



HIA Submission to the Inquiry into the supply of homes in regional Victoria

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Contents page

About the Housing Industry Association	2
1. Introduction.....	2
2. The challenge of building more homes for regional Victorians is significant and growing	3
3. Shifting housing demand from new suburbs to established suburbs in neither easy nor always desirable	4
4. Reform priorities to help build more affordable homes for all Victorians, including those who wish to live in regional Victoria.....	5
5. Concluding Comments	8



About the Housing Industry Association

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents some 60,000 member businesses throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 22 centres around the nation providing a wide range of advocacy, business support including services and products to members, technical and compliance advice, training services, contracts and stationery, industry awards for excellence, and member only discounts on goods and services.

1. Introduction



HIA welcomes the opportunity to provide this submission to the Inquiry into the supply of homes in regional Victoria.

At the outset we wish to acknowledge the significant role Victoria's regions play in supporting the state's economic prosperity and livability. Accounting for around a quarter of Victoria's population, jobs and economic output, they also provide a third of the state's total exports.

Like other parts of the state, Victoria's regions have worked hard to adjust to new challenges and opportunities over the past decade. They have demonstrated resilience in the face of changing economic and environmental circumstances.

Many areas have been buoyed by strong population growth which has helped take pressure off Melbourne's infrastructure and congestion. Others have successfully expanded into new markets at home and abroad. Blending local leadership with innovation and energy, our regions have worked hard to attract new investment and diversify their local economies.

However, further regional economic growth cannot be taken for granted. Several pressures are now working against Victoria's regional interests, including an ageing population with growing service demands, rising labour, material and energy costs and wide variances in the quality of physical and social infrastructure.

As is the case in other parts of the state, the availability and cost of regional housing has become a major headwind to continuing regional growth and liveability.

Previous reports and submissions into home building and housing affordability – including those made by HIA – have investigated and sought to explain in detail the many complex and often interconnected reasons behind the housing crisis that Australia, its states and regions, now faces.

We do not intend to repeat that analysis here and, if required, can make available to the Committee copies of separate, detailed HIA research and submissions focussed on these issues. Rather, this submission points to the most pressing issues policy makers need to address to ensure we can build not only more homes, but the type of homes Victorians want to live in, in the locations they want to live.

2. The challenge of building more homes for regional Victorians is significant and growing

The Victorian Department of Transport and Planning report *Victoria in Future population and household projections* shows regional Victoria's population is forecast to grow by 31 per cent or over half a million persons between 2026 and 2051.¹

While there are many factors underpinning this projected rise in regional Victoria's population, decisions relating to liveability, dwelling type, location and affordability are significant. Research undertaken by Infrastructure Victoria found that most households strongly prefer detached houses with 3-4 bedrooms and several car spaces. "Faced with prevailing prices and budget constraints, over two-thirds of households (68%) would choose to live in a detached house if they had to move, compared with 14% for

¹ Department of Transport and Planning. *Victoria in Future (VIF) population and household projections*, Second Release (December 2023).



townhouses and 18% for apartments. Greenfield suburbs, on average, attract higher numbers of first home buyers, households with young children and those intending to have children in future.²

It is no surprise, therefore, that greenfield homes, including those in Victoria's regional growth areas, are popular. Buoyed by strong population growth, dwelling values in regional Victoria have risen 32 per cent in the past 5 years and almost 73 per cent in the past 10 years.³ Put simply, regional homes offer features many households want at a price they can afford, in a community where they feel connected and safe.

Indicative of the demand that is likely to be placed on new regional housing created by population growth, the *Victoria in Future* report indicates on average an additional 12,148 dwellings will need to be built in regional Victoria each year to accommodate this larger population.

HIA forecasts show that in 2023/24, regional Victoria commenced 10,860 dwellings. This is well below the regional population's projected housing needs.⁴

If this housing undersupply in regional Victoria is not addressed, our regions are likely to be characterised by worsening home affordability, increased personal and household debt levels, increased homelessness, increased pressure on rental prices, and reduced individual and household wellbeing as housing insecurity can negatively impact physical and mental health, education, and employment prospects.

Indeed, HIA is acutely aware that regional and rural housing markets face some more adverse conditions than those in the metropolitan areas because of their smaller scale, their difficulties in sourcing a local labour force, the limited number of builders and tradespersons and the additional costs associated with being further away from suppliers.

HIA is also cognisant that regional housing needs vary significantly across not only different regions, but different cohorts. These groups range from students requiring accommodation, transient workers, newly arrived migrants and their families, First Nations Victorians, priority social housing applicants, women and children escaping family violence, and young people at risk of homelessness.

Unfortunately, many of the obstacles to increasing regional housing supply are not peculiar to Victoria's regions and affect developers, new home builders and buyers across the state, as the following examines.

3. Shifting housing demand from new suburbs to established suburbs in neither easy nor always desirable

The Victorian Government is committed to delivering 80,000 homes per year with a 70/30 Infill/Greenfield split. While there is merit in delivering more homes near transport, job opportunities and essential services, this strategy, which focuses heavily on increased densification in established *inner Melbourne neighbourhoods*, won't alone solve the housing supply shortfalls that characterise regional housing markets.

Indeed, while recognising the government has set housing targets for every local government area in the state, including sub-targets for the regional councils of Greater Geelong, Greater Bendigo and Ballarat to move them closer to building 70 per cent of homes in their existing urban areas, it remains to be seen

² Our Home Choices. Infrastructure Victoria. March 2023, Page 2, 19.-

³ CoreLogic Hedonic Home Value Index. 1 April 2025.

⁴ HIA Housing Australia's Future Report (2024).



whether such a focus will align with the preferences of new home buyers who choose to make their home in regional Victoria.

It also remains to be seen how precisely the state government will ‘work with (regional) councils to make the necessary changes to planning schemes, particularly to zones and overlays and how they are applied, so the targets are met’.⁵

4. Reform priorities to help build more affordable homes for all Victorians, including those who wish to live in regional Victoria

As the housing crisis has been years in the making, it will arguably take many years to mend. Improvements will not occur through any single or simple change in policy settings. The best chance of success will come from a whole of government response, developed in close consultation with industry, that tackles the myriad of issues that affect home-building, and home ownership across the state. These include:

- Industry regulation
- Planning
- Land supply
- Property taxation
- Skills

The following summarise the significance of these issues which have a major bearing on the capacity and viability of the residential building industry, and ultimately housing availability and affordability.

4.1 Victoria’s new building legislation risks damaging building activity, and with it, housing supply across the state

The Victorian government has recently introduced the Building Legislation Amendment (Buyer Protections) Bill 2025 into Parliament. This legislation has the intent of improving consumer confidence by:

- establishing a new building regulator;
- requiring all home builders to meet minimum financial requirements;
- introducing a new so called “first resort” domestic building insurance scheme;
- allowing for rectification orders against builders after the issue of occupancy permit; and
- allowing for development bonds for medium and high apartment projects to cover costs of fixing defects.

The intention to improve consumer protection is supported by HIA. Unfortunately, this Bill also includes many provisions which will make operating a home building business even more risky. This is a concern for small to medium sized businesses, including those operating in regional Victoria.

It is expected that the cost of insurance premiums will increase significantly as the number of domestic building disputes, insurance claims and denied payments increase. The proposed rectification order process and extraordinarily biased dispute resolution process will make it extremely difficult for a home builder to be paid their final claim for completion of a home.

⁵ <https://www.planning.vic.gov.au/planforvictoria/housing-for-all-victorians/housing-targets>



The legislation is an overreaction and sadly is likely to cause further deterioration of housing affordability across the state. The impact should be significantly worse in regional Victoria due to the larger proportion of smaller businesses and the greater challenges in sourcing trades and other workers.

A Bill to amend Victoria's badly out of date home building contracts legislation is also expected to be introduced later this year. This legislation has the potential to provide for both fairer contracts for builders and consumers but also better targeted consumer protections. The benefits of this legislation are however unlikely to mitigate the consequences of the Buyer Protections Bill.

4.2 Planning reform – off to a good start but more and different reforms are required in Victoria's regions

Planning reform has been a key focus of the Victorian Government's Housing Statement and HIA has broadly welcomed several announcements including a new ten-year Greenfields land release plan, a review of ways to simplify the system for infrastructure development contributions, streamlined approval pathways such as the Small Lot Housing Code (SLHC) and the extension of Dependent Persons Units (DPUs) transitional planning provisions until March 28, 2026. Also positive is a new townhouse and low-rise code enabling better outcomes and faster permits.

Further planning reforms are needed, including those that help fast-track the supply of regional homes.

HIA Recommendations:

- ***Reduce the Development Facilitation Program (DFP) threshold for regional residential housing projects to \$10 million (down from its current level of \$15 million) to support more Victorian regional housing projects in more regions.***
- ***Waive the requirement for regional DFP applications to make a cash contribution equal to 3 per cent of the development cost to the Social Housing Growth Fund. This contribution is a further deterrent to already prohibitively costly residential home building projects.***
- ***Ensure the review of the Planning and Environment Act 1987 provides more opportunity for planning schemes in Victoria to incentivise affordable housing, including in regional Victoria.***

4.3 We need a 10-year land release plan for regional greenfield sites

Along with housing targets for every local government area, the Victorian Government's 10-year plan for Melbourne's Greenfields will see a pipeline of new land released to market for housing development over a series of horizons to 2033/34. This is good news for our newest suburbs with 27 new Precinct Structure Plans (PSPs) that will be better sequenced and coordinated with infrastructure delivery. Victoria's regions should not miss out on similar opportunities.

HIA Recommendations:

- ***Establish a 10-year plan to unlock constrained zoned land which has capacity for new homes in regional greenfield sites.***
- ***Accelerate work underway in existing Housing Statement projects in Bacchus Marsh, Geelong, Shepparton, Warrnambool, Ballarat and Moorabool.***



- ***Ensure regional councils and water authorities work more closely together to align planning and investment for water infrastructure with ongoing housing development to ensure essential water and sewerage services are available as new homes are built.***

4.4 Time to cut the high cost of regional housing supply

While there are many factors influencing housing supply and demand, in Victoria, rising taxes have combined with escalating resource and regulatory costs to significantly increase the total outlays needed to acquire a new house and land package in most parts of the state.

HIA's recently released report by the Centre for International Economics (CIE) on Taxation of the Housing Sector shows a significant \$373,000, or 43 per cent, of the cost of a new house and land package in Melbourne is comprised of government taxes, regulatory costs and charges. Since the last report in 2019, the value of taxes and charges on a new house and land package in Melbourne has increased by 73 per cent or \$157,000.

While this data is only available for Melbourne's outer growth corridors, it is not unreasonable to expect that the cost of a new house and land package in many regional locations has also escalated sharply because of government taxes, regulatory costs and charges.

It is time to address Victoria's punitive property tax burden that affects home supply and demand across the state:

HIA Recommendations:

- ***Extend OTP concessions to house-and-land packages (which are not part of a strata subdivision with common property).***
- ***Extend the off-the-plan concessions beyond the initial 12-month period to give developers more time to initiate and deliver new housing projects.***
- ***Restore the regional FHOG, providing a grant of \$20,000 to eligible persons buying or building their first new home in regional Victoria.***
- ***Remove the COVID Debt Levy by 2030 and increase the threshold for taxable landholdings to \$500,000 to incentivise investment in new homes and rentals.***
- ***Abolish the windfall gains tax.***
- ***Remove the Foreign Purchaser Additional Duty (FPAD) for new housing builds.***
- ***Cut the absentee owner surcharge to 1.5 per cent (the level which existed in the 2017 to 2019 land tax years).***
- ***Exempt all build-to-rent, social and affordable housing, and purpose-built student accommodation (PBSA) projects from the Absentee Owner Surcharge.***
- ***Ensure Vacant Residential Land Tax (VRLT) liabilities do not apply in any form to new housing projects.***

4.5 Rapid workforce growth is needed to meet regional Victoria's housing needs



Building a greater number of regional homes will require a greater number of skilled trades workers. While HIA surveys⁶ show there has been some improvement in the cost and availability of skilled trades in recent times, anecdotal feedback from members also tells us this is not the case in all regional areas.

At the national level, HIA conservatively estimates that the trades workforce in residential building need to increase by at least 30 per cent to enable the level of home building required to meet the Housing Accord's target of building 1.2 million homes over the next five years. We have no reason to believe the challenge will be any less in meeting the future housing needs of our regions.

⁷In regional Victoria, this challenge is not confined to shortages of skilled construction trades but extends to many other private and public sector professionals involved in the home building continuum, including planners, building inspectors and building surveyors.

Investment in the provision of training and employment opportunities for regional workers engaged in the residential construction sector should be the priority for policy makers.

HIA Recommendations:

- ***Advocate to the Australian Government to match the recently announced incentive payment of \$10,000 (from 1 July 2025) for apprentices working in the residential housing sector with a \$10,000 employer incentive to take on an apprentice.***
- ***Ensure Victoria's regional TAFEs benefit from their fair share of the recently announced additional Commonwealth-State Government funding to provide 5,200 new Fee-Free TAFE places (including up to 1,300 pre-apprenticeship places) in construction and housing sector courses.***
- ***Provide \$3 million over 2 years to fund industry associations and regional Local Learning and Employment Networks (VicLLENs) to raise awareness of residential construction education, training and employment opportunities and pathways, including through Structured Working Place Learning (SWL) placements and Work Experience.***
- ***Provide additional resources for Jobs and Skills Councils to develop comprehensive workforce development campaigns specific to each of the construction trade occupations facing the greatest challenges due to an aging of the workforce. These occupations include bricklayers, plasterers, floor finishers, tilers, glaziers and cabinet makers.***
- ***Invest more in industry-based mentoring programs to provide support for apprentices that is relevant to their careers and support for employers that is relevant to their business.***

5. Concluding Comments

Significant investment in regional housing is needed to keep up with the demands and needs of Victoria's regional population – now and into the future.

⁶ HIA Trades Report, December Quarter 2024

⁷ See, for example: Building surveying resources in rural Victoria, Weir Legal and Consulting, 31 March 2025.



Ensuring this investment occurs will not be easy and will require all arms of government policy to tackle the long-standing barriers to housing supply: industry regulation, planning, land supply, property taxation and workforce skills.

HIA and its members stands ready to work with governments at all levels to ensure we can build more homes in all forms and types, across our cities and in our regions.