nationally than the same period in 2019.

The existing pipeline of residential building work will sustain a healthy level of activity heading into 2023, however the new phase of the economic cycle has started to bite. The Reserve Bank of Australia began the interest rate tightening in May and borrowing rates are widely anticipated to rise further over the months ahead. Rising interest rates will weigh on housing market conditions and on demand for new residential building over the next term of government.

New home starts in Victoria are expected to decline from an estimated 65,400 in 2021/22 to around 51,800 in 2024/25. The slowing in activity will primarily be driven by a decline in detached house construction as the market recedes from the recent record high.

The level of home building activity will rise and fall with the ebbs and flows of economic cycles. However, Victoria's demographic profile implies a need to maintain a strong supply of new homes in order to provide a range of housing options that meet the community's needs.

Improving the supply of housing must be a priority for an incoming Government.



FIONA NIELD
EXECUTIVE
DIRECTOR –
VICTORIA

THE IMPORTANCE OF HOME OWNERSHIP

Home ownership is the bricks and mortar that has helped Australia build a stable and vibrant society.

As the opportunity to own a home in Australia becomes more challenging, and the type of home many families aspire to is changing shape, evidence shows that an overwhelming majority of Australians agree: home ownership matters.

Throughout an individual's life their housing requirements change, affecting the type of house they seek. Housing affordability is improved as a consequence of an adequate housing supply at an appropriate price for each cohort of the housing continuum.

Access to safe, affordable and well maintained housing, whether owned, rented or supported, is something all Victorians deserve.

ACCESS TO SAFE,
AFFORDABLE AND WELL
MAINTAINED HOUSING,
IS SOMETHING ALL
VICTORIANS DESERVE



THE IMPORTANCE OF HOME BUILDING

Delivering new homes to provide quality and affordable shelter for all is the fundamental driver for the housing industry in Victoria.

The economic multiplier effect for Victoria that residential building creates through construction jobs, off site management and administration, the manufacture and supply of building materials, professional services and retail activity, is well understood.

It is critical that Victorian leaders understand the opportunity that exists in supporting residential building over the next term of government and commit to policies that promote both new housing demand and new housing supply to meet that demand.



**HOME
OWNERSHIP
MATTERS**

HIA'S AFFORDABILITY AGENDA

1 RESTORE HOME OWNERSHIP

Work with industry to develop a strategy to reverse declining rates of home ownership.

2 APPOINT A HOME BUILDING MINISTER

Provide clearer and more specific government oversight of the residential building industry by appointing a Minister for Home Building.

3 BRING LAND TO MARKET

Better monitor and manage land supply shortages to ensure a strong and stable supply for new housing.

4 CREATE A PLANNING SYSTEM THAT SUPPORTS HOUSING

Implement meaningful planning reform that will reduce time frames for permits and associated costs for homebuyers.

5 REDUCE THE TAXATION BURDEN ON HOUSING

Reduce the overall tax burden on new housing, including stamp duty, paid by Victorians.

6 TRAIN THE WORKFORCE OF THE FUTURE

Support trade training with flexible pathways and continue to fund industry training bodies to provide relevant, industry-focused trade qualifications.

7 IMPROVE DOMESTIC BUILDING CONTRACTS AND DISPUTE RESOLUTION

Modernise the *Domestic Building Contracts Act 1995* to be relevant and appropriate for builders and consumers.

Abolish Domestic Building Dispute Resolution Victoria (DBDRV) so disputes can be resolved in a fair and fast manner.

8 TAKE A PRACTICAL APPROACH TO TRADE CONTRACTORS

Support small business contractors in the housing industry. Repeal requirements for both the registration of trade contractors who work solely for builders and the licensing of trades who are employees.

9 TRANSITION TO NEW BUILDING STANDARDS

Support builders and consumers to implement the significant updates to the National Construction Code with appropriate transition periods and training.

10 SUPPORT MORE SOCIAL HOUSING

Grow the supply of social housing, including crisis shelter, public housing and affordable housing for low-income earners, through direct investment and partnerships with industry.



RESTORE HOME OWNERSHIP

Over the past two decades the rate of home ownership has declined across the country. Critically, home ownership among households aged 25-29 has dropped from 43 to 37 per cent over the past decade.

Twenty years earlier the rate of home ownership among this age group was more than 50 per cent.

However, the 'Australian dream' of owning your own home remains as strong as ever.

Research commissioned by HIA found that 75 per cent of Australians believe everyday Australians should be able to own their own home. Furthermore, the research found that 85 per cent of renting households aspire to own their own home, yet only 42 per cent of these households feel they will achieve this aspiration.

The pandemic has changed people's approach to housing. The type of home people prefer, the location and the way they use their home have all changed. Post pandemic, many more Victorians also see their home as their workplace, their retreat and a key part of their future financial stability.

Stimulus measures for housing generally focus on first home buyers. But there are many instances where households have faced hardship, such as family break down or illness, and those who have fallen out of home ownership, or who could re-enter the market with support.

As many older households seek to downsize to homes that better meet their needs, they need to be able to make this transition without a tax burden.

HIA calls on an incoming government to:

- Work with industry to develop a strategy to reverse declining rates of home ownership;
- Reduce stamp duty by indexing property price thresholds for the first home owner grant and stamp duty exemptions and concessions to reflect the recent increases in home prices;
- Expand the current scheme for first home buyers to co-purchase their home with the Victorian Government;
- Introduce targeted measures to assist non-first home buyers re-entering home ownership;
- Introduce stamp duty concessions and exemptions for over 65-year-olds downsizing into a new home; and
- Enable better planning policies to facilitate redevelopment within existing urban areas to provide downsizing households with greater housing options within their own community.





2 APPOINT A HOME BUILDING MINISTER

In Victoria the residential building industry is the backbone of the Victorian economy with almost 300,000 people engaged in construction jobs. But regulation of the industry is fragmented with many different government agencies involved.

The management of housing supply in Victoria in all forms deserves close attention by an incoming state government.

Currently there are three government departments with direct oversight of the industry – the Department of Environment, Land, Water and Planning, the Department of Justice and Community Safety, and the Department of Treasury and Finance. But there is also oversight from the Victorian Building Authority, the Victorian Managed Insurance Authority, Consumer Affairs Victoria, and Domestic Building Disputes Resolution Victoria, as well as significant regulation from WorkSafe Victoria, the Environmental Protection Authority and Sustainability Victoria. A new domestic building monitor was also announced in this year's State Budget.

The interplay between building registration, planning approvals, building approvals, environmental management, consumer protection, workplace safety, taxation and incentives across these different agencies is a daily battleground for home builders and their clients.

Given the economic value of home building to the Victorian economy it make sense to have a single and dedicated Ministerial role that understands and brings together the complex and critical oversight the housing industry deserves.

HIA calls on an incoming government to:

- Appoint a Minister for Home Building responsible for all legislation impacting the residential building industry to ensure the interests of industry and consumers are appropriately co-ordinated and addressed.





3

BRING LAND TO MARKET

An adequate supply of land underpins better housing affordability. Bringing land to market in Victoria is a long process and several growth areas have fallen below the Government's target to maintain 15 years of land availability.

In 2021 there was very high demand for land, leaving metropolitan Melbourne perilously short of supply to meet future demand. A land supply pipeline that can maintain pace with housing demand is urgently needed.

Despite commitments from the Government and the Victorian Planning Authority to increase the supply of land, the current shortage of 'build-ready' blocks is resulting in additional costs to new home buyers and if sustained, will see costs rise even further.

The land identified for future urban growth has also been taken up in recent years, with reduced land remaining inside Melbourne's Urban Growth Boundary. Given the lead time required to take land from non-urban to shovel ready, urgent action is required to avoid a severe shortage of land for housing over the next term of government.

HIA calls on an incoming government to:

- Undertake a full review of land supply for the short, medium and long term, and commence investigations on the potential expansion of Melbourne's UGB to meet future demand for housing;
- Continue to publish annual land supply data, to confirm whether Melbourne has a minimum of 15 years zoned land and two years of 'build-ready' land in every growth corridor and major regional towns;
- Identify and implement improvements to the 'master planning' approval process (ie PSPs) that can streamline delivery times to less than the current two to three years and ensure a whole of government approach to the delivery of land supply; and
- Appoint a Minister for Planning with responsibility for monitoring, managing and promoting planning requirements, and supporting land and housing supply in all forms.



4

CREATE A PLANNING SYSTEM THAT SUPPORTS HOUSING

Victoria's planning system is overly complex. The inefficiency and delays incurred in planning approvals results in additional costs for new home buyers and impacts housing affordability.

Too many acceptable and compliant housing developments require merit based planning approval with timeframes for processing applications routinely ignored.

There are many simple changes that could improve the operation of the planning system and promote timely housing supply.

The Commissioner for Better Regulation has undertaken a long process of developing reforms to improve the efficiency of the planning system, however, the recommendations are yet to be implemented.

VicSmart provides a faster planning approvals opportunity, but currently only applies to a very narrow range of application types. It should be expanded to capture compliant low risk residential developments.

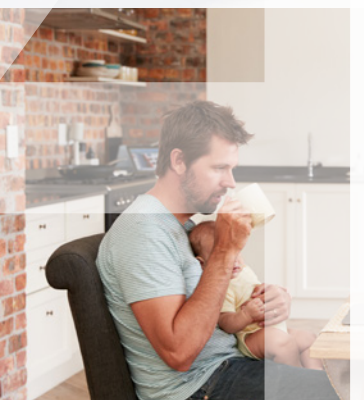
A better planning process for small multi-dwelling projects of between two and ten dwellings is urgently needed.

Private sector or third-party involvement in some routine parts of the planning process, such as certifying that an application is complete when lodged with Council, could also help ease the heavy workload of decision makers.

Councils add cost and delay by taking an ad hoc approach to design requirements that are outside the scope of ResCode, leading to unwarranted design changes being requested after lodgement. A streamlined assessment model has been proposed, and is supported by industry. It would ensure ResCode compliant designs receive more consistent and timely consideration.

HIA calls on an incoming government to:

- Implement the recommendations of the Commissioner for Better Regulation outlined within the 'Turning Best Practice into Common Practice' report;
- Expand VicSmart to address a wider range of matters including single dwellings, 'dual occupancy', renovations and additions and developments where only one matter would trigger a planning permit, such as a single planning overlay;
- Introduce the ability for private planners to be involved in certifying that an application is complete when lodged, to ease the burden on councils and improve their decision-making process; and
- Implement the proposed 'improving the operation of ResCode' model, while making fully ResCode 'compliant' applications exempt from public notice and appeal rights.



THE INEFFICIENCY AND DELAYS INCURRED IN PLANNING APPROVALS RESULTS IN ADDITIONAL COSTS FOR NEW HOME BUYERS

5

REDUCE THE TAXATION BURDEN ON HOUSING

Property, housing and development taxes contribute more than 50 percent of Victoria's revenue.

In Melbourne, homebuyers pay up to 38 per cent of a new house and land package in taxes, fees and charges. This continues to lock out thousands of Victorians from their home ownership dreams each year. The National Housing Finance and Investment Corporation found that development contributions can collectively amount to between \$37,000 and \$77,000 per dwelling in Victoria.

New residential land is captured by a range of local and state taxes, including the Growth Areas Infrastructure Contribution and the soon to be commenced Windfall Gains Tax. While the local taxes have a degree of nexus to the delivery of local infrastructure, the state taxes do not.

Victorians continue to pay the highest rate of stamp duty in Australia, imposing a significant financial burden on all home purchasers. Depending on how the sale process is undertaken, stamp duty can apply multiple times to a new home build – for example the sale of land to a developer, the sale of land from a developer to a builder, and the sale of a house and land package by a builder to a new home buyer.

HIA calls on an incoming government to:

- Undertake a full review of state property based taxes and develop a comprehensive reform agenda to deliver an efficient and equitable tax system that supports housing supply and affordability;
- Amend planning legislation to introduce a cap on the percentage of government infrastructure taxes that can be sought under any infrastructure contributions scheme. They should represent a 'contribution' and not fully fund, or very close to fully fund, broad community infrastructure items that service all Victorians;
- Commit to a process of reforming stamp duty, including removing any multiple charging of stamp duty for new house and land packages; and
- Repeal the Windfall Gains Tax.



IN MELBOURNE, HOMEBUYERS PAY UP TO 38 PER CENT OF A NEW HOUSE AND LAND PACKAGE IN TAXES, FEES AND CHARGES



6 TRAIN THE WORKFORCE OF THE FUTURE

Trade qualifications must be recognised as a career of first choice by government, educators, parents and students.

For many years, trade training has been viewed as a secondary option for young people. This must be reversed if the state's shortage of skilled trades workers is to be resolved. Furthermore, the pandemic has highlighted the critical and sustainable nature of a career in a building trade.

Over the past two years we have seen strong growth in apprentice numbers as a result of the development of Apprentices Victoria and the encouragement of trade-based learning through the Big Infrastructure and Big Housing Builds. The Australian Government's wage subsidy programs have also boosted apprenticeship commencements.

Free TAFE training courses, including building and construction qualifications, also promote the benefits of trades to take up a higher level of qualification. But TAFEs cannot provide this training on their own.

Long-term, nationally-recognised industry training organisations, such as HIA, are focused on seeing skilled industry participants appropriately trained and capable of achieving registration as a builder.

The work of industry trainers must continue to be supported by an incoming government, in combination with support for training delivered by TAFE colleges.

HIA calls on an incoming government to:

- Support trade training through the implementation of flexible pathways into the building industry; and
- Continue to fund well-established industry training providers to deliver relevant, industry-focused trade qualifications.





7 IMPROVE DOMESTIC BUILDING CONTRACTS & DISPUTE RESOLUTION

All domestic building work in Victoria is controlled by the *Domestic Building Contracts Act 1995*. This legislation is overdue for a major review.

The legislation is out of date and imposes a number of unnecessary or poorly targeted restrictions on both owners and residential builders. The requirements around cost escalations, progress payments and timing of signing contracts are not fit for the purposes of builders or consumers.

In addition should a building dispute arise between a consumer and a builder, both parties are poorly served by the existing measures to resolve matters.

The mandatory domestic building dispute resolution process run by Domestic Building Dispute Resolution Victoria (DBDRV) is complex, time-consuming and inappropriate. The process should be abolished.

The agency was to provide a “fast, free and fair” dispute resolution process for disputes between consumers and domestic builders. Yet since its inception the process has failed on all accounts.

The process is slow, taking months for matters to be listed for conciliation. The outcome is often no settlement and subsequently delays the commencement of legal proceedings in VCAT.

If a matter proceeds from the DBDRV to be resolved at VCAT, there are now also significant delays to have matters heard, which is stressful for all parties. This backlog is clearly a result of the initial process being inadequate.





Builders seeking final payments for domestic building work are especially disadvantaged by these delays and given the current aggravated cash flow pressures on builders, it is inappropriate to have regulatory processes that perpetuate the delays.

Finally, the current legislation treats disputes between developers and builders as if it were a dispute between a consumer and a builder. This is not necessary, as consumer protection in these instances is not required where the client is a business.

These disputes should be heard in court, not DBDRV or VCAT, as they are business to business matters and do not directly involve consumers.

HIA calls on an incoming government to:

- Undertake a major review of the *Domestic Building Contracts Act 1995* to ensure that its requirements are fit for purpose, modern and do not impose unnecessary burdens on builders and consumers;
- Abolish the DBDRV and allow builders and consumers to efficiently conciliate building disputes through VCAT;
- Allocate current funding for the DBDRV to VCAT and the court system to allow these existing bodies to continue to hear domestic building disputes;
- If the DBDRV cannot be abolished, the conciliation process must be optional and not mandatory;
- Provide more resources to VCAT to address the backlog of cases in the Building and Property List to save time and money for builders and consumers; and
- Introduce different regulatory requirements for contracts between developers and builders and end unnecessary restrictions on this building activity.



8 TAKE A PRACTICAL APPROACH TO TRADE CONTRACTORS

The current reforms to register and license building trades will see most, if not all, workers at building sites require some form of government approval to be allowed to work.

This broad-brush approach to managing trade contractors is unlikely to achieve the objectives of the reforms. More concerningly, this approach is likely to drive experienced practitioners out of the industry and reduce a workforce operating under extreme pressure already.

The registration and licensing of trades reform was first announced in July 2018 with legislation passed in September 2018. Amendments to the original legislation were passed in October 2021. While the 2021 amendments addressed some of industry's concerns, several aspects of the reforms remain a concern.

Trades who work directly for consumers over a reasonable monetary threshold, or in high-risk environments, including electrical and plumbing, should require registration. This would provide security for consumers, ensure those undertaking high risk work are appropriately skilled, and reduce the extent to which parties are exposed to excessive financial risks.

However, it is unnecessary to require individual trades to be registered when they provide services to registered builders. Under existing building laws the registered builder is responsible for ensuring that work adheres to regulatory requirements, and meets the contractual obligation to the consumer. The builder is also responsible for rectifying any non-compliant work on their projects. The existing builder registration arrangements and regulatory frameworks already manage these risks – the registration and licensing reforms will not change this obligation on builders, whilst increasing the regulatory requirement on trade contractors and their employees.

Government proposals to make all trades who work as employees of a registered builder or trade contractor gain a license should be abandoned. The responsibility for all work they undertake again already lies with the builder.

HIA calls on an incoming government to:

- Retain existing consumer protection legislation requiring trades to be registered where they work and contract directly with a consumer or carry out high-risk trades;
- Repeal the legislation providing for the registration of trade contractors working solely for builders; and
- Repeal the proposed licensing of employees of builders and trade contractors.



9

TRANSITION TO NEW BUILDING STANDARDS

The most significant changes to the National Construction Code (NCC) on record for new housing are in the process of being implemented.

New requirements to make housing more accessible, changes to the management and prevention of condensation, together with requirements to achieve higher levels of energy efficiency are all part of the 2022 amendment to the Code.

With tens of thousands of new homes and renovation jobs already in the pipeline for design and commencement in 2023, after these changes take effect, businesses need time to adapt including time to understand the changes, to make necessary changes to their business practices, to update home designs, to build display homes and to inform customers.

With completion times for existing sales now reaching beyond 12 months, the implementation of these new requirements must be carefully managed to avoid any further pressure on prices of homes already sold and allow future homes buyers sufficient notice of the changes.

HIA calls on an incoming government to:

- Adopt an appropriate and lengthy transition timeframe for both the accessible housing and energy efficiency provisions in NCC 2022 to provide certainty to industry and the community;
- Ensure homebuyers are educated about the changes that will be required for new homes as there will be significant additional implementation costs, impacting housing affordability; and
- Fund industry to deliver training specifically tailored for residential builders and trade contractors on the NCC 2022 changes for energy efficiency, condensation and accessibility.



BUSINESSES NEED TIME TO ADAPT, TIME TO UNDERSTAND THE CHANGES



10

SUPPORT MORE SOCIAL HOUSING

Underinvestment in social and community housing has persisted for decades and has diminished the capacity of the sector to meet demand for supported housing.

Between 2014 and 2020, the number of Victorian households residing in public and community housing declined. However, the waiting list for public housing continues to increase.

Provision of social housing is an important function of the government to fulfil a whole of community need. There must be an appropriate long term funding mechanism to achieve this. The proposed Social and Affordable Housing Contribution was fundamentally inappropriate. The burden of this tax would have been borne exclusively by those who purchased a new home each year presenting a large tax burden on a small segment of Victorian home buyers. This would have been inequitable and would have resulted in a reduction of private housing, further adding to the pressure for subsidised housing.

Like other essential community infrastructure where costs are shared broadly across the economy, it is appropriate that the cost of new social housing and costs of maintaining the existing stock is shared across the entire community.

Revenue to support the supply of social housing should be raised through whole of community funding.

Affordable housing targets and quotas requiring a percentage of affordable housing in new developments, which are often applied through planning permits, are also not a long term solution. In reality they push up the price of other homes in the same development that will need to be sold at a higher price point to subsidise the target or quota which will be sold for less.

Working in partnership with the housing industry is vital to achieving an increase in the supply of social and affordable housing over the next term of government.

HIA calls on an incoming government to:

- Develop a comprehensive funding package to equitably raise revenue to fund and facilitate new supply of social housing;
- Continue to work with community housing providers and the National Housing Finance and Investment Corporation to identify and facilitate new supply of community housing; and
- Continue to progress reforms to facilitate build-to-rent developments for affordable rental housing and create safeguards to ensure that such projects bring additional housing to market and do not substitute or crowd out developments that would otherwise have been offered to owner-occupiers and individual investors.





**HOME
OWNERSHIP
MATTERS**

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The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building and construction industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia.

Our members are involved in delivering more than 170,000 new homes each year through the construction of new housing estates, detached homes, low and medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.



you're in good hands