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# Responding to the pandemic, can building homes rebuild Australia?

*Authored by*

**Steven Rowley**, Curtin University

**Adam Crowe**, Curtin University

**Catherine Gilbert**, University of Sydney

**Marko Kruger**, Curtin University

**Chris Leishman**, University of Adelaide

**Jian Zuo**, University of Adelaide

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**Authors**

Steven Rowley, Curtin University  
Adam Crowe, Curtin University  
Catherine Gilbert, University of Sydney  
Marko Kruger, Curtin University  
Chris Leishman, University of Adelaide  
Jian Zuo, University of Adelaide

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## Acronyms and abbreviations used in this report

<b>ABS</b>	Australian Bureau of Statistics	<b>IO</b>	Input-Output
<b>ACOSS</b>	Australian Council of Social Services	<b>LGA</b>	Local Government Association (UK)
<b>ACSA</b>	Aged and Community Services Australia	<b>LMI</b>	Lenders mortgage insurance
<b>ACT</b>	Australia Capital Territory	<b>MBA</b>	Master Builders Australia
<b>AHURI</b>	Australian Housing and Urban Research Institute Limited	<b>NHFIC</b>	National Housing Finance and Investment Corporation
<b>ANAO</b>	Australian National Audit Office	<b>NHIF</b>	National Housing Infrastructure Facility
<b>APRA</b>	Australian Prudential Regulation Authority	<b>NSW</b>	New South Wales
<b>BTR</b>	Build-to-rent housing	<b>NT</b>	Northern Territory
<b>CEDA</b>	Committee for Economic Development of Australia	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>CFMEU</b>	The Construction, Forestry, Maritime, Mining and Energy Union	<b>PCA</b>	Property Council of Australia
<b>CHIA</b>	Community Housing Industry Association	<b>QLD</b>	Queensland
<b>CHP</b>	Community Housing Provider	<b>REIA</b>	Real Estate Institute of Australia
<b>COVID-19</b>	Coronavirus disease 2019	<b>RTO</b>	Registered Training Organisation
<b>EEHP</b>	Energy Efficient Homes Package	<b>SA</b>	South Australia
<b>EU</b>	European Union	<b>SGS</b>	SGS Economics and Planning
<b>FHOB</b>	First Home Owners Boost	<b>SHARP</b>	Social Housing Acceleration and Renovation Program
<b>FHOG</b>	First Home Owners Grant	<b>SHI</b>	Social Housing Initiative
<b>FTE</b>	Full time equivalent	<b>SME</b>	Small- and medium-sized enterprises
<b>GDP</b>	Gross domestic product	<b>TAFE</b>	Technical and Further Education
<b>GFC</b>	Global financial crisis	<b>UDIA</b>	Urban Development Institute of Australia
<b>GST</b>	Goods and services tax	<b>UK</b>	United Kingdom
<b>HIA</b>	Housing Industry Association	<b>US</b>	United States
<b>HIFG</b>	Housing Industry Forecasting Group	<b>VIC</b>	Victoria
<b>IMF</b>	International Monetary Fund	<b>WA</b>	Western Australia

## Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website [www.ahuri.edu.au/research/glossary](http://www.ahuri.edu.au/research/glossary).

# Executive summary

## Key points

- Stimulating the housing industry is an effective way of boosting an economic recovery. This research demonstrates that non-residential construction, followed by residential construction, and then infrastructure spending has the highest multiplier effect to those industry sectors hardest hit by the pandemic.
- Government stimulus measures directed at the housing industry have been largely demand side based, offering consumer incentives to build new dwellings with additional state level initiatives around social housing, planning and tax settings.
- Internationally, a number of countries have announced measures to stimulate their housing industries through large-scale, direct housing related expenditure. Many initiatives are linked to funding refurbishment and delivery of social housing and improving the environmental sustainability of new and existing housing stock.
- There was widespread support for the Australian Government and state/territory government demand side stimulus measures from the 25 industry stakeholders interviewed during this research. Cash grants increased new land and house sales significantly in Western Australia (WA) and South Australia (SA), which will feed through into new building work, sustaining jobs.
- In terms of an overall economic stimulus, the various stimulus programs are too small to have a big impact. The level of stimulus funding is insufficient to create new employment on a large-scale and therefore provide a major boost to the economic recovery.

- **Further stimulus measures are likely to be required into 2021 as the impact of the first round of demand side measures end. We therefore recommend the Australian Government and state/territory governments adopt the following stimulus measures, targeted at households and local markets where it is most needed:**
  - Large-scale funding of social housing development and refurbishment similar to the Social Housing Initiative response to the Global Financial Crisis (GFC);
  - Market specific demand side incentives that are tailored to the characteristics of individual markets and the specific support required. Not all markets will require further intervention;
  - Investment to prepare for a market recovery, responding to potential shifts in consumer demand;
  - Immediate reform of tax settings to encourage institutional investment in affordable housing and build-to-rent developments.

## Key findings

The construction industry has long been held up as an ideal mechanism for delivering economic stimulus in periods of recession and stagnation. This reflects the labour-intensive nature of the industry, the high 'propensities to consume' of skilled and unskilled workers, and the extensive connections between the construction sector and other sectors of the economy (manufacturing, mining, resources, retail, transportation and logistics, and support industries). When combined, these factors give rise to a high economic multiplier effect, meaning that government spending on construction projects leads to an increase in economic output several times the size of the initial spend, dependent on the type of house building activity. For example, a recent National Housing Finance and Investment Corporation (NHFIC) report estimated that private house building could deliver a multiplier of just under three (NHFIC 2020a). Analysis for this project finds non-residential construction, followed by residential construction, and then infrastructure spending has the highest multiplier effect to those hard hit industry sectors, such as tourism and retail.

Government at the federal and state levels acted quickly in response to the pandemic. The \$680 million Australian Government HomeBuilder program was designed to stimulate the housing industry by creating consumer demand. Various state level stimulus initiatives have supported HomeBuilder, such as implementing planning and tax reform. Some state/territory governments have also delivered funding for the refurbishment and development of social housing. There have been numerous industry reports suggesting the most effective ways to stimulate the housing industry. Most of these reports suggest large-scale, multi-billion-dollar demand side measures, while a number recommend massive investment in social housing. Internationally, a number of countries have announced measures to stimulate their housing industries through direct housing expenditure and infrastructure spending. Many initiatives fund improvements to the environmental sustainability of new and existing housing stock.

There was widespread support for the Australian Government and state/territory government demand side stimulus measures from the 25 industry stakeholders interviewed during this research. Cash grants have already increased new land and house sales significantly in WA and SA, which will feed through into new building work, sustaining and creating jobs. In NSW, the HomeBuilder policy settings were not expected to have much of an impact due to the \$750,000 price cap. Refurbishment stimulus spending through HomeBuilder was viewed as unlikely to have a massive impact on building activity given policy settings.

Interviewees believed demand side grants would create some new demand as the opportunity was considered 'too good to miss' by many households, as well as pull forward considerable activity. There were concerns the industry would face significant job losses when stimulus measures are wound back and demand dropped off in the face of elevated levels of unemployment and low population growth. Planning reform was seen as the most important government response outside direct grants. Other suggested policy interventions included altering tax settings, particularly stamp duty, and direct funding of new social housing. The broad view was additional stimulus measures would be required to underpin the new building housing market through 2021.

## Policy development options

This research asks whether stimulus measures introduced to combat the impact of COVID-19 have been successful so far, and whether they are likely to boost the economic recovery. In terms of the HomeBuilder and associated state grants, if the purpose was to quickly create new home building activity, and its associated employment benefits, then the stimulus has been successful in most states. In terms of an overall economic stimulus, the various programs are too small to have much of an impact. This is particularly clear when the \$680 million federal funding of the HomeBuilder program is compared to the Australian Government's response to the GFC. The response to the GFC included the \$5.6 billion Social Housing Initiative (SHI), which delivered almost 20,000 social housing units, and another \$5 billion for the first home owner boost and energy efficient homes package. Indeed, the Community Housing Industry Association (CHIA) has called for a \$7.7 billion federal stimulus package to expand Australia's social housing supply by 30,000 homes (CHIA 2020). Master Builders Australia (MBA) has called for an even larger, \$10 billion fiscal stimulus to facilitate the construction of over 30,000 new social housing dwellings (MBA 2020b; 2020d).



A number of industry organisations have produced forecasts of dwelling commencements following the impact of COVID-19 and the stimulus measures. The Housing Industry Association (HIA) (2020b) estimates the number of home starts in 2020-2021 at 139,700, down from over 200,000 in 2018-2019. Recovery to 2019-2020 levels (173,000 starts) is not expected until late 2023. The Master Builders Australia (MBA) (2020d; 2020f) forecast is even more pessimistic, with the number of new home building starts predicted to fall to 124,550 during the 2020-2021 financial year.

It is worth noting all these organisations were expecting a contraction in dwelling starts prior to COVID-19, with the pandemic accelerating the downturn. None predict that HomeBuilder and state level schemes will make a massive difference to Australian dwelling commencements. However, forecast levels would have been even lower without HomeBuilder and associated state programs. So, at best, these programs will have been successful in supporting existing jobs, rather than creating new jobs in the majority of states/territories.

The project interviewed 25 key industry stakeholders in NSW, WA and SA and almost all interviewees believed there would need to be further stimulus of the housing industry to protect jobs through 2021 and at least until population growth recovers. Interviewees were focused on stabilising activity rather than significant growth. While some believed it would be necessary to stimulate new-build demand again, once the first round of stimulus measures worked through the system, others believed a different type of stimulus would be necessary. This is because much demand would already have flowed through the market so demand side measures would be less effective the second time, unless targeted at a different market segment.

There was support for additional funding of social housing delivery that would create jobs within the industry. This was seen as a critical component of a stimulus package alongside—not instead of—demand side measures. Certainly, international stimulus measures have incorporated significant national spending on new social housing and refurbishments. Even the market facing the United Kingdom (UK) Government has committed to new affordable housing supply. Although, this is more on the market rather than social end of the affordable housing continuum.

Many interviewees believed the time was ripe for major changes to tax settings, particularly around stamp duty. These changes would create activity in the established market, delivering the associated economic benefits. There were positive comments about the NSW Government working with industry to deliver settings required to facilitate build-to-rent developments. Similar reforms should be adopted within other states.

This title of this research asks: *can building homes rebuild Australia?* The answer is yes. But current stimulus measures are not delivering on the scale required to make a real difference to the economic recovery. While HomeBuilder and related state grants have boosted demand, homebuilding activity is still expected to be at levels well below those of 2019. To make a real difference and leverage the multiplier effect to boost the economy, investment on a massive scale is required to create thousands of jobs and stimulate real growth. This investment should be targeted where it is most needed, which is social and affordable housing across the country, and then specific market sectors across states/territories.

### **Funding social housing development**

While state/territory governments have announced spending for the delivery and refurbishment of social housing, there has been nothing of the scale of the SHI which successfully delivered almost 20,000 dwellings in 2009-2010 and helped grow the community housing sector. In order to stimulate the construction industry and deliver an essential supply of social housing, it is recommended that the Australian Government commit funding to deliver 30,000 new social housing dwellings and work in partnership with the states/territories and community housing sector to ensure the most efficient and effective distribution and management of these dwellings. Such spending is an efficient and equitable use of public funds. Government should finance refurbishment of social housing (and some states have already committed to this), incorporating features that will reduce running costs for tenants, improving affordability and environmental standards.

### **State specific demand stimulus measures**

Government should work closely with industry to ensure existing stimulus measures are as effective as possible in stimulating the housing industry over a sustained period. Government should also work with industry to deliver a second round of demand side stimulus measures to protect and create jobs in the housing industry on the back of sustained uncertainty around future market conditions. These measures should take into account local housing market conditions, such as prices and the nature of dwelling stock. This way, policy settings can be tailored to help those parts of the industry most in need of support. There may need to be different types and levels of support for different states/territories and within different parts of a state/territory (regional versus Greater Capital City for example).

While it was necessary to introduce the HomeBuilder program very quickly, problems around timing and implementation inevitably arose. A more carefully designed stimulus program will take time to develop but should be implemented in early 2021. It is possible not every state will require additional, sustained support as markets will recover at different rates. It is therefore essential the Australian Government and state/territory governments carefully consider market activity and respond quickly to changing pressures, removing support where a market is no longer in need of intervention.

### **Tax settings to encourage institutional investment**

COVID-19 could well prove a catalyst for institutional investment in affordable housing. Affordable housing offers a stable cash flow in even the most uncertain times and the stability of the returns is perhaps becoming more important than the actual level of return. If state/territory governments are prepared to work with community housing providers (CHPs) and provide access to free or low-cost land, affordable housing investment becomes a viable option. The NHFIC has already improved access to finance for the community housing sector and should play the lead role in connecting institutional investors with this sector.

The NSW Government has taken the lead in creating conditions for the private sector to deliver build-to-rent housing by reducing land tax liabilities. Other states should follow the example. Partnerships between state/territory governments and the private sector to deliver build-to-rent housing could prove effective and could also deliver an element of affordable housing if structured correctly. Stamp duty is another tax setting due for reform and in the current climate of change, it seems now is as good a time as ever to remove the inefficient tax.

### **Preparing for a market recovery**

In a period of unknowns, markets are likely to recover at different rates. Some markets will recover very quickly, while others will recover more slowly, depending on the existing stock profile and how consumers and investors react in a post-COVID-19 environment. Supply needs to respond quickly to changing demand. Governments need to be proactive and flexible, releasing and preparing land and working with developers to accelerate relevant development activities.

## **The study**

This research project is based around the following research questions:

- **RQ1:** What policies would be most effective in utilising the housing development industry to stimulate the economy?
- **RQ2:** What was the pre-crisis capacity of the housing development industry and how quickly could the industry scale up in different parts of the country to deliver an economic stimulus?
- **RQ3:** What are the gaps in availability of skills and trades, training programs and apprenticeships, and what does this imply for scalability within the development industry?

The first stage of the research involved a rapid review of a variety of policy documents produced by various industry bodies to assess their position on stimulating the housing industry. The review was extended once the Australian Government, and then state/territory governments, announced the various stimulus measures introduced, such as HomeBuilder. A review of international housing based stimulus responses was also conducted covering the United Kingdom, Ireland, European Union, New Zealand and Canada. A review of past policy settings designed to stimulate housing markets and their impact on economic activity, particularly around the GFC, was also undertaken.

Semi-structured interviews were conducted to address the three research questions noted above. Twenty five interviews were conducted with key stakeholders in New South Wales (8), South Australian (8) and Western Australia (9). Organisations covered included the major property industry bodies (Property Council, Urban Development Institute of Australia, Master Builders Australia, Housing Industry Association), state development organisations (Landcom, Development WA), and representatives from private sector developers and community housing providers (CHP). Initially, these interviews were designed to uncover what policy settings stakeholders thought would be most effective in stimulating the housing market. With the various Australian Government and state/territory government stimulus measures announced during the interview process, interviews also covered the impact of those measures and likely scenarios when the measures are wound back or come to an end. Questions were also asked around the industry's capacity to respond to the stimulus measures and whether existing training programs were able to quickly increase capacity if required.

Industry capacity to respond to a boost in demand resulting from stimulus measures was assessed through examining recent patterns of dwelling commencements and construction employment using Australian Bureau of Statistics (ABS) data (ABS 2020a; 2020b). This permitted an assessment of whether there were likely to be capacity constraints given recent dwelling supply trends.

This report starts by examining the various policy settings within Australia and internationally used to try and stimulate the housing industry, and thus the economy. It is followed by an assessment of industry capacity and also input-output analysis to identify what impact stimulus measures could have on those industries most affected by the COVID-19 pandemic, for example, tourism and hospitality. Chapter four assesses the impact of the current stimulus measures based on outcomes to the end of August and the interview data and also discusses alternative measures that may be required when current policy settings are wound back. Training and future-proofing the industry from demand shocks is the subject of chapter five and the report concludes with a look at policy recommendations resulting from this work which could help governments plan for the potentially challenging housing market conditions over the next 12–24 months.

# 1. Introduction

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- Stimulating the housing industry is an effective way of boosting an economy recovery. A \$1 investment in housing can deliver a \$2.90 boost to the economy (NHFIC 2020a).
- The housing industry supports well over one million direct and indirect jobs. Ensuring continued activity in the sector supports jobs and further spending necessary for a productive economy.
- Government stimulus measures directed at the housing industry have been largely demand side based, offering consumer incentives to build new dwellings, although there have been some state level initiatives around social housing.
- The project examines the most effective way to stimulate the housing industry to safeguard jobs and boost the economy.

The COVID-19 pandemic has wreaked havoc on the Australian economy, causing lockdowns, unemployment on a scale not seen for decades and a sizeable drop in Gross Domestic Product (GDP). The housing industry, comprising of developers, builders and associated professionals, has also been affected through a drop in demand in the early stages of the pandemic. This report assesses how the housing industry can be used to help rebuild the Australian economy both during and after the pandemic. It draws on countless documents and interviews with key industry stakeholders to assess the impact of the Australian Government and state/territory government stimulus intervention and recommend what needs to be done to keep the housing industry contributing strongly to the economy.

This chapter sets the scene by examining the impact of COVID-19 on the housing industry and then discussing how the housing industry has previously been used to stimulate the Australian economy. Finally, in this introductory chapter, we discuss the research methods used to deliver this report.

### 1.1 The COVID-19 housing problem

The construction industry has long been held up as an ideal mechanism for delivering economic stimulus in periods of economic recession and stagnation. This reflects the labour-intensive nature of the industry, the high 'propensities to consume' of low to moderate income manual workers, and the extensive connections between the construction sector and other sectors of the economy (e.g. manufacturing, mining, resources, retail, transportation and logistics, and support industries). When combined, these factors give rise to a high economic multiplier effect, meaning that government spending on construction or infrastructure projects leads to an increase in economic output several times the size of the initial spend, dependent on the type of house building activity. For example, a report by KPMG (2012), shows that the multiplier may be around 1.3 for social house building projects, while a recent NHFIC report estimated private house building could deliver a multiplier of just under three (NHFIC 2020a).

As Australia continues to grapple with the economic fallout from the COVID-19 pandemic, it is therefore no surprise that numerous commentators have put forward construction as an important dimension of stimulus measures (Coates 2020; Hanmer 2020a; Smith 2020). Initial economic stimulus measures focused heavily on the very urgent actions needed to safeguard incomes and jobs, and to protect the most vulnerable. However, in June, the Australian Government announced the HomeBuilder program, which was designed to stimulate consumer demand, create new house building activity, and protect and create jobs in the broad housing industry. State/territory governments also announced a range of, largely, complimentary measures around the same time (see chapter two for details). Internationally, housing industry-based stimulus measures were also gradually announced.

While current stimulus measures concentrate on private housebuilding, there have been some state/territory government measures related to social housing designed to provide work to sections of the housing industry. Meanwhile, a number of organisations continue to argue much more could be done and the current crisis provides an opportunity to invest in social housing (see, for example, SGS Economics and Planning 2020). However, after decades of very low levels of activity in the public and social housing sectors of the construction industry, it is by no means clear that scaling up activity will be straightforward. This was well demonstrated by the experience of many countries in the post-GFC period. In the UK, for example, initial proposals to transfer semi-completed private housing development projects to the public and community sectors unravelled due to higher energy efficiency and building standards in the latter (meaning that more expensive private developments failed to meet those higher standards). The UK experience also showed that clearing the market of the supply overhang of mothballed construction projects was critical to get the private housing development industry moving again (Gilbert, Rowley et al. 2020 forthcoming).

However, the housing industry is complex. While some organisations may benefit from a social house building program, others will not; they may be too small or deliver dwelling forms that are not appropriate for social housing. Others operate in locations that may not need additional social housing. To maximise the potential of the housing industry to stimulate the economy, an argument has been made by the industry, and accepted by Australian Government, that consumer based incentives that increase demand are the most effective, and efficient, way to quickly stimulate the industry.

This project examines to what extent the current measures have had a positive impact on the economy (at least to the time of writing in August 2020). It will examine whether there should be more investment in social housing construction as part of a balance of complimentary consumer based and supply side measures to deliver both a short-term economic boost and a lasting social impact.

### 1.2 Impact of housing industry activity on the economy

In the event of a major shock to the financial system, leading economic analysts advocate that large-scale, upfront government spending is critical to stimulate labour market activity, restore consumer confidence and provide overarching economic stability (IILS 2009; IMF 2009; McKinsey 2020; OECD 2020). According to the International Monetary Fund, the composition of any fiscal rescue package is as critical as its size, stressing that 'the key is to ensure that fiscal initiatives boost activity over the relevant time frame while seeking lasting benefits to productivity capacity' (IMF 2009: 17).

Australia's labour-intensive residential construction industry generates more activity across the economy than most other industries in the country (CHIA 2020; MBA 2020b; NHFIC 2020a; PCA 2020a; SGS Economics and Planning 2020; UDIA 2020a; UDIA 2020b). According to peak industry bodies, up to 1.4 million direct and indirect jobs are supported through the house building sector, generating \$312 billion in total economic output during 2019 and accounting for 7.5 per cent of GDP (MBA 2020b; PCA 2020a; UDIA 2020d). Moreover, a recent report by the NHFIC shows that housing construction generates the second largest economic multiplier of all industries within the Australian economy. Drawing on data released by the ABS in May 2020, the NHFIC analysis revealed a \$2.9 million rate of return in GDP for every \$1 million injected into the residential building industry (NHFIC 2020a).

The NHFIC report also shows that each new home build supports three full-time equivalent (FTE) jobs on average across the economy, while every \$1 million of residential building construction output supports, on average, nine FTE jobs, including four on-site and five off-site jobs (NHFIC 2020a). Correspondingly, a recent economic impact study revealed that every new home build provides work for up to 43 trades and sub-trades across the construction industry (PowerHousing and CoreLogic 2020). Notably, the employment impact on construction-related services such as plumbing, electrical, bricklaying and carpentry was found to be four times greater than any other industry leveraged to the residential construction industry (NHFIC 2020a). Collectively, these studies demonstrate how housing development not only generates economic activity across construction services, building material fabricators and professional services (developers, architects and engineers) but also industries related to house building such as manufacturing, raw materials and transportation. Additional flow-on effects are injected into the economy through the spending propensity of wage and salary earners of the residential construction labour force (NHFIC 2020a).

Taking into account Australia's robust capital and financial markets going into the pandemic, coupled with a high (AAA) lending rating and historically low bond rates, industry sources contend that government investment in the residential housing industry would provide a vital boost to the economy and labour market in response to pandemic-induced recession (CHIA 2020; HIA 2020; MBA 2020b; PCA 2020a; PowerHousing and CoreLogic 2020; SGS Economics and Planning 2020; UDIA 2020c). At the same time, given the size and scale of the industry, commentators caution that without targeted government intervention, declining activity within the house building sector could, in effect, significantly hamper Australia's path to economic recovery (PCA 2020a; PowerHousing and CoreLogic 2020; SGS Economics and Planning 2020; UDIA 2020c; 2020d). In this respect, industry bodies advocate that stimulus packages targeting the housing sector in line with strategic investment in major infrastructure projects would stimulate construction-ready housing development, while creating a pipeline for sustained growth (MBA 2020a; 2020b; PCA 2020a; PowerHousing and CoreLogic 2020; UDIA 2020d). According to the UDIA (2020d), targeting infrastructure and housing development would provide a 'double dividend' for government investment while propelling immediate economic activity and job retention with short- and long-term benefits.

### 1.3 Economic recovery and the housing industry

Historically, the residential housing industry has played a leading role in national recovery agendas in response to a severe economic downturn. In Australia, given the cumulative economic effects of the Great Depression and the Second World War, the 1945 Commonwealth-State Housing Agreement (CHSA) initiated the country's first large-scale public housing program to address a housing shortfall of 300,000 dwellings (Commonwealth Housing Commission 1944; Dufty-Jones 2018; Jacobs, Atkinson et al. 2010; Troy 2011). Filling the void of the economically weakened private building industry, 26 per cent of all new home builds were attributed to the CHSA between 1945 and 1946 (Freestone 2012; Jacobs, Atkinson et al. 2010). By 1956, the public housing sector had increased from “virtually nothing” to 100,000 dwellings across Australia (Hayward 1996: 5).

Similar government-driven house building programs have been implemented in the United States (US) and the United Kingdom (UK) in response to economic crises. Following the conclusion of the Second World War, the US Government initiated the Veterans Emergency Housing Program (VEHP) in a targeted effort to ‘stimulate housing construction to the greatest extent possible’ (Remington 1947: 145). Between 1945 and 1954, the VEHP facilitated the procurement of over four million newly built subsidised homes (Wendt 1956; Woodbury 1947). In the UK, the government implemented the ‘Homes for Heroes’ house building program in 1918, providing a 75 per cent subsidy on the cost of new home builds (Wilding 1973). The war-induced program was later subsumed into successive housing Acts<sup>1</sup>, representing one of the largest public housing procurement schemes in the UK to date (Jacobs, Atkinson et al. 2010; LGA 2020b; Malpass 2003; UK Parliament 2020).

#### 1.3.1 The Global Financial Crisis (GFC)

More recently, various governmental responses to the 2008 Global Financial Crisis (GFC) included house building and upgrading programs designed to stimulate economic activity (IMF 2011; OECD 2009; Wanna, Lindquist et al. 2015). Notably, the Australian Government swiftly launched a range of fiscal rescue packages structured to cushion the economy from the global downturn and anticipated recession. Underpinned by the mantra ‘go hard, go early and go households’ (Taylor and Uren 2010: 78), the Rudd Government committed a total of \$94.3 billion in stimulatory expenditure across various sectors of the economy (Parliament of Australia 2009). Key stimulus measures designed to reignite the residential construction sector included: the First Home Owners Boost (\$2.04 billion), the Social Housing Initiative (\$5.64 billion), and the Energy Efficient Homes Package (\$3.8 billion). On the back of budgetary surpluses, robust monetary policy, strong export demand and targeted fiscal stimuli, the general consensus is that Australia circumvented the worst effects of the GFC (Groenewold 2017; Lee and Reed 2014; L. Murphy 2011; Wanna, Lindquist et al. 2015; Wettenhall 2010). Correspondingly, while many housing markets in regions such as North America and Europe were in decline (IMF 2011; OECD 2009; Wanna, Lindquist et al. 2015), house prices in Australia's capital cities increased 13.6 per cent during 2009 (Randolph, Pinnegar et al. 2013), partly on the back of the first home owner boost and partly on the back of increased consumer confidence.

#### First Home Owners Boost (FHOB)

The First Home Owners Boost (FHOB) was introduced in October 2008 to incentivise prospective first-time buyers to enter the home ownership market, and in turn, spur activity within the house building industry (Plibersek 2008). An initial amount of \$1.5 billion was committed to the scheme, offering a time-limited grant for new and existing dwellings between 14 October 2008 and 30 June 2009 (Swan and Macklin 2008). Building on the pre-existing First Home Owners Grant<sup>2</sup>, the FHOB extended the amount available to \$21,000 for new home builds and \$14,000 for existing home purchases. An additional \$538 million was allocated to the scheme in the 2009–2010 Budget, providing a six-month extension of the FHOB until 31 December 2009 (Hicks 2009). During the extended phase, the grant amounts available to eligible home buyers were halved to \$14,000 for new dwellings and \$10,500 for an existing home. At the time of the scheme's conclusion, almost 200,000 new home owners had availed of the FHOB (Plibersek 2009b).

<sup>1</sup> Housing and Town Planning Act 1919, The Wheatley Housing Act 1924, The New Towns Acts 1946 and the Town and Country Planning Act 1947 (Malpass 2003; Wilding 1973).

<sup>2</sup> Introduced July 2000 to offset the impact of GST for new home buyers, the First Home Owner Grant (FHOG) offered eligible candidates grants of \$7,000 toward the cost of a new or existing dwelling (Hicks, Kompo-Harms et al. 2008).

Research shows that the FHOB had a stabilising effect on the housing market, stimulating house purchasing during a time of financial uncertainty (Costello, Leong et al. 2018; Lee and Reed 2014; Randolph, Pinnegar et al. 2013). For instance, after introducing the scheme in October 2008, house sales increased 4 per cent by March 2009, with 27.3 per cent of all new home loans attributed to first-time buyers (Martin 2009). The first home buyer activity also flowed through to sales in other parts of the market (Costello, Leong et al. 2018). Meanwhile, building approvals in October 2009 increased by 11.7 per cent compared to October 2008 (Randolph, Pinnegar et al. 2013).

Despite the increased housing market activity, studies show that only 15 per cent of the total grants distributed went toward new home builds (Randolph, Pinnegar et al. 2013). For this reason, the untargeted design of the scheme received criticism for not effectively kick-starting the residential construction industry (CoreLogic 2020; Eslake 2011; Martin 2009). The correlation between concentrated home purchasing within a short period and house price inflation has also been flagged as an issue impacting housing affordability (Eslake 2011; IMF 2011; Randolph, Pinnegar et al. 2013; Saulwick 2008). Notwithstanding, the Productivity Commission (2004) asserts that any iteration of a first home buyer incentive scheme can provide a desirable and effective stimulus measure for two key factors:

1. It is relatively cheap and easy to administer; and
2. It provides consumers with a degree of flexibility to purchase housing that best suits their needs and preference.

As shown in Figure 1 within chapter three of this report, the first home owner grant certainly contributed to a big increase in dwelling commencements across all states. Figure 1 also shows how dwelling commencements fell everywhere following their removal, although this was only one contributory factor.

### Social Housing Initiative (SHI)

The \$5.64 billion Social Housing Initiative (SHI) represented the largest single investment to social housing by any Australian Government (Lawson, Pawson et al. 2018; Murray, Bertram et al. 2013). In addition to providing long-term housing security for lower income populations, the SHI aimed to stimulate economic activity and jobs in the residential construction industry by increasing the quality and quantity of social housing, as well as establishing a pipeline of growth within the community housing sector (DSS 2013; Hicks, Kompo-Harms et al. 2008; Plibersek 2009a). The SHI constituted \$5.24 billion for the construction of new social housing dwellings and \$400 million for the maintenance and upgrading of existing social housing stock. In addition to the Australian Government funding, state and territory governments made in-kind contributions of approximately \$766 million to the SHI, while a further \$858 million was generated through CHP co-contributions. Notably, funding allocation criteria in Victoria required CHPs to contribute 25 per cent toward the build price for social housing units, injecting an additional \$166 million into the state's SHI budget. This, in turn, enabled the Victorian Government to surpass its targets by 18 per cent (KPMG 2012).

Nationally, the SHI exceeded the initial targets by 12.8 per cent, delivering 19,700 new social housing units and refurbishing over 80,000 existing social housing dwellings (DSS 2013; KPMG 2012; Murray, Bertram et al. 2013). Meanwhile, 14,000 direct and indirect FTE jobs were created across the construction and building maintenance sector (KPMG 2012). Studies show that the SHI had a positive impact on stimulating economic activity during a time of financial instability (Murray, Bertram et al. 2013; Wanna, Lindquist et al. 2015). Notably, a KPMG report revealed that the SHI generated \$1.5 billion per annum through additional construction and manufacturing activity, while boosting GDP by \$1.1 billion per annum over the lifespan of the scheme (KPMG 2012: 17). The report shows that for every dollar directly invested in social housing construction, an additional \$1.30 was generated in economic output (KPMG 2012). Furthermore, as three-quarters of completed dwellings were allocated to the community housing sector, increased CHP leveraging capacity delivered a secondary form of economic stimulus (CHIA 2020; DSS 2013; KPMG 2012).



### Energy Efficient Homes Package (EEHP)

Another feature of the Australian Government's fiscal response to the GFC included the Energy Efficient Homes Package (EEHP). With the underlying goal of supporting low-skilled jobs in the housing and construction industry, the \$3.8 billion stimulus instrument constituted the Home Insulation Program (\$3.3 billion) and the Solar Hot Water Rebate Program (\$507 million) (ANAO 2010; Parliament of Australia 2009). The Home Insulation Program provided ceiling insulation subsidies up to a value of \$1,600 between 1 July 2009 and 31 December 2011. As approximately 40 per cent of Australian homes were identified as uninsulated in 2009, the insulation initiative represented a cost-effective opportunity to improve the energy efficiency of more than 2.7 million households, while boosting economic activity and addressing environmental issues (ANAO 2010). The program also included a \$1,000 rebate for landlords to insulate housing within the private rental sector which added to the pre-existing Low Emissions Assistance Plan for Renters (Kompo-Harms, Nielson et al. 2009). The EEHP also included the Solar Hot Water Rebate Program, which offered a \$1,600 rebate on the cost of replacing electric hot-water systems with solar-powered units between 3 February 2009 and 30 June 2012 (Kompo-Harms, Nielson et al. 2009).

The Australian Government estimated that the EEHP would bring most Australian homes up to a minimum two-star energy rating by 2011, effectively reducing annual carbon emissions by 1.9 million tonnes nationally and lowering household energy bills by \$200 per year (ANAO 2010; Hanna 2016; Kompo-Harms, Nielson et al. 2009). However, the insulation component of the package was terminated prematurely in 2010 due to poor and unsafe installations, linked to 224 house fires and the fatalities of four workers (ANAO 2010). Findings from the Royal Commission revealed that inadequate design and implementation of the Home Insulation Program gave rise to the hazardous conditions that ultimately cost lives (Grattan 2014). Subsequent safety remediation measures involving the inspection of approximately 200,000 already-insulated homes amounted to a cost of \$425 million (ANAO 2010). At the program's conclusion, a total of 1.1 million ceilings had been insulated, providing support for 6,000–10,000 jobs. A Senate Inquiry later determined that the shortcomings of the insulation program were a result of: 'the Government's insistence upon rapid roll-out; certain program design elements increased risks; ineffective risk management procedures and administration; and ambiguity about and conflicts inherent in the program's purpose' (ANAO 2010: 24). For the Australian National Audit Office (ANAO), the experience of the EEHP underscores the importance of well-planned program design and implementation practices that ensure safe and ethically sound policy outcomes.

### International responses to the GFC

Internationally, governmental responses to the GFC also demonstrate how the housing industry can be mechanised as an effective instrument for economic recovery (OECD 2009; Wanna, Lindquist et al. 2015). For example, a driving component of the 2009 American Recovery and Reinvestment Act channelled over US\$10 billion into the housing sector as a means to spur economic activity (US Department of Commerce 2011). In particular, the US\$4 billion Public Housing Capital Fund and the US\$2.25 billion Tax Credit Assistance Program<sup>3</sup> were successful in boosting the quantity and quality of low-cost housing across the country, facilitating the procurement of 62,279 low-income homes and refurbishing approximately 495,000 public housing units in line with higher energy efficiency standards (Government Accountability Office 2012; Scally, Gold et al. 2018). An additional US\$4.4 billion was committed to homeless prevention initiatives, green retrofitting and hazard reduction programs, among other housing assistance schemes (Government Accountability Office 2012).

<sup>3</sup> Akin to the Low-Income Housing Tax Credit scheme, the Tax Credit Assistance Program incentivised private investors with federal income tax credits to make equity investments in affordable rental housing (Scally, Gold et al. 2018).

In France, the government initiated a €26 billion economic recovery package in 2009 targeting major infrastructure investment (IMF 2020a). Included in the rescue package was a €1.8 billion program to facilitate the construction of 70,000 energy efficient social housing units. The French Government also purchased 30,000 unsold homes from struggling private housing developments, which were subsequently integrated into the state's public housing portfolio (Mathieu and Sterdyniak 2009). By a similar token, Canada's Economic Action Plan included CA\$2 billion to increase the supply of social housing (Government of Canada 2009). In conjuncture with provincial and territorial government co-contributions upward of CA\$1.5 billion, the joint investment scheme facilitated the construction and refurbishment of 16,500 social housing dwellings between 2009 and 2011 (Government of Canada 2012).

In the UK, an estimated £1.37 billion in stimulus expenditure was dedicated to the housing sector in an effort to mitigate the effects of the 2008 banking collapse (HM Treasury 2009). £500 million was allocated for first-time and low-income home buyers through an extension to the HomeBuy Direct shared equity scheme. An additional £100 million was devoted to increasing the supply of low-carbon and energy efficient social housing units (HM Treasury 2009). The Brown Government also brought forward £775 million from the 2010–2011 budget to invest in the housing sector, including a social housing upgrade scheme (£250 million) (House of Commons 2010) and increased funding for an pre-existing social housing procurement program (HM Treasury 2009). To stimulate the private house buying market, stamp duty exemptions were applied to all home purchases valued below £175,001 (HM Revenue and Customs 2009). Studies indicate that the stamp duty holiday boosted monthly transaction volumes by 20 per cent during the program's life span, while increased consumer spending is suggested to have offset the estimated £350 million in lost tax revenue (Best and Kleven 2018; Giles 2009; Kickert 2012).

### 1.4 Research methods

This research project is based around the following research questions:

- **RQ1:** What policies would be most effective in utilising the housing development industry to stimulate the economy?
- **RQ2:** What was the pre-crisis capacity of the housing development industry and how quickly could the industry scale up in different parts of the country to deliver an economic stimulus?
- **RQ3:** What are the gaps in availability of skills and trades, training programs and apprenticeships, and what does this imply for scalability within the development industry?

The first stage of the research involved a rapid review of a variety of policy documents produced by various industry bodies to assess their position on stimulating the housing industry in response to the potential for large-scale job losses resulting from falling demand. The review was extended once the Australian Government and then state/territory governments announced various stimulus measures, such as HomeBuilder.

A review of international housing based stimulus responses was also conducted covering the United Kingdom, Ireland, European Union, New Zealand and Canada. The international case studies were selected following a comprehensive desktop-search of governmental economic responses the COVID-19 crisis. This included reviewing websites and databases of multilateral agencies such as the IMF (2020b) and OECD (2020), where extensive and up-to-date detail has been provided on national recovery efforts. Generic search terms such as 'country X AND economic stimulus' were also entered into Google's search engine with the aim to canvas the range of international responses to the pandemic. Following the preliminary review phase, five jurisdictions were selected for case study development as each economic response included a housing component that could be useful in an Australian context.

A review of past policy settings designed to stimulate housing markets and their impact, particularly around GFC, was also undertaken.

Semi-structured interviews were conducted to address the three research questions noted above. Twenty five interviews were conducted with key stakeholders in New South Wales (8), South Australian (8) and Western Australia (9). NSW was selected because it is Australia's most expensive state housing market with a much higher level of apartment development and overseas investment than any other state, which means its housing industry is structured slightly differently. The industry is also coming off a house building boom. In contrast, the WA housing industry has been contracting for some time and is dominated by separate house building development. The level of state intervention triggered by COVID-19 made an ideal case study. In SA, the housing industry has been very stable over the last 20 years with no large expansions or contractions in development activity. As such, SA provides a mid-point between NSW and WA.

Organisations interviewed included the major property industry bodies (Property Council, Urban Development Institute of Australia, Master Builders Association, Housing Industry Association), state development organisations (Landcom, Development WA), and representatives from private sector developers and community housing providers (CHPs). Individuals contacted were senior within these organisations, being either a national or state executive manager or equivalent, or a chief policy officer. Those within the main property lobby groups were ideal for interview because they understand the views of a wide range of the members operating across different sectors of the industry.

Initially these interviews were designed to uncover what policy settings stakeholders thought would be most effective in stimulating the housing market. With the various Australian Government and state/territory government stimulus measures announced during the interview process, interviews also covered the impact of those measures and likely scenarios when the measures are wound back or come to an end. Questions were also asked around the industry's capacity to respond to the stimulus measures and whether existing training programs were able to quickly increase capacity if required.

Industry capacity to respond to a boost in demand resulting from stimulus measures was assessed through examining recent patterns of dwelling commencements and construction employment using ABS data. This permitted an assessment of whether there were likely to be capacity constraints given recent dwelling supply trends.

This report starts by examining the various policy settings within Australian and internationally that have been used in an attempt to stimulate the housing industry, and thus economy. This is followed by an assessment of industry capacity and also input-output analysis to identify what impact stimulus measures could have on those industries most affected by the COVID-19 pandemic, for example tourism and hospitality. Chapter four assesses the impact of the current stimulus measures based on outcomes to the end of August and the interview data. It also discusses alternative measures that may be required when current policy settings are wound back. Training and future-proofing the industry from demand shocks is the subject of chapter five. The report concludes with a review of policy recommendations resulting from this work that could help government plan for the potentially challenging housing market conditions over the next 12–24 months.

## 2. The COVID-19 stimulus response

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- The \$680 million HomeBuilder program was designed to stimulate the housing industry by creating consumer demand.
- Various state/territory level stimulus initiatives have included support for HomeBuilder and planning and tax reform. Some states and territories have delivered funding for the refurbishment and delivery of social housing.
- There have been numerous industry reports suggesting the most effective ways to stimulate the housing industry. Most of these suggest demand side measures while a number recommend investment in social housing.
- Internationally, a number of countries have announced measures to stimulate their housing industries through direct expenditure and infrastructure spending. Many initiatives are linked to funding measures to improve the environmental sustainability of new and existing housing stock.

This chapter details the measures taken by the Australian Government and state/territory governments to stimulate the housing industry following the COVID-19 driven economic crisis. It details first federal and then state measures, before discussing industry proposals put forward for effective intervention. The chapter concludes by examining international approaches to housing market stimuli.

### 2.1 Australian Government COVID-19 response

As of August 2020, the Australian Government had committed \$314 billion (16% of GDP) in an ongoing response to the coronavirus and the subsequent economic fallout — a sum three times greater than the total stimulus expenditure dedicated to the GFC recovery (Parliament of Australia 2009; Prime Minister of Australia 2020c). More than \$100 billion has been administered to supporting the labour market through the JobKeeper employment retention program. A further \$20 billion has provided assistance to small- and medium-sized enterprises (SMEs), and at least \$9 billion has been channelled into the healthcare system (Frydenberg 2020; IMF 2020a; Treasury of Australia 2020c). Correspondingly, state and territory governments have also committed over \$45 billion collectively, in the form of financial aid for businesses, households and health services, as well as targeted investment packages to support key industries (Prime Minister of Australia 2020c). In addition to the substantial public funding devoted to mitigating the immediate social and economic effects of the pandemic, the Australian Government has also recognised the need to develop a fiscal rescue agenda that addresses the long-term economic implications of COVID-19 (Coorey and Cranston 2020b; Prime Minister of Australia 2020c).

The \$680 million HomeBuilder grant program constitutes one of the first federal fiscal initiatives introduced to stimulate economic activity. In a bid to reignite the residential construction industry, HomeBuilder provides eligible applicants grants of \$25,000 to build a new home or substantially renovate an existing home (Treasury of Australia 2020a). The Morrison Government expects approximately 27,000 home owners and home builders to access the grant, providing interim support for more than one million jobs across the residential building sector, while injecting an estimated \$15 billion into the economy (Prime Minister of Australia 2020a). According to sources, state/territory governments received upward of 42,000 expressions of interest for the HomeBuilder program between June and August 2020 (Karp 2020).

Administered through a National Partnership Agreement between the Australian Government and state and territory governments, the HomeBuilder program is income capped to \$125,000 per annum for individuals and \$200,000 for couples (Treasury of Australia 2020a). For those seeking to access the grant to build a new home, the property value must not exceed \$750,000. For renovation projects, the contract must range between \$150,000 and \$750,000, and the pre-renovation property value must not exceed \$1.5 million. The eligibility criteria for the grant also stipulates that construction for new builds and renovations must commence within three months of the contract date, which must be entered before 31 December 2020. However, several states have agreed to extend construction commencement timelines in consideration of delays that occur outside the controls of the parties to the contract, such as the re-introduction of Stage Four restrictions in Victoria (Revenue SA 2020; SRO 2020c). Similar to the 2008 First Home Owner Boost stimulus measure, HomeBuilder can be used in conjunction with existing government programs such as the First Home Owner Grant, the First Home Loan Deposit Scheme, the First Home Super Saver Scheme, and various stamp duty concession agreements.

### 2.2 State and Territory Governments' COVID-19 response

In response to the pandemic-induced downturn, state and territory governments have released a suite of housing-related fiscal and policy measures structured to revive economic activity. These measures include home buyer incentives and tax concessions, as well as a range of programs tailored to fast-track housing and infrastructure development projects. Several jurisdictions have also increased, or brought forward, funding for the purchase, construction and upgrade of social housing.

To provide additional stimulus to the private housing market, the governments of Tasmania and Western Australia have initiated home building booster schemes to complement the federal HomeBuilder program. In this respect, Table 1 outlines the state and territory cash incentives and subsidies that can be used in conjunction with HomeBuilder. It is worth emphasising that various iterations of many state/territory government grants and stamp duty concessions were already available to eligible home buyers prior to the arrival of COVID-19.

Table 1: State and territory home buyer incentives

	WA	NSW	VIC	TAS	SA	QLD	NT	ACT
Federal HomeBuilder grant	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Home building boost	\$20,000	N/A	N/A	\$20,000	N/A	N/A	\$20,000 <sup>4</sup>	N/A
First home buyer grant	\$10,000	\$10,000	\$10-\$20,000	\$20,000 <sup>5</sup>	\$15,000	\$15-20,000	\$10,000	N/A
Stamp duty concession	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
<b>Total government grants available (excluding stamp duty concessions)</b>	<b>\$55,000</b>	<b>\$35,000</b>	<b>\$45,000</b>	<b>\$45,000</b>	<b>\$40,000</b>	<b>\$45,000</b>	<b>\$55,000</b>	<b>\$25,000</b>

Sources: Treasury of Australia; ACT Revenue Office; Revenue NSW; Northern Territory Revenue Office; Queensland Office of State Revenue; South Australia Revenue Office; State Revenue Office of Tasmania; State Revenue Office of Victoria; Revenue WA.

### 2.2.1 Western Australia

In addition to various planning reforms designed to make the approval system faster, particularly for larger scale projects, the WA Government has announced \$560 million in stimulus measures to support an estimated 4,300 jobs, boost industry confidence and incentivise new housing construction (DPLH 2020b; WA Government 2020b). The scope of the economic recovery agenda includes: the Building Bonus grant scheme (\$117 million); an extension to the Off-the-Plan rebate scheme for multi-tiered developments (\$8.2 million); the Regional Land Booster program (\$116 million); and the Social Housing Economic Recovery Package (\$319 million).

The WA Government has allocated \$117 million for the Building Bonus scheme, a \$20,000 top-up grant to complement the federal HomeBuilder initiative (WA Government 2020b). Combined with the pre-existing \$10,000 first home buyers scheme, eligible applicants can access up to \$55,000 in federal and state funding for new home builds between 4 June and 31 December 2020. Stamp duty exemptions are also available to first home buyers, elevating the total potential savings to \$69,440 (WA Government 2020f). The Government's housing stimulus agenda also includes an \$8.2 million extension to the Off-the-Plan Rebate scheme for multi-tiered developments under construction or already-approved construction contracts, providing a 75 per cent stamp duty rebate, capped at \$25,000 for eligible owner-occupiers (WA Government 2020d). Another \$116 million has been committed to a Regional Land Booster package offering discounted land on 1,095 development-ready lots across WA for industrial, commercial and residential purposes (WA Government 2020e). Eligible land-buyers can also access the WA Government's Building Bonus and first home buyer schemes, as well as the Australian Government's HomeBuilder grant (Development WA 2020).

<sup>4</sup> The NT government initiated the BuildBonus grant scheme in 2019 (NT Government 2020).

<sup>5</sup> The existing First Home Owner Grant of \$20,000 cannot be used in conjunction with the Tasmanian HomeBuilder grant.

In an effort to expedite the procurement of 250 social housing units, refurbish 1,500–3,800 existing dwellings, and support 1,700 jobs, the McGowen Government has launched the \$319 million Social Housing Economic Recovery Package (SHERP) (WA Government 2020a). The SHERP complements the already-committed Housing Investment Package (\$150 million), which is scheduled to build a minimum of 500 social and affordable homes and refurbish 70 public housing properties between 2020 and 2021 (Department of Communities 2020). To kickstart the SHERP, builders and developers with construction-ready medium-to-high density residential development projects have been encouraged to apply for the Government's \$97 million off-the-plan purchasing program. This will assist with the commencement of stalled multi-dwelling developments due to insufficient pre-sales, while initiating immediate social housing procurement and job creation (Department of Communities 2020; PCA 2020d).

In addition, to fast-track the processing time for development applications, the Planning and Development Amendment Act 2020 has been amended to temporarily remove red tape and simplify the planning system (DPLH 2020a; 2020b). Under the planning revisions, proposals for metropolitan development projects over \$20 million and regional projects valued at over \$5 million will be fast-tracked by the Western Australian Planning Commission.

### 2.2.2 New South Wales

In New South Wales, the government has brought forward investment for major housing and infrastructure development, while initiating various policy measures to fast-track building projects to stimulate economic and job growth.

For new home buyers, up to \$35,000 in state and federal grants are available for eligible applicants (Revenue NSW 2020). In addition to the federal HomeBuilder grant, first home buyers can access a pre-existing \$10,000 grant for newly constructed dwellings valued at \$600,000 or less and stamp duty exemptions are available for first-time buyers on purchases of less than \$650,000. Stamp duty concessions are available for purchases between \$650,000 and \$800,000, illustrating a saving of up to \$24,740 on a home valued at \$650,000. As the median price for housing in Sydney well-exceeds the \$750,000 HomeBuilder threshold, the stimulus measure is not expected to spur new home building in the country's most populated city (Thompson 2020; Wiltshire 2020).

In collaboration with the NHFIC and NSW Land and Housing Corporation, the NSW Government (2020a) will initiate a \$100 million fast-tracked construction program to deliver 781 new social and affordable homes across Sydney. The \$100 million funding will be distributed in the shape of low-cost loans and grants through the \$1 billion National Housing Infrastructure Facility (NHIF) (NHFIC 2020b; NSW Government 2020a; 2020b). Additional fiscal and policy measures announced to increase the quantity and quality of social housing include the purchasing of dwellings from the private market to provide social housing for rough sleepers under the pre-existing Together Home Program (\$36 million); \$60.5 million for public housing maintenance works and upgrading of Government owned social housing (\$47M for NSW Land and Housing Corporation and \$13.5M for Aboriginal Housing Office). Landcom has released land for the exclusive procurement of approximately 100 affordable housing dwellings (Landcom 2020). The NSW Government has announced fast-tracking of the assessment of \$4.7 billion worth of projects to accelerate the determination of construction projects, such as the 950 unit Ivanhoe project in Macquarie Park in Sydney. The NSW Government Two-Storey Medium Density Housing Pilot Program will deliver about 100 new one and two-storey homes on 42 sites across metropolitan and non-metropolitan areas. It will allow new high quality social housing delivered quickly by working with project home builders using 'off the shelf' standard designs, and approving new homes through a complying development pathway. (Berejiklian, Perrottet et al. 2020; Liberal Party NSW 2020).

As part of the broader COVID-19 Recovery Plan, the NSW Government has also committed to developing a \$100 billion major infrastructure pipeline between 2020 and 2024, which is expected to create 88,000 direct jobs (NSW Government 2020c). The economy boosting program also includes a \$3 billion accelerator fund structured to fast-track planning procedures for major developments (DPIE NSW 2020). An additional \$10 million will be invested into enhancing the ePlanning platform to equip all local councils with the ability halve development application processing times (DPIE NSW 2020). Since digitalising the planning system in 2019, application processing times for home owners and businesses have been reduced by 73 per cent (Han 2019; NSW Government 2020c; Planning Portal NSW 2020).

The NSW Government has also announced a plan to halve land tax payments for build-to-rent development projects for the next 20 years while also removing foreign investor surcharges (Perrottet and Stokes 2020). In effect, the decision would reduce the level of tax paid by build-to-rent developers to comparable rates to the build-to-sell sector. To be eligible for the discount, metropolitan developments must consist of at least 50 units, while different thresholds will apply to regional development projects. Construction must commence after 1 July 2020, and developments must be managed under unified ownership and offer long-term tenancies (Perrottet and Stokes 2020). The Property Council of Australia (2020f) has welcomed the land tax reduction, contending that the decision will incentive institutional investment into the state's emerging build-to-rent sector.

### 2.2.3 Victoria

The Victorian Government has committed \$500 million to increase the quantity and quality of social housing across the state (DHHS 2020a). As part of the \$2.7 billion Building Works Package (DELWP 2020), the housing component aims to deliver 168 new social housing dwellings (\$58 million); upgrade more than 17,000 existing social housing units (\$315 million); and initiate rapid housing response projects to address housing needs of vulnerable Victorians (\$125 million). These measures build on the 2018 Victorian Social Housing Growth Fund (\$1 billion), committed to delivering 2,000 dwellings by 2025 (DHHS 2020b), as well as the 1,000 Homes Initiative (\$209 million) and the Public Housing Renewal Program (\$185 million).

Although the Victorian Government has not announced any additional demand side home building incentives in the wake of COVID-19, first home buyers can access a pre-existing \$10,000 grant for newly constructed dwellings valued at \$750,000 or less, while first-time home builders in regional Victoria are entitled to \$20,000 (SRO 2020a). Combined with the federal HomeBuilder program, first home buyers can access up to \$45,000 in government grants as well as receiving stamp duty exemptions for purchases less than \$600,000, and concessions for homes up to \$750,000 (SRO 2020b). The Commissioner of State Revenue has also provided a three-month extension to the construction commencement requirements of the HomeBuilder program in light of the reintroduction of restrictions across Victoria during July and August (SRO 2020c).

### 2.2.4 Tasmania

In response to the economic impact of the coronavirus, the Tasmanian Government has channelled stimulatory expenditure into the private home building and social housing sectors. The recently announced \$20,000 Tasmanian HomeBuilder grant can be used in conjunction with the federal HomeBuilder program, providing eligible home buyers up to \$45,000 for new home build contracts initiated before 31 December 2020 (Minister for Finance 2020). The existing first home buyer grant of \$20,000 remains available but cannot be used in addition to the State's time-limited HomeBuilder boost. First home buyers are also eligible to a 50 per cent stamp duty discount on properties valued \$400,000 or less.



The \$20 million Tasmanian HomeBuilder boost draws from an existing \$1.8 billion infrastructure package, aimed to deliver 2,295 new residential dwellings, including affordable and social homes over two years (Gutwein 2020). Referred to as the ‘two-year blitz’, the stimulus measure is estimated to support 15,000 jobs within the residential house building sector, generating approximately \$3.1 billion in construction value. Another component of the infrastructure package includes a \$100 million program to deliver 1,000 new social housing dwellings through a partnership with Community Housing Providers. An additional \$24 million has been brought forward from the State’s affordable housing strategy (2019–23) to deliver a further 220 affordable homes (Gutwein 2020; Department of Communities 2019).

### 2.2.5 South Australia

To spur new home building within the private housing market, SA Government incentives and subsidies have increased the total government grants available up to \$40,000 for eligible South Australians. Combined with the federal HomeBuilder grant, first home buyers can access an additional \$15,000 for newly constructed dwellings valued at \$575,000 or less. Stamp duty concessions were previously available for off-the-plan apartment purchases only. However, according to Revenue SA, the scheme expired 1 July 2018. According to the Premier, Federal and State home buyer incentives are expected to facilitate approximately 2,000 housing commencements during the lifespan of the HomeBuilder scheme (Premier of South Australia 2020b).

The SA Government has also announced plans to fast-track the \$10 million public housing maintenance blitz announced in 2019 (Premier of South Australia 2020a). According to the South Australia Housing Authority, more than 1,400 public housing properties will undergo maintenance and upgrade works, improving energy efficiency performance while supporting over 160 jobs (SA Housing Authority 2020). Additionally, a \$21.4 million housing program has been announced to build 100 new homes, 70 of which are set for affordable housing (Premier of South Australia 2020c). The measure draws on funding already committed as part of the \$104.5 million housing stimulus package included in the 2019–2020 state budget.

### 2.2.6 Queensland

In Queensland, the government has initiated a \$267 million building stimulus as part of the second stage of the Unite and Recover for Queensland Jobs program, responding to the effects of COVID-19. The economic rescue plan provides fiscal support for regional home buyers (\$106 million) and social housing construction (\$100 million) (Queensland Government 2020). In conjunction with the federal HomeBuilder program, home buyers can obtain up to \$45,000 in government grants. First home buyers can access a \$15,000 grant for newly constructed dwellings valued at \$750,000 or less, while regional home builders can access a further \$5,000 under the regional home building boost grant. The regional top-up scheme is estimated to cost the QLD government \$106 million. Pre-existing stamp duty exemptions are available for homes valued at \$500,000 or less, and concessions are available for purchases below \$550,000, providing an additional saving of up to \$15,925.

The second component of the Unite and Recover initiative includes the \$100 million Housing for Construction Works for Tradies, which is estimated to deliver 215 newly built social housing units and support an estimated 240 jobs. This stimulus measure expands on the existing Housing Construction Jobs Program (\$387.6 million) structured to deliver 470 new social housing units during the 2020-2021 financial year (DHPS 2020). Additional funding has also been allocated to improving the resilience of homes against natural disasters (\$11.25 million); a home maintenance program supporting older Queenslanders (\$10 million); infrastructure development in South-East Queensland (\$50 million); and a program to upgrade regional TAFE training campuses (\$1.175 million).

### 2.2.7 Northern Territory

In the Northern Territory, stimulus measures have been implemented to promote activity within the private housing market. To incentivise new home building, eligible Northern Territorians can access up to \$55,000 in time-limited federal and territory funding. In addition to the Australian Government HomeBuilder grant, the pre-existing BuildBonus grant of \$20,000 is available to all new home builders. First-time home buyers can access an additional grant of \$10,000, as well as stamp duty exemptions for purchases less than \$500,000 (NT Government 2020a). The Northern Territory Government has also initiated an uncapped COVID-19 Home Improvement Scheme (HIS). Designed to stimulate employment among local building trades and suppliers, the HIS provides home owners with a \$4,000 voucher who spend \$1,000 for physical improvements to their land and/or dwelling, or a voucher worth \$6,000 for home owners contributing at least \$2,000 (NT Government 2020).

After receiving almost 20,000 applications within two weeks of announcing the HIS, the scheme's closing date of October 2020 was brought forward to 17 April 2020. The unanticipated demand has exceeded the initial government commitment of \$30 million to the HIS, which is now estimated to cost at least \$100 million (NT News 2020). In this respect, concern has been aired regarding the recent diversion of \$27 million from the 2018 Public Housing Stimulus Program to fund the Home Improvement Scheme (DLGHCD 2020a; NT Shelter 2020). In a recent ABC interview, the territory's Chief Minister conveyed that the diverted funding would indeed delay new public housing builds (Breen 2020). Correspondingly, only \$1.75 million out of \$20 million allocated for new public housing builds has been committed according to the government's 'Works Awarded' report published 4 June 2020 (DLGHCD 2020b).

### 2.2.8 Australian Capital Territory

In the nation's capital, the ACT Government has committed an additional \$61 million into the public housing sector (Barr and Berry 2020). Land contributions of \$32 million have been allocated to the pre-existing Growing and Renewing Public Housing Program, and \$20 million has been devoted to the procurement of 60 new public homes designed for people with a disability and older Canberrans through Class C adaptable builds. A further \$8.9 million has been allocated to energy efficiency upgrades for public housing stock. The initiative will also expand the Land Tax Exemption pilot to include an addition 125 community housing dwellings (Barr and Berry 2020).

For private home building and renovations, eligible Canberrans can access the \$25,000 federal HomeBuilder grant. Since the removal of the First Home Owners Grant in 2019, the succeeding Home Buyer Concession scheme exempts all first-time buyers from stamp duty tax (ACT Revenue Office 2020). According to media sources, the HomeBuilder program is anticipated to deliver 493 new properties across the ACT, supporting 1,890 construction jobs (Holroyd 2020).

### 2.3 COVID-19 economic recovery: Housing industry plans

Since March 2020, various housing, construction and welfare advocacy groups have released action plans calling on the Australian Government to introduce stimulus measures targeting the residential construction industry. While there is debate among interest groups regarding the shape of government fiscal and policy measures, at their core, these plans demonstrate how housing construction is a crucial sector for generating jobs and boosting GDP, while delivering a range of other benefits across the broader economy. Of the various action plans released to-date<sup>6</sup>, centrepiece features include proposals for increased home buyer incentive grants with a volume of \$2.5–\$5.2 billion, as well as social housing construction and maintenance schemes worth over \$7 billion in government investment. Additional measures proposed include (but are not limited to): fast-tracking programs for land release and high-priority housing and infrastructure projects; housing upgrade and energy efficiency schemes; taxation reform; superannuation investment reform; immigration growth programs; and housing investment schemes for older Australians.

#### 2.3.1 Home buyer incentive scheme

To stimulate the residential construction sector, industry bodies have advocated for the Australian Government to initiate a targeted consumer cash grant scheme of \$40,000–\$50,000 for the purchase of newly-constructed residential dwellings (HIA 2020a; MBA 2020b; 2020d; PCA 2020a; UDIA 2020a; 2020b; 2020c). This call has been met, in part, with the Australian Government’s announcement of the HomeBuilder program in addition to complementary incentives allocated by state and territory governments. In contrast to the Rudd-Swan Government’s First Home Owner Boost (FHOB), the home buyer grants proposed in response to COVID-19 exclusively target new home building and are not limited to first-time buyers. According to industry bodies, a stimulus measure of this shape would propel economic activity within the house building sector while evading potential house price inflation through the concentrated purchasing of existing dwellings. In short, proponents of a demand side stimulus advocate that a more extensive home purchasing scheme would: create immediate employment opportunities in housing construction, as well as manufacturing, retail and professional services; increase GDP through a multiplier boost of almost \$3 to the economy for every dollar invested; restore consumer confidence; and increase housing affordability for new home buyers. Table 2 outlines the particularities of each home-purchasing scheme proposed by peak Australian housing and construction industry bodies prior to the release of the federal HomeBuilder Grant program. Further details of the proposals are presented in Appendix 1.

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<sup>6</sup> Reviewed action plans of key housing and construction interest groups as of August 2020 include:

- Urban Development Institute of Australia (UDIA): Helping Australia Bounce Back (Vol. 1–2)
- Property Council of Australia (PCA): A Seven Point Plan for Economic Recovery
- Master Builders Australia (MBA): Rebuilding Australia (Vol. 1–4) and Proposals for October 2020 Budget
- Housing Industry Association (HIA): Home Building Recovery Plan
- Community Housing Industry Association (CHIA): Social Housing Acceleration and Renovation Program
- Australian Council of Social Services (ACOSS): POST COVID-19 Economic Recovery

Table 2: Home buying schemes proposed by housing and construction industry bodies

Industry body	Home buyer grant	Allocations	Government funding	Means tested	Price capping	Estimated job creation
UDIA	\$50,000	60,000	\$3 billion	No	N/A	N/A
PCA	\$50,000	50,000	\$2.5 billion	N/A	No	200,000+
HIA	\$50,000	20,000	\$1 billion	N/A	Conditional	N/A
MBA	\$40,000	14,058 <sup>7</sup>	\$5.2 billion	Yes	Yes	58,311

Source: Urban Development Institute of Australia (UDIA): Helping Australia Bounce Back (Vol. 1–2); Property Council of Australia (PCA): A Seven Point Plan for Economic Recovery; Housing Industry Association (HIA): Home Building Recovery Plan; Master Builders Australia (MBA): Rebuilding Australia (Vol. 1–4) and Proposals for October 2020 Budget.

### 2.3.2 Social housing development

Various housing and welfare bodies have campaigned for a stimulus package structured to substantially increase the quantity and quality of social housing across the country (ACOSS 2020a; CHIA 2020; MBA 2020b). Recent studies have identified that Australia's social housing shortfall of approximately 400,000 dwellings (Troy, Nouwelant et al. 2019) could increase to 730,000 by 2036 (AIHW 2018; Lawson, Pawson et al. 2018). Meanwhile, the national homelessness rate of 116,000 (ABS 2018) is anticipated to rise considerably in correlation with pandemic-induced unemployment and the subsequent rise in housing tenure insecurity (Alexander and Baumann 2020; Coates, Cowgill et al. 2020; DESE 2020; Martino and Bentley 2020). Against this background, interest groups have advocated for a federally-funded investment in social housing to deliver a substantial employment boosting opportunity to stimulate the Australian economy. This would offset the decreased private market demand for new housing, while providing housing security for vulnerable populations.

To increase the supply of social housing, interest groups have called for direct federal capital investment of up to \$7.7 billion (ACOSS 2020a; CHIA 2020; MBA 2020b). Under the Community Housing Industry Association's (CHIA) proposed Social Housing Acceleration and Renovation Program (SHARP), a government commitment of \$7.2 billion would facilitate the construction of 30,000 new properties. According to recent economic modelling, an investment of this amount would raise construction output by at least \$15.7 billion over four years, generating an increase of \$5.8–\$6.7 billion in GDP, and supporting over 30,000 jobs (SGS Economics and Planning 2020). The SHARP also includes an additional social housing maintenance and upgrading budget of \$500 million to restore and return out-of-service homes currently unfit for occupation. A similar upgrade program was initiated under the 2008 Social Housing Initiative, allocating \$400 million to repair 80,537 social housing dwellings, of which 12,115 were previously considered uninhabitable (KPMG 2012).

To effectively administer the funding and oversee the program, the CHIA (2020) has proposed that the National Housing Finance and Investment Corporation (NHFIC) establish a specialised division to coordinate and liaise with state/territory governments and community housing providers (CHPs). By a similar token, Master Builders Australia (MBA) has proposed the development of a National Housing Trust, a joint venture between the Australian Government and state/territory governments to invest in social and affordable housing projects (MBA 2020b). The CHIA, MBA, among others, contend that large-scale, upfront government investment in social housing would also increase the leveraging capacity of CHPs to deliver up to 5,000 additional social housing units, stimulating further economic activity while generating a pipeline of growth in the sector (CHIA 2020; MBA 2020b; PowerHousing and CoreLogic 2020; SGS Economics and Planning 2020).

<sup>7</sup> The authors note that the estimated total of 14,058 grant allocations at a public cost of \$5.2bn may represent a miscalculation within the *Rebuilding Australia* proposal (MBA 2020d).

A recent PowerHousing and CoreLogic report outlines a set of sustainable house building measures that could be implemented to complement the SHARP and deliver additional economic, social and environmental benefits. For instance, a social housing stimulus package including renewable energy design features (such as solar rooftop systems) could reduce household electricity bills by over 40 per cent while supporting jobs in manufacturing, engineering and electrical trades, among other employment sectors. In short, the report provides economic modelling for a range of green manufacturing and housing innovations that could be integrated into the SHARP to generate additional jobs and economic activity while helping Australia meet its climate objectives (PowerHousing and CoreLogic 2020). Similar proposals have also been made by a coalition of industry groups including the PCA, Energy Efficiency Council, Green Building Council and the Australian Sustainable Built Environment Council (see PCA 2020e and Appendix 2).

### 2.3.3 Affordable housing development

Of the various action plans reviewed, several housing bodies have proposed stimulatory expenditure structured to increase the supply of affordable housing<sup>8</sup>. The Property Council of Australia (PCA) (2020a) has recommended that the Australian Government initiates a series of incentives to increase the supply of affordable housing for key workers. To initiate growth in this emerging housing segment, the PCA suggests incentivising the non-profit and private sector through tax concessions, as well as developing a reformed successor to the National Rental Affordability Scheme (NRAS). Meanwhile, Master Builders Australia (MBA) (2020b) has suggested allocating part of their proposed \$10 billion National Housing Trust to invest in growing the supply of affordable housing through the provision of low-interest, long-term loans. In a similar manner, the HIA (2020) has encouraged the Australian Government to consider an investment program designed to generate growth in the affordable housing sector, proposing a joint commonwealth, state and territory funding package, as well as a federal land rent scheme tailored to facilitating the construction of new social and affordable housing in high-need areas.

### 2.3.4 Fast-tracking programs

The majority of the economic recovery plans reviewed have called for the initiation of various fast-tracking programs related to land release, shovel-ready housing and infrastructure projects, as well as accelerating planning approval timeframes. For instance, MBA (2020b) has called for a general acceleration of application approval processes for small- to large-scale housing projects. To reduce the time between application submissions and approvals, the industry body encourages the governments to increase staff numbers and expand the use of innovative technological solutions, such as the recently adopted ePlanning system in NSW. In a similar vein, the Urban Development Institute of Australia (UDIA) (2020b) has proposed a federally initiated \$500 million 'red tape' fund, which would reward states and territories for expediting housing project assessment timeframes.

#### Fast-tracked land release

To facilitate new housing development, several measures have been proposed involving the release of government land. The PCA (2020b) has called for the fast-tracking of surplus government land and rezoning land to encourage new housing development. Similarly, the HIA (2020a) and MBA (2020d) has suggested developing initiatives focused on inclusionary zoning for mixed developments with social, affordable and private tenure. Under the SHARP, the Community Housing Industry Association (CHIA) (2020) has proposed a set of incentives for states and territories to contribute government land for social housing, administered either as an equity investment or as a discounted land sale to CHPs. According to the CHIA, recent state and territory land audits could be used to identify available sites for new social housing construction. Housing commentators contend that federal incentives designed to release government and developer-owned land banks for housing development would provide a significant opportunity to 'kick-start' activity at a faster pace than other major infrastructure projects such as roads, rail or bridges (Pawson 2020; Pawson and Mares 2020).

<sup>8</sup> Affordable housing in this context refers to rental housing or owner-occupied housing offered at below-market rates for eligible low-to-moderate income households (ACOSS 2019; Rowley, James et al. 2016).

### Accelerated investment in major housing and infrastructure projects

The PCA (2020a) and the UDIA (2020b; 2020c) have called on the Australian Government to expand the \$1 billion National Housing Infrastructure Facility (NHIF) to enable investment in housing development projects that demonstrate the greatest potential for economic growth. The UDIA has recommended that the NHFIC administered funding should be matched on a state and territory dollar-to-dollar basis to multiply the investment potential to \$2 billion. To further accelerate housing-enabling infrastructure projects, the PCA and UDIA have also recommended re-establishing the Asset Recycling Initiative (ARI) as a means to increase capital and borrowing capacity without raising additional public debt. The literature notes that the former ARI largely favoured infrastructure projects that generated 'commercial rate' income streams (e.g. light rail and toll roads), as opposed to those providing subsidised services including public housing, schools, hospitals among other social infrastructure (Lawson, Pawson et al. 2018).

### 2.3.5 Taxation and regulatory reform

Of the property and housing industry documents reviewed, peak industry bodies have called for an overarching tax system and regulatory reform within the housing and construction sector (HIA 2020a; MBA 2020b; 2020d; PCA 2020a; UDIA 2020b; 2020c). MBA (2020b) has recommended a broad-based relaxing of land and property taxes and the UDIA has called for the development of a specialised government program focusing on long-term tax reform. By a similar token, the PCA (2020a: 8) has advocated for immediate 'tax improvements' including 'no new taxes and no increases in any existing taxes and charges for 12 months' while also suggesting the implementation of the stimulus-based Investment Guarantee as a permanent tax system feature. Meanwhile, the HIA (2020a) has proposed that the Australian Government initiates a national moratorium on new regulation related to the housing sector in an attempt to incentivise economic activity across the industry. According to the HIA's action plan, the moratorium would include building regulations, workers compensation, licensing, training requirements and planning reforms.

In addition to broad-based tax and regulatory reform, industry bodies have also proposed a suite of tax-specific measures to propel housing market activity during a period of economic recession or stagnation, as discussed below.

#### Stamp duty tax

All industry bodies have called for either a reduction or removal of stamp duty tax on all property conveyances. For instance, the UDIA (2020b; 2020c) has recommended removing stamp duty bills on all newly constructed dwellings for a 12-month period. The HIA (2020a) and MBA (2020b; 2020d) have made similar recommendations, calling for either a temporary reduction or elimination of stamp duty tax for all new home building. The HIA has also called for the removal of stamp duty for Australian's aged over 65 purchasing new homes between 1 July 2020 and 31 December 2020. Significantly, the PCA (2020a) has advocated for the complete abolishment of stamp duty tax. In turn, the PCA has suggested broadening the GST base to supplement the lost revenue stream. Citing Deloitte economic modelling, the PCA (2020a) noted that the removal of stamp duty could increase consumption from \$6.0 billion to \$9.6 billion per annum (Deloitte 2015).

#### Negative gearing and capital gains tax

MBA (2020a; 2020b) has called on the Australian Government to expand the scope of negative gearing to enable property investors to claim for significant refurbishments to rental properties. As property investors are limited to claiming for maintenance works under the current tax setting (Duncan, Hodgson et al. 2018), MBA posits that the amendment could boost activity within the building trades and encourage upgrades that improve energy efficiency across the private rental sector.

### Housing improvements for older Australians

To increase the supply of retirement housing, the PCA (2020a) has suggested replicating the Retirement and Aged Care Incentive Scheme initiated by the Brisbane City Council. Following this particular model, retirement housing would be reclassified as commercial residential premises for GST purposes (Brisbane City Council 2014). In effect, this would mirror the treatment of off-campus student accommodation, which, in recent years, has seen a considerable increase in the amount of investment (PwC 2017). In addition to dwelling reclassification, the PCA (2020a) has also suggested reducing council rates and utility costs for retirement villages. Meanwhile, Aged and Community Services Australia (ACSA) has called on the Australian Government to establish an Innovative Seniors Accommodation Fund as part of the economic response to the pandemic (ACSA 2020). As detailed in a policy paper published in June 2020, the ACSA has proposed an investment program structured to develop innovative, flexible and affordable housing opportunities for older Australians. The key tenants of the program would include: constructing a range of sustainably built, energy efficient and smart-technology enabled homes; substantially refurbishing and upgrading existing senior accommodation to reflect new best-practice housing standards; and a funding distribution scheme prioritising key geographic areas with high rates of housing inequality among older Australians.

### Foreign capital tax exemption

An additional strategy proposed to stimulate housing development is the removal of foreign investor surcharges. According to a PowerHousing and CoreLogic report (2020), the value of foreign investment in Australia's residential real estate market is significant, increasing from \$36.5 billion in the 2013–2014 financial year, to \$72.4 billion in the 2015–2016 financial year. In this respect, the UDIA (2020b; 2020c) has recommended a 12-month suspension of foreign tax surcharges. The PCA (2020a) and HIA (2020a) have called for the complete abolishment of foreign investor taxes and surcharges for commercial property and new developments. Meanwhile, the UDIA and the PCA have called on the Foreign Investment Review Board<sup>9</sup> to fast-track applications for exemption certificates.

### Build-to-rent reform

Advocacy groups have called for tax reform to Australia's emerging build-to-rent (BTR) sector. To accelerate growth in the sector, the PCA (2020a; 2020f) has called on government to reform the withholding tax, land tax among other planning regulations for BTR housing. Similarly, the UDIA (2020b; 2020c) has recommended balancing the Management Investment Trust (MIT) regime to include build-to-rent housing and reduce developer taxes from 30 per cent to 15 per cent. Meanwhile, the MBA (2020b) has proposed a model for growing the build-to-rent sector, which includes government incentives for developers and builders in the form of subsidies and/or tax breaks for large-scale BTR housing developments specifically designed for longer-term rental accommodation. In this respect, the recent land tax cuts initiated by the NSW Government for the BTR sector are instructive (Perrottet and Stokes 2020).

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<sup>9</sup> Following a decision to safeguard struggling companies effected by the coronavirus pandemic, the Federal Government's Foreign Investment Review Board will review all purchase applications of Australian assets regardless of value (Dalzell and Greene 2020).

### 2.3.6 Additional stimulus measures

#### Increasing lending capabilities

Industry bodies have called for the Australian Government to take action to strengthen access to home lending finance and business finance. The HIA, PCA and UDIA have called for a coordinated effort between the Reserve Bank and the Australian Prudential Regulation Authority (APRA) to widen the availability of finance for industry investors and developers. For instance, to increase financing opportunities, the UDIA (2020b; 2020c) has recommended that the APRA reconsiders the serviceability buffer as per the Prudential Practice Guide: APG 223 — Residential Mortgage Lending (APRA 2017). Meanwhile, MBA (2020b) has called for the Australian Government to offer builders interest-free loans for up to 25 per cent of the cost of title-ready land. MBA claims that this measure will accelerate housing construction in the private sector, incentivising builders to purchase lots and deliver new housing on a speculative basis.

#### Superannuation

A range of housing industry bodies, members of government, superannuation fund representatives, and housing commentators have endorsed proposals to draw on Australia's \$2.7 trillion superannuation system (KPMG 2019) for new housing development. Two disparate approaches have been presented, including (a) the use of superannuation funds to invest in affordable housing, and (b) granting individuals access to their superannuation funds to support home ownership.

To increase the supply of low-cost housing, Industry Super Australia and the CHIA have called for the Australian Government to offer underutilised Crown land and tax incentives to superannuation fund investors (Duke 2020b). According to Stephen Anthony, chief economist of Industry Super Australia, the initiative would require a coordinated effort between government, superannuation funds, community housing providers and property developers. Under the proposal, the Australian Government would release land in areas in need of affordable housing and offer tax credits to CHPs to lower build costs. In effect, superannuation funds would function as passive investors in large-scale affordable housing projects led by the community housing sector. To initiate the proposal, policy change would be required, particularly regarding land release, zoning, planning and approval processes. At the time of writing, the proposal was in the final stage of drafting between CHIA and leading superannuation funds and will be presented to federal Minister for Housing and Assistant Treasurer, the Hon Michael Sukkar MP during the second half of 2020 (Duke 2020b).

By way of contrast, industry bodies such as MBA (2020b; 2020d) and members of the Liberal Party have called for new legislation enabling home buyers to purchase property using their superannuation while allowing mortgage holders impacted by the pandemic-induced shutdown to offset repayments against their retirement funds<sup>10</sup> (Duke 2020a). The proposal has been contested by superannuation funds and the Australian Labor Party (ALP) for several reasons. Firstly, opponents to the proposal contend that the early release of superannuation funds for home purchasing would trigger house price inflation, bringing billions of dollars into a housing market with contracting supply (Duke 2020a). Secondly, concerns have been raised regarding the long-term implications of withdrawing retirement funding to purchase assets such as housing.

<sup>10</sup> On 22 March 2020, the Australian Government announced the 'COVID-19 early release of super' scheme, enabling eligible citizens enduring financial hardship to access up to \$10,000 of their superannuation (ATO 2020). The scheme can be used to pay for mortgage arrears or council rates (National Debt Helpline 2020).



### Immigration policy reform

Net immigration affects the demand for and supply of housing in Australia (PowerHousing and Core Logic 2020). Given the unprecedented domestic and international movement restrictions to counter the spread of the coronavirus, annual immigration intake is estimated to decline 85 per cent in 2020 (AMP Capital 2020; Coorey and Cranston 2020a; SBS 2020). To encourage a rapid response to the decrease in temporary and permanent migration, housing industry bodies have recommended various measures for the Australian Government to take in order to re-establish pre-pandemic immigration levels that are consistent with health protocols. According to the UDIA (2020b; 2020c), the Australian Government will need to increase the immigration rate to 200,000 people per annum between 2020 and 2022<sup>11</sup>. In addition, the Australian Government will need to implement strategic measures to attract migrant classes that make a sizable contribution to the national economy, such as international students and skilled migrations. Furthermore, to increase the tax base, the UDIA has called for the initiation of a program designed to accelerate the permanent migration assessment timeframes to address the backlog of approximately 80,000 pending partner applications for permanent residency (Murphy 2019).

## 2.4 International measures to stimulate the housing industry

As of August 2020, the magnitude of global governmental expenditure totalling upward of US\$10 trillion has primarily focused on delivering emergency funding to health services, income and business support, and in some jurisdictions, mortgage and rent relief (Anderson, Bergamini et al. 2020; IMF 2020b; McKinsey 2020). For a point of comparison, global stimulus spending in response to the GFC amounted to US\$1.98 trillion within the first 12-months of the economic collapse (Khatiwada 2009). As some governments have begun easing industry and societal shutdown measures, a range of stimulus policies have been initiated to address the long-term productive potential of national economies. For instance, the French, Spanish and German governments have committed over €27.2 billion collectively in the form of demand side subsidy programs to accelerate the decarbonisation of their respective automotive industries (economie.gouv.fr 2020a; KfW 2020; Taylor 2020). Correspondingly, the South Korean Government has committed to spending US\$96 billion over five years on green, climate conservation projects in an effort to boost economic activity. Under the *Korean New Deal*, the government plans to invest in green technology and infrastructure, and decarbonise the country's fossil fuel reliant car manufacturing and transportation sectors (IMF 2020b; Kirk 2020). To a smaller extent, the Italian Government has committed a three-year investment plan worth €3 billion targeting low-carbon infrastructure development projects (European Committee of the Regions 2020). Several governments have also initiated stimulus measures structured to engage the housing industry as an engine for economic recovery.

### 2.4.1 United Kingdom

The UK Government has implemented nearly £177 billion in public funding in response to the coronavirus. This funding has targeted healthcare and job retention, protected small-to-medium-sized businesses (SMEs), and included various tax relief and loan guarantee schemes (Anderson, Bergamini et al. 2020; IMF 2020b; Institute for Government 2020; KPMG 2020b). The Johnson Government has also announced several stimulus measures targeting a stalled housing industry, including stamp duty concessions, green retrofitting schemes, planning reforms, as well as bringing forward funding for building new affordable housing. Construction output fell by 40 per cent during April 2020 as a consequence of the pandemic-induced shutdown (Office for National Statistics 2020). Correspondingly, house prices across the UK have fallen for four consecutive months between March and June (Halifax 2020). In an attempt to revive the home buying market, stamp duty exemptions have been made available for all house purchases valued below £500,001 in England and Northern Ireland until 31 March 2021 at an estimated cost of £3.8 billion in lost revenue (HM Revenue and Customs 2020).

<sup>11</sup> In 2019, the Australian Government reduced the annual intake of permanent migrants from 190,000 to 160,000, representing the largest cut to annual immigration since the early 1980s (Centre for Population 2019).

The UK Government has also launched a £2 billion Green Homes Grant Scheme, enabling home owners and landlords to apply for £5,000 in government grants to cover up to two-thirds of the cost for energy efficiency investments to residential dwellings (DBEIS 2020). Under the scheme, low-income households can receive up to £10,000 to cover the full cost of energy efficiency improvements. The UK Government expects to upgrade more than 600,000 homes and create over 100,000 jobs in green construction (DBEIS 2020). An additional £1.1 billion in capital spending has been brought forward for improving energy efficiency to public buildings such as hospitals and schools, and a further £1 billion has been devoted to removing and replacing unsafe cladding from high-rise residential buildings (MHCLG 2020b). Although housing industry bodies have welcomed the Green Homes Grant Scheme, commentators argue that the construction of new green homes should have been included in addition to retrofitting and decarbonising existing dwellings (O'Connor 2020).

Moreover, the Prime Minister's 'Build, Build, Build' press release also included the announcement of a £12.2 billion Affordable Homes Programme (AHP) to deliver 180,000 low-cost housing units for purchase and rent over the next eight years (Prime Minister's Office 2020). The AHP consolidates three existing affordable housing schemes committed under the former May, and current Johnson, Governments (BBC 2020; MHCLG 2017). According to a UK housing industry report, every pound invested in new social housing construction stimulates an additional £2.84 of economic output (Chaloner, Dreisin et al. 2015). A pilot of the First Homes scheme will also be integrated into the AHP, allocating 1,500 housing units for first home buyers at a 30 per cent discount (MHCLG 2020c; Social Housing 2020). Other stimulus measures announced include bringing forward funding from the £400 million Brownfield Land Fund to subsidise the procurement of an estimated 24,000 new homes. Meanwhile, an additional £450 million will be added to the Home Builders Fund (HBF) to assist smaller developers to access finance for new housing development. The UK Government expects the HBF boost to support the delivery of an additional 7,200 new home builds (Prime Minister's Office 2020).

The UK Government has also proposed major planning system reforms to simplify and digitalise application processes and accelerate approval times for new building developments (Jenrick 2020; MHCLG 2020a; Parliament UK 2020). Mirroring reform measures proposed by the industry think tank Policy Exchange, the UK Government's *Planning for Future Green Paper* details the replacement of the current plan-led system that assesses every application with a US-style zonal system that features automatic planning permission (MHCLG 2020a; Policy Exchange 2020). To facilitate 'a more diverse and competitive housing industry' (Jenrick 2020), the proposed deregulation measures seek to remove red tape<sup>12</sup> and deliver greater flexibility for building and land-use change, including new housing development through the retrofitting of vacant and decommissioned buildings (MHCLG 2020a). While some interest groups have endorsed the proposed planning reforms (Airey and Doughty 2020; Policy Exchange 2020; Southwood 2020), commentators argue that there is little evidence to suggest that the deregulation measures will lead to an increased supply of high quality, affordable homes (BBC 2018; Scott 2020; Champ 2020; Gardiner and Hopkirk 2020; Henderson 2020; LGA 2020a; Neate 2020; Parsley 2020; Wainwright 2020).

### 2.4.2 Scotland

In addition to UK-wide stimulus measures, the Scottish Government has established a £100 million emergency loan fund to support small- and medium-sized (SME) housebuilders experiencing liquidity issues related to the industry-wide shutdown between March and May 2020. The fund is exclusively available to SME house builders registered in Scotland who had a minimum of five housing projects under construction at the time of application. The fund offers SME housebuilders short-term loans between £50,000 and £1 million set at a fixed interest rate of 2 per cent per annum. Flexible repayment terms enable recipients to offset capital and interest payments for 12 months. However, the Scottish Government expects the majority of loans to be repaid within 24 months (Housing and Social Justice Directorate 2020).

<sup>12</sup> Key features of the UK Government's proposal include: widening the range of commercial buildings to be converted to residential use following a 'permission in principle' approach to planning assessments; removing the need for a 'normal planning application' to demolish redundant residential and commercial property if they are supplanted by new housing development, and; enabling home owners to make modifications to their property more easily via an accelerated approval process (MHCLG 2020a).

Meanwhile, the independent Advisory Group on Economic Recovery released a report in June, detailing a range of potential government interventions to address the pandemic-induced economic challenges (Cabinet Secretary for Economy, Fair Work and Culture 2020). Of the 25 recommendations outlined in the report, investment in energy efficient affordable and social housing is identified as a key driver to revitalise the economy. The report highlights the need to build 53,000 affordable homes across Scotland, including 37,000 for social housing to meet current waitlists. As the construction sector represents the highest contributor to Scotland's GDP, the report notes that in addition to providing housing to disadvantaged communities, accelerated investment in low-cost housing would support thousands of jobs and propel economic activity (see also Millar and Bryce, SPC et al. 2020; Scottish Housing News 2020; Shelter Scotland 2020).

### 2.4.3 Ireland

In Ireland, the government has announced a suite of housing-related stimulus measures including €30 million for the refurbishment of social housing stock, as well as first home buyer grants, at an estimated government cost of €18 million (DHPLG 2020). To kick-start the refurbishment program, all 31 local authorities across Ireland have been instructed to report all vacant social housing units to the Minister of Housing in preparation for immediate upgrading (DHPLG 2020). During the second half of 2020, the Irish Government is expected to announce a National Economic Plan in response to the pandemic. According to a Green Paper released on 16 June titled 'Our Shared Future', the Irish Government pledges to deliver 50,000 social housing dwellings by 2026 in partnership with local authorities, Approved Housing Bodies and state agencies (Department of the Taoisigh 2020). The Green Paper also recommends bringing forward the proposed National Retrofitting Plan; a carbon-reduction program structured to upgrade at least 500,000 homes across Ireland to higher energy efficiency levels by 2030 (Department of the Taoisigh 2020).

Meanwhile, Ireland's existing Help-to-Buy Scheme has been expanded from €20,000 to €30,000 for first home buyers under the July Stimulus Plan (DHPLG 2020). The €18 million scheme is time-limited from 23 July 2020 to 31 December 2020 (Department of Finance 2020). However, for the scheme to make a substantial impact to the increase of housing supply while reactivating a core sector of the economy, KPMG (2020a) has recommended extending the enhanced home buying incentive to 31 December 2021. In addition, Home Building Finance Ireland<sup>13</sup> (HBFI) has made available an additional €200 million for home builder financing, increased loan limits for small- and large-scale housing developers, and introduced a range of financing packages for major apartment developments (Irish Building 2020). As of August 2020, the Construction Information Service (CIS) asserted that €17.9 billion in housing construction had been suspended across Ireland due to the COVID-19 industry shutdown (Cousins 2020).

### 2.4.4 New Zealand

Since March 2020, the New Zealand Government has initiated over NZ\$8 billion in stimulus funding to housing and infrastructure development. With an anticipated commitment of NZ\$5 billion from the New Zealand Government, 8,000 public housing and transitional homes will be delivered over the next four to five years (Beehive 2020b). The stimulus measure will add to the 6,400 public housing and 1,000 transitional homes already under construction, taking the number of publicly funded house builds committed by the Ardern Government to 17,000 (2017-2020). In an effort to 'turn the tide on New Zealand's housing issues' Housing Minister Megan Woods stated: 'This multi-year investment sends a strong signal to the construction sector so it can plan with certainty to secure investment, retain staff and further enhance the skills of its workforce' (Beehive 2020b). Included in the stimulus package is a NZ\$56 million boost to the existing Warmer Kiwi Homes program, which is expected to insulate and retrofit 9,000 homes in line with New Zealand's emissions reduction agenda (Beehive 2020c; 2020e; EECA 2020; Ministry for the Environment 2019).

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<sup>13</sup> HBFI operates as a private company wholly owned by the Minister for Finance (HBFI 2020).

New Zealand's Minister of Finance, the Hon Grant Robertson MP, has also announced an infrastructure development fund worth NZ\$3 billion as part of the country's broader economic response to the pandemic (Beehive 2020d; 2020e). Under the COVID-19 Recovery (Fast-Track Consenting) released on 1 July 2020, it is estimated that this stimulus measure will generate over 20,000 jobs across New Zealand. A key component of the infrastructure fund includes NZ\$464 million for major housing and urban development projects. The Infrastructure Reference Group (IRG), a government-tasked group of industry leaders, has identified a total of 1,924 tentative projects that could be fast-tracked to stimulate the economy (Treasury of New Zealand 2020). Of these, the New Zealand Government has approved 11 projects (Beehive 2020a; 2020d), including a 350-home development in Queenstown and phase one of the Unitec high-density housing project in Auckland (HUD 2020). Over the next 10–15 years, the 26.5-hectare Unitec project is estimated to deliver 2,500–4,000 new homes, constituting New Zealand's largest urban development venture to date (Greater Auckland 2020).

### 2.4.5 European Union

According to recent estimates, the European Union's (EU) economy is projected to contract by at least 7.4 per cent during 2020, with only a partial recovery of 6.1 per cent anticipated for 2021 (European Commission 2020a; European Parliament 2020). At the time of writing, EU member states had implemented fiscal support measures ranging between 4 per cent and 33 per cent of GDP to counter the effects of the pandemic (McKinsey 2020; IMF 2020b). As in most countries, the economic response has primarily concentrated on providing crucial emergency funding to health and medical services, as well as job-retention and business support programs. Although these time-limited efforts have been effective in cushioning the immediate impact of COVID-19, economists, among other commentators, have noted that a coordinated and targeted long-term support strategy is essential to limiting the economic damage, while establishing a pathway for regrowth (IMF 2020b; McKinsey 2020; Verwey, Langedijk et al. 2020).

After several months of negotiating the shape and size of a second pandemic recovery plan, the EU has approved its most comprehensive climate action policy agenda to date (European Parliament 2020). Dubbed Next Generation EU, the €750 billion solidarity-based recovery instrument will be administered to member states through grants (€390 billion) and loans (€360 billion), prioritising regions most impacted by the novel coronavirus. The funding will target key economic sectors and technologies while simultaneously accelerating the EU's agenda toward reaching climate neutrality by 2050 (European Commission 2020f). In addition to an increased EU 2021–2027 budget proposal of €1.1 trillion and the initial economic response to COVID-19 of €540 billion, the cumulative recovery effort amounted to €2.4 trillion as of August 2020.

According to the Next Generation EU proposal, 30 per cent of the €750 billion stimulus package will be devoted to green investment projects such as emissions free cars and transportation, clean energy resources development and the promotion of energy efficiency across all economic sectors (European Commission 2020c; 2020e). An additional feature includes a building and renovation program designed to: double the renovation rate of public and private buildings; climate proof all newly constructed and renovated dwellings; enforce stricter rules on the energy performance of buildings; increase digitalisation; and align new building design with the circular economy (European Commission 2020b). In addition to upgrading schools and hospitals, the renovation of social housing will be prioritised to meet energy efficiency targets while reducing utility costs for lower income households. The particularities of the program and estimated targets are yet to be determined and will be contingent on the policy agendas of individual member states, in line with EU guidelines (European Commission 2020a; 2020d).

### 2.4.6 Canada

The Canadian Government has implemented a range of fiscal measures at a volume of CA\$190 billion, approximately 8 per cent of GDP (Government of Canada 2020; IMF 2020b). Introduced stimulus packages include a range of emergency support measures enrolled at the national and sub-national level, such as income relief, tax deferrals and interest-free loans and guarantees for small businesses. Direct stimulatory funding has also been injected into particular economic sectors. For example, CA\$1.7 billion has been allocated to the energy sector in an effort to clean up orphan and inactive oil and gas wells. According to the Canadian Government, this stimulus measure will retain a minimum of 2,500 jobs. Additionally, CA\$2.2 billion from the federal Gas Tax Fund (GTF) will be used in an effort to stabilise the economy and accelerate investment in infrastructure projects such as public transport, roads and bridges, airports and brownfield redevelopments (Infrastructure Canada 2020a; Williams and Finlayson 2020). Brownfield redevelopment could include the conversion of decommissioned commercial buildings into energy efficient and sustainably built low-income housing, as exemplified in Toronto's Wychwood Barns project (Federation of Canadian Municipalities 2020). Moreover, Canada's Minister of Infrastructure and Communities, the Hon Catherine McKenna, announced that the Canadian Government would devote approximately 10 per cent of the CA\$3 billion COVID-19 Resilience stream to the existing Investing in Canada program to fast-track social infrastructure projects (Infrastructure Canada 2020b).

Given the absence of direct stimulus expenditure dedicated to providing housing to the country's most vulnerable populations, the Canadian Housing and Renewal Association has submitted a briefing paper to the House of Commons Finance Committee in advance of the 2021 federal budget (CHRA 2020). At the core of the paper, the CHRA has called for a stimulus policy that invests in affordable housing, focusing on four key components:

1. An urban, rural and indigenous housing policy
2. Increased supply of new affordable housing
3. Establishment of a new Property Acquisition Program to support community housing providers to acquire distressed properties
4. Amend the Federal Lands initiative to encourage the greater supply of in-kind land to be transferred to community housing providers (CHRA 2020).

# 3. Housing industry impact and capacity

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- Non-residential construction, followed by residential construction, and then infrastructure spending has the highest multiplier effect to those hard hit industry sectors, such as tourism and retail.
- Dwelling commencements fell in 2019 from levels above the five-year average in all states but WA. This suggests state-based housing industries have the capacity to respond to short-term industry stimulus measures given the recent rates of new house building.
- The exception is WA where dwelling commencements peaked in 2015 and have been falling ever since; a proportion of the workforce has left for other industries during that time.

This chapter explores the potential of the housing industry to contribute to the recovery of the Australian economy by examining residential construction and its multiplier effect, and then assessing whether the housing industry actually has the capacity to respond to stimulus measures by increasing the number of dwelling commencements.

#### 3.1 The potential macro-economic impact of residential construction stimulus

It has long been recognised that investment in infrastructure and construction projects has the potential to give rise to a disproportionate increase in economic activity, known as a multiplier effect. The construction industry is thought to have a particularly high multiplier based on its strong connections to other economic sectors, such as manufacturing and wholesale trade. The construction industry is also relatively labour intensive, meaning that a significant proportion of activity in the sector comprises wage payments. This results in strong linkages between spending in the sector and general consumption, for example in the food, accommodation and retail sectors.

Recent studies have focused on multipliers, and it is important to note that the estimates depend partly on the assumptions underpinning them. For example, KPMG (2012) estimated that the multiplier effect on some social house building projects may be as low as 1.3. More recently, NHFIC (2020a) estimated that the residential construction sector has the second largest production multiplier at 2.49. This range of estimates is important because it emphasises the reality that the 'true' multiplier depends on a number of factors, including the design, built form, location and labour intensity of the procurement method employed.

This project calculates a series of multipliers to explore the potential impact of the house building industry on the economy. To derive multipliers, Input-Output (IO) analysis is used, based on the latest (2017–2018) IO tables from the Australian Bureau of Statistics (ABS 2020a). These include 114 industries, and can be used to compute production multipliers, as summarised in Table 3.

Table 3: Production multipliers from the top 25 of 114 Australian industries

Sector /ANZSCO	multiplier
Basic non-ferrous metal manufacturing (2102) <sup>14</sup>	2.786
Residential building construction (3001)	2.661
Non-residential building construction (3002)	2.657
Meat and meat product manufacturing (1001)	2.478
Electricity generation (2601)	2.456
Dairy product manufacturing (1103)	2.385
Construction services (3201)	2.384
Railway rolling stock manufacturing (2303)	2.372
Cement, lime and ready-mixed concrete manufacturing (2003)	2.345
Gas supply (2701)	2.339
Grain mill and cereal product manufacturing (1106)	2.332
Waste collection, treatment and disposal services (2901)	2.323
Electricity transmission, distribution, on selling and electricity market operation (2605)	2.280
Agriculture, forestry and fishing support services (0501)	2.239
Heavy and civil engineering construction (3101)	2.192
Soft drinks, cordials and syrup manufacturing (1201)	2.160
Telecommunication services (5801)	2.156
Sugar and confectionery manufacturing (1108)	2.153
Sawmill product manufacturing (1401)	2.151
Non-ferrous metal ore mining (0802)	2.136
Insurance and superannuation funds (6301)	2.120
Structural metal product manufacturing (2202)	2.110
Bakery product manufacturing (1107)	2.097
Sports and recreation (9101)	2.084
Postal and courier pick-up and delivery service (5101)	2.066

Source: ABS (2020a) IO tables.

The results are shown for the 25 highest production multiplier industries only, but they clearly show that residential and non-residential construction have much higher multipliers than all other industries (apart from metal manufacturing). Construction services is also high on the list. This finding is in line with other studies. When the production multipliers are used with a number of economic scenarios relating to the COVID-19 impact on the economy and wages in particular (mild, medium and severe), an overall prediction can be made about impacts to GDP that includes the second-order and consumption effects (i.e. fully captures the interdependencies between industries). These results are shown in Table 4.

<sup>14</sup> These five-digit figures represent the Business Industry Codes established by the Australian Bureau of Statistics and Statistics New Zealand



Table 4: Simulated production change by industry in 2020

Industry	Multiplier	Production	Mild	Medium	Severe
		(2017-2018)	scenario	scenario	scenario
		(unit=million)			
Mining	1.765	251,237	-54,544	-62,935	-83,913
Manufacturing	1.748	365,058	-20,881	-24,094	-32,125
Electricity, gas, water and waste services	2.221	117,736	2,755	3,179	4,238
Construction	2.473	471,633	-14,856	-19,809	-39,617
Wholesale trade	1.902	471,633	-35,561	-41,032	-54,709
Retail trade	1.738	128,270	-4,502	-5,195	-6,927
Accommodation and food services	1.765	90,863	-21,144	-24,397	-32,529
Transport, postal and warehousing	1.950	189,866	-17,771	-20,506	-27,341
Information media and telecommunications	1.815	104,784	-136	-157	-210
Financial and insurance services	1.768	258,482	-24,194	-27,916	-37,221
Rental, hiring and real estate services	1.755	313,373	-28,110	-32,434	-43,245
Professional, scientific and technical services	1.813	348,354	-12,227	-14,108	-18,811
Administrative and support services	1.745	93,504	-8,387	-9,678	-12,904
Public administration and safety	1.726	62,415	-893	-1,030	-1,373
Education and training	1.641	127,825	6,481	7,478	9,970
Health care and social assistance	1.509	182,634	9,022	10,410	13,880
Arts and recreation services	1.998	88,860	-7,162	-8,264	-11,019
Other services	1.125	12,727	546	630	840

Source: Authors' calculations.

Table 5 summarises the production linkages between selected sectors that have potential to be used for stimulus purposes, and the hardest hit industries so far in the pandemic. In defining 'hardest hit', there is a range of measures that can be applied. For example, the ABS data on impacts to total wages by industry (ABS 2020b) reveal a different pattern to recent analysis by CEDA (2020) on job losses by sector. Treasury (Treasury of Australia 2020b) data on the distribution of individuals on JobKeeper by economic sector presents a different pattern again. As such, all three definitions have been included in Table 5 to provide a more holistic picture of the total production multiplier on 'hardest hit' industries (according to the three definitions).

Table 5: Production linkages between hardest hit industries and stimulus sectors

	Residential building construction	Non-residential building construction	Heavy and civil engineering construction	Ownership of dwellings	Retail
<b>ABS total wage definition</b>					
Accommodation	0.005	0.006	0.004	0.001	0.001
Mining	0.006	0.007	0.004	0.001	0.002
Transport	0.020	0.027	0.025	0.002	0.013
Finance	0.034	0.037	0.026	0.161	0.031
Rental	0.033	0.029	0.038	0.004	0.017
Arts	0.001	0.001	0.001	0.001	0.001
Administrative	0.016	0.015	0.011	0.001	0.007
<b>Total production multiplier</b>	<b>0.115</b>	<b>0.122</b>	<b>0.109</b>	<b>0.171</b>	<b>0.072</b>
<b>CEDA job loss definition</b>					
Accommodation	0.005	0.006	0.004	0.001	0.001
Arts	0.001	0.001	0.001	0.001	0.001
Rental	0.033	0.029	0.038	0.004	0.017
Professional	0.139	0.140	0.195	0.018	0.128
Information, media, tele	0.018	0.019	0.014	0.003	0.024
Administrative	0.016	0.015	0.011	0.001	0.007
Construction	0.490	0.581	0.303	0.092	0.019
<b>Total production multiplier</b>	<b>0.702</b>	<b>0.791</b>	<b>0.566</b>	<b>0.12</b>	<b>0.197</b>
<b>Treasury JobKeeper definition</b>					
Arts	0.001	0.001	0.001	0.001	0.001
Rental	0.033	0.029	0.038	0.004	0.017
Administrative	0.016	0.015	0.011	0.001	0.007
Wholesale trade	0.066	0.057	0.036	0.005	0.024
Professional	0.139	0.140	0.195	0.018	0.128
Accommodation	0.005	0.006	0.004	0.001	0.001
Construction	0.490	0.581	0.303	0.092	0.019
<b>Total production multiplier</b>	<b>0.75</b>	<b>0.772</b>	<b>0.588</b>	<b>0.122</b>	<b>0.197</b>

Source: Authors' calculations.

In Table 5, the focus is residential and non-residential construction, heavy and civil engineering, ownership of dwellings, and retail. By including heavy and civil engineering, we are able to illustrate the alternative of major infrastructure investment (such as roads and bridges) as a form of stimulus. By including ownership of dwellings, we are able to provide an estimate of the production multiplier (on the hardest hit industries) of policies to encourage entry to home ownership. Finally, we include retail to illustrate the production multiplier effect of a stimulus measure such as a direct subsidy or cash gift (as favoured in US policy), designed to directly boost consumption.

The results differ markedly between the three definitions of 'hardest hit' industries, but broadly suggest that non-residential construction, followed by residential construction, and then infrastructure spending have the highest multiplier effect to those hardest hit industries. However, it is also worth emphasising that direct stimulus to the retail sector has a higher multiplier effect than an increase in ownership of dwellings under the two definitions that are based on observed job losses to date, rather than reduced total wages. Secondly, the definition of 'hard hit' based on ABS data on total wages omits construction as a hard hit sector, because there is minimal evidence (based on that data) to show that the construction sector has been badly impacted. This may reflect a time lag in the data, or it may reflect the result of stimulus measures to date, or anticipated future stimulus measures. Nevertheless, it is clear that when the construction sector itself is omitted from the definition of 'hard hit', the five stimulus examples have a much more uniform multiplier effect. Indeed, stimulating increase to ownership of dwellings actually has a higher impact on the remaining hard hit industry sectors than the other examples shown.

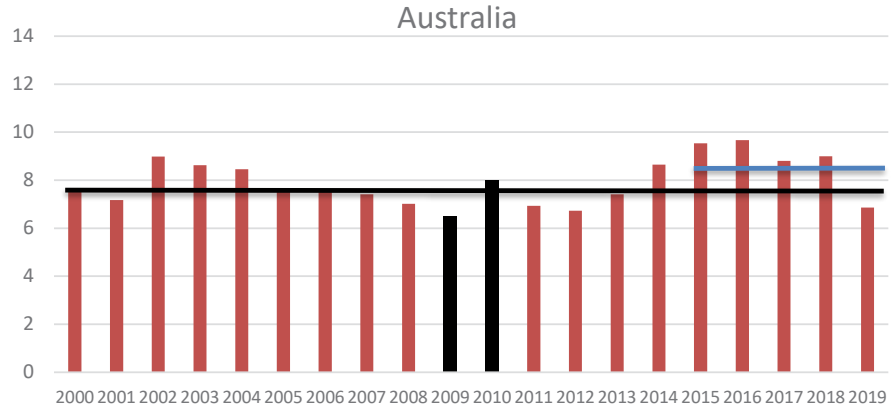
### 3.2 Patterns of housing supply

This section explores the capacity of the housing industry to respond to stimulus measures. Figure 1 describes the annual number of dwelling commencements in Australia and the five states. Each figure uses the same axis to describe dwelling commencements per 1,000 persons to allow direct comparison. The black line on each graph represents the 20-year average level of commencements. The blue line on each graph represents the average for the last five years. The black bars for 2009 and 2010 highlight the impact of the GFC stimulus measures in increasing dwelling commencements across the country, with activity generally falling away once the measures were removed.

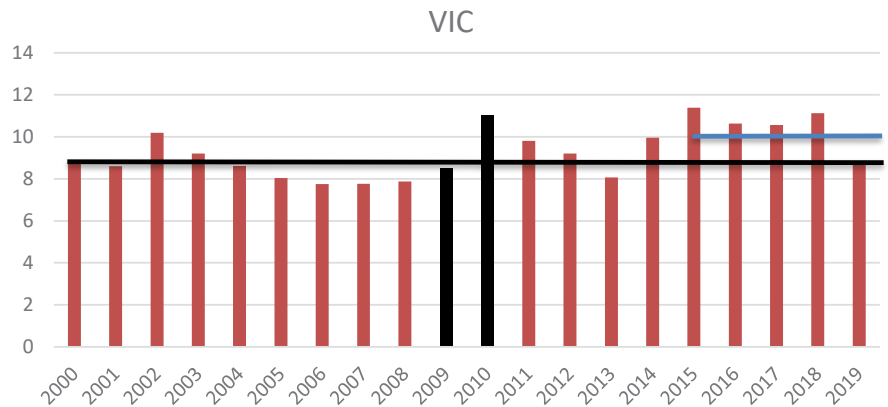
Identifying recent trends in commencements in each state permits an assessment of whether the state level housing industry would have the capacity to react to housing market stimulus. A housing industry operating at, or near, capacity will struggle to deliver an increased supply of housing unless there are additional workers (skilled and non-skilled) that can be attracted into the industry. An industry that has been operating at well below capacity for a number of years will also struggle to react to stimulus measures if a substantial number of workers have permanently left the industry and new workers cannot be found.

Figure 1 illustrates that there is significant variation between states. Victoria and NSW have operated at levels well above the 20 year average for the last five years, WA well under and the other states at that average. What is important to note is that 2019 saw a drop in dwelling commencements across all states. The new house building industry was already displaying signs of weakness, and in the case of WA, had been weak for four years. This recent contraction (outside WA at least) suggests the housing industry does have the capacity to increase house building activity; all states are operating at levels below the five year average. Falls from high levels of activity only occurred in 2019 (again outside WA), suggesting that the labour force is unlikely to have left the industry entirely, with workers actively seeking employment. WA is the outlier, having witnessed a downturn in activity since the peak of 2014 with industry bodies such as the HIA and UDIA reporting that many workers having left the industry for employment elsewhere. Therefore, the WA industry has limited capacity to respond quickly to a housing stimulus and interviews with the local industry suggest capacity issues are already starting to become an issue (see Chapter Four). Capacity was not an issue raised by interviewees in either SA or NSW.

Figure 1: Dwelling commencements by state



20 year supply well below Australian average Last 5 years above 20 year average. Steep drop in 2019.  
 Strong supply boost post GFC, falls for two years after FHO boost removed.

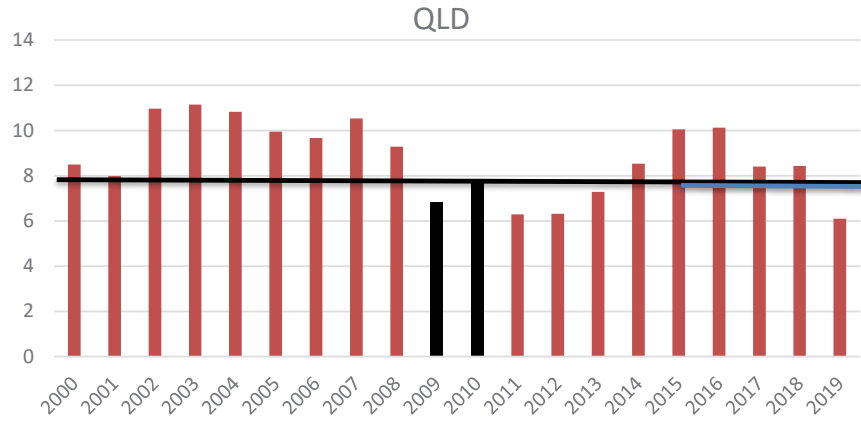


Last 5 years slightly above high 20 year average. Big drop in 2019.  
 Very large supply increase post GFC to well above average, decline after FHO boost removed but still above 20 year average for 2 years.



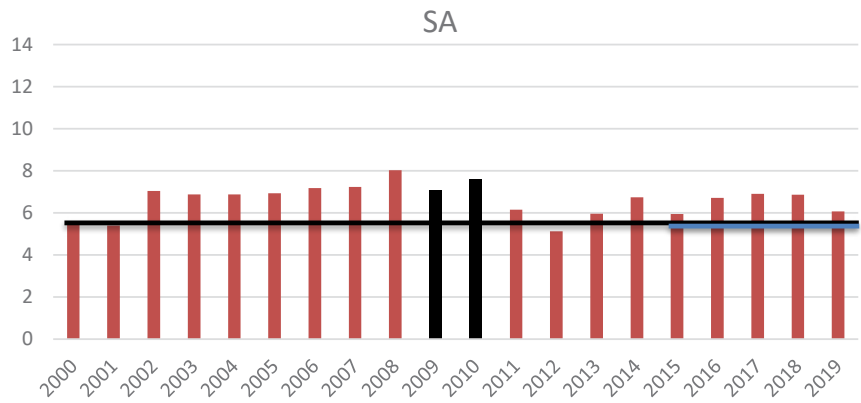
20 year supply well below Australian average Last 5 years well above 20 year average for NSW. Steep drop in 2019.  
 Supply boost post GFC, slight fall after boost removed.

### 3. Housing industry impact and capacity

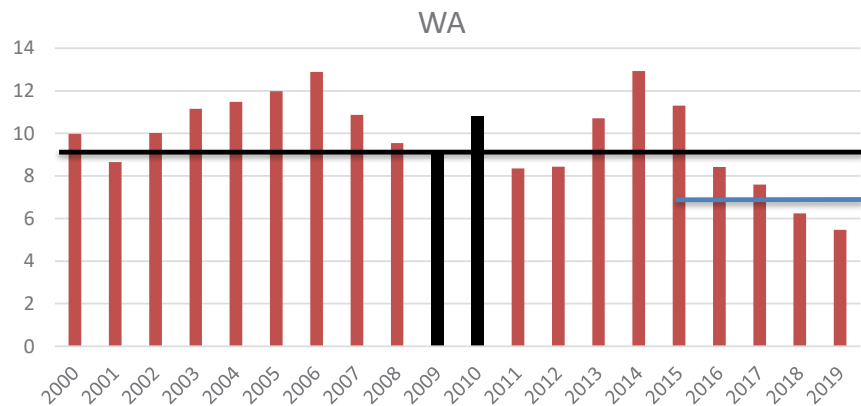


Last 5 years at 20 year average. Big drop in 2019.

GFC response increased supply back to 20 year average levels, steep drop off once FHO boost removed.



20 year supply well below Australian average. Last 5 years at 20 year average figure. Little impact of GFC but decline after FHO boost removed.



20 year average above Australian average. Last 5 years well below 20 year average for WA. 2019 worst year on for 40 years. Commencements declining since 2014.

Slight supply increase post GFC then contraction after FHO boost removed.

Source: ABS Building Activity statistics (Table 8752) and ABS Population statistics (Table 3101).

### 3.3 Industry employment

There is a strong link between the number of dwelling commencements and overall construction employment as measured by the ABS. Therefore, stimulating new housing construction will lead to an increase in construction employment and economic growth through the multiplier effect. Figure 2 shows the relationship between dwelling commencements and construction employment in Australia, NSW and WA. A clear pattern emerges with construction activity increasing with dwelling commencements. In NSW, construction employment started to fall in 2019 on the back of a sharp drop in commencements. In WA, construction employment has fallen but not as sharply as commencements. This is due to increased activity in infrastructure and mining construction, which has absorbed some of this residential construction workforce.

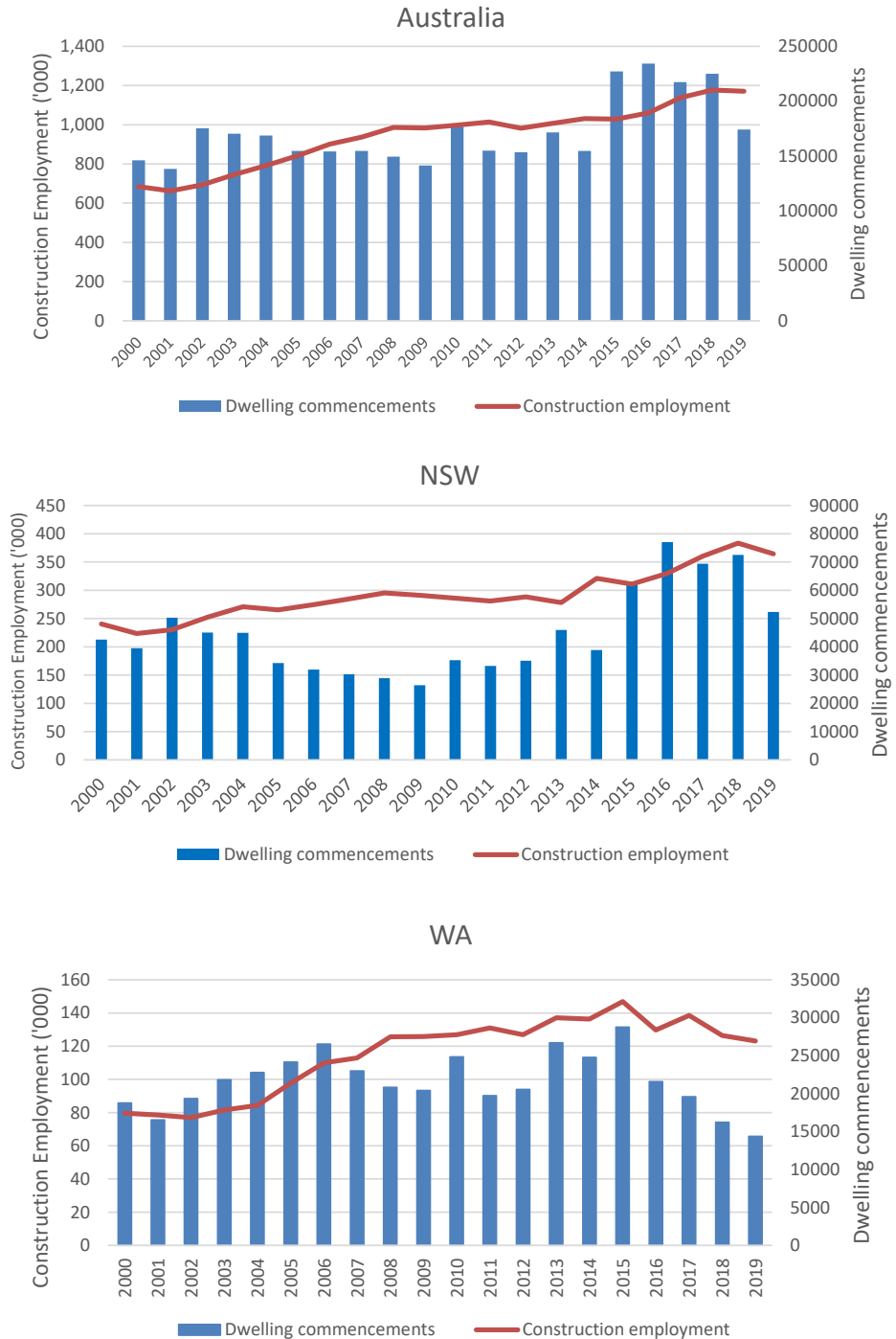
Table 6 below shows that residential construction accounts for around 60 per cent of the value of all work undertaken and, as such, is the major contributor to construction employment. Of residential construction value, the vast majority of work undertaken occurs in the new build sector, as opposed to renovations. This demonstrates increasing dwelling commencements will feed through directly into construction employment.

Table 6: Residential construction activity

Residential construction by value as a percentage of all construction work done 2000–2019	
NSW	61%
VIC	64%
QLD	63%
SA	59%
WA	63%
New residential construction as a percentage of all construction by value	
NSW	83%
VIC	85%
QLD	88%
SA	84%
WA	90%

Source: ABS Construction work done (Table 8755).

Figure 2: Dwelling commencements and construction employment



Source: ABS Construction work done (Table 8755) and ABS Building activity (Table 8752).

This chapter demonstrates that stimulating the housing industry will deliver an economic impact and create jobs. Dwelling commencements fell across the country in 2019 meaning there is capacity in the industry to respond to a well-designed stimulus package. Increasing residential building activity will directly result in an overall increase to construction employment and deliver benefits to those industries hard hit by COVID-19. The question for the remainder of this report is whether existing stimulus measures are likely to be effective and what other measures governments could implement to ensure the maximum economic benefit is delivered as a result of stimulating the housing industry.

## 4. The stimulus response

- There was widespread support for the Australian Government and state and territory governments' demand side stimulus measures from the 25 industry stakeholders interviewed during this research.
- Cash grants increased new land and house sales significantly in WA and SA and will feed through into new building work sustaining and creating jobs. In NSW, while the introduction of HomeBuilder was seen to have improved market sentiment, the policy settings were not expected to deliver a significant impact, particularly in Sydney, due to the \$750,000 price cap and the lack of availability of registered greenfield lots.
- HomeBuilder and related grants were expected to create some new demand as the opportunity was considered 'too good to miss' by many consumers and will also pull forward considerable demand.
- There were concerns the industry would face significant job losses when stimulus measures are wound back.
- Planning reform was seen as an important government response outside direct grant led stimulus. Making the development approval process more efficient to allow the industry to respond quickly was considered essential.
- Other suggested policy interventions included reforms to tax settings, including stamp duty, and support for new social and affordable housing development, including through direct capital grants and expanded access to land and finance for CHPs.



This chapter reports the findings of 25 interviews with key housing industry stakeholders across NSW, SA and WA. Interviews were semi-structured and covered a variety of issues relating to the impact of COVID-19 on the housing industry, the response to the various industry stimulus measures, industry capacity constraints and alternative intervention policies. Interviews were undertaken with industry professionals from key industry lobby groups such as the Property Council of Australia (PCA), Master Builders Australia (MBA), Housing Industry Association (HIA) and the Urban Development Institute of Australia (UDIA), as well as private sector developers, community housing providers and state/territory government development agencies, all of whom were invited to share their own views stemming from their professional expertise and experience. Given the rapid nature of the research, no specific quotes are included, and the analysis below discusses the broad views of interviewees under a number of headings.

### 4.1 Impact of the pandemic on the housing industry

The impact of the pandemic on the housing sector has varied, particularly between organisations that are focused on construction, those focused on land development, and those with a primary interest in the delivery of housing services, such as community housing providers (CHP). Impacts have also varied depending on where a developer or builder's projects are in the development cycle, with projects requiring finance or transacting soon potentially facing the greatest difficulties. In NSW, where the majority of dwelling approvals are now in apartments, interviewees explained the apartment market has generally been more heavily impacted by COVID-19, particularly in terms of buyer interest and access to finance, and will likely take longer to recover.

Interviewees in NSW and WA stated that the industry had generally been successful in keeping current construction projects going despite on-site restrictions. The classification of construction as an essential service was seen to be key in enabling projects to continue. As one NSW interviewee explained, the residential construction industry is used to managing health and safety risks, so the integration of protocols to manage new risks arising from COVID-19 were easily integrated into operational procedures. One interviewee noted that social distancing requirements could impact the timeframe and cost of projects, but that those impacts have not yet been quantified. While there were initial concerns about the impact of COVID-19 on supply chains, at the time of the interviews, the availability of materials was not seen to be a significant issue. The main concern was around potential delay or cancellation of projects yet to commence.

In SA, most interviewees indicated that the construction sector has been resilient so far, with few noticeable impacts to on-site activities, and no severe disruption. Developments in progress have continued largely without problems, although changes to working practices have had a negative impact on higher density developments (for example, those requiring slow, high-capacity site elevators).

The most significant concern over the impact of COVID-19 was delay or cancellation of projects with approval but yet to commence, coupled with lack of new projects. As projects are delayed or cancelled due to the increased financial risks presented by COVID-19, less workers are required. As existing jobs are completed there are no new jobs for workers to go to so there is a lagged employment impact. The MBA calculated a loss of 85,000 jobs since March with a further 350,000 workers being supported by government intervention (MBA 2020f). The HIA (HIA 2020b) predicts a fall in the number of dwelling commencements from around 200,000 in June 2019 to just 133,000 in June 2022. Therefore, the major impact of the pandemic is yet to come based on the analysis from industry bodies with a significant contraction in new building activity possible. The HomeBuilder stimulus package along with the various state measures may offset a proportion of this future reduction in activity.

In SA, interviewees commented that the outlook for the sector was very poor at the beginning of the pandemic, but this has improved due to the various stimulus measures. In WA, a slow recovery after a downturn of five years was underway, which was halted by the pandemic. When the pandemic first hit, businesses concentrated on trying to ensure contracts in place went ahead to maintain a pipeline of work later in the year. In NSW, there were also concerns about the industry's outlook. Interviewees reported that declining interest and cancellation of jobs seen early in the coronavirus pandemic had started to turn in June, with visits to sales centres increasing.

There were reports from interviewees that valuers became more conservative due to the increased risk from COVID-19 and potential for price falls, and so smaller developers have had to find more of their own cash to inject into developments to preserve the loan-to-value ratios agreed with the bank. Some builders indicated that it had become more difficult for buyers to access finance. As one NSW interviewee explained, mortgage lenders are now particularly reserved about lending to people employed in industries that have experienced job losses or are seen to be more vulnerable to the impacts of COVID-19.

Sales activity was affected while open homes and display villages were closed for a time. However, in WA homes sales rates were already low and they were dropping in NSW. Without sales, there is no construction work. As such, there were concerns that a sustained shut down of display villages and apartment showrooms leading to few new sales would have major implications for new construction activity moving forward. However, in general, developers were more concerned about these issues early in the pandemic and it would be fair to say that the worst of these possible problems did not actually materialise outside the second shutdown in Victoria.

There was a general view that Australian Government initiatives such JobKeeper have helped to contain unemployment in the sector to a certain degree. However, interviewees were concerned about employment prospects once the JobKeeper scheme and the stimulus measures come to an end. The concern is mainly due to the lack of confidence moving forward on the back of potentially sustained high levels of unemployment and low population growth.

While producing some logistical challenges for projects under construction, interviewees from the community housing sector generally indicated that the pandemic has had a positive impact on their business, reducing rent arrears as many tenants found their incomes increased as a result of JobSeeker and JobKeeper. Maintenance programs were scaled back due to access issues, increasing cash flow. NHFIC continued to make finance available, which has allowed CHPs engaged in development to commence new projects despite the current economic climate. Some positive state level social housing initiatives were also seen to have boosted the sector. One interviewee pointed out that in the current economic climate, more investors are looking for low volatility investments while, at the same time, being willing to accept a lower return. This was seen to offer a significant potential opportunity to draw capital investment into the affordable housing sector. There were no reports of job losses in the community housing sector. However, SA community housing providers expressed disappointment that the stimulus measures had so far ignored the role of affordable housing, and its providers. These providers felt that government investment could have leveraged a much greater impact on housing supply and the economy if the spending were less focused on the new build and renovation sectors.

### 4.2 Current stimulus measures

Housing industry bodies were quick to welcome the Australian Government HomeBuilder grant and there was also widespread support from interviewees across the states. Although, in NSW, interviewees doubted whether there would be significant uptake of the stimulus, particularly in Sydney, due to the specific policy settings. Adrian Kelly, President of the Real Estate Institute Australia (REIA), asserted that the stimulus measure 'will be a massive boost to the employment of home builders and their tradesmen at a time when a major driver of economic activity was stalling' (REIA 2020). Likewise, Denita Wawn, Chief Executive Officer of Master Builders Australia, referred to HomeBuilder as a 'lifeline' for the residential housing industry, suggesting that the program will stimulate up to '\$10 billion in building activity, supporting the viability of 368,000 small builders and tradies — the businesses which employ 800,000 people in communities around Australia' (MBA 2020e).

The WA interviewees were particularly supportive given the combination with the state level Building Boost grant. There was a demonstrable increase in home buying activity through June and July, with sales up almost 200 per cent from May to June according to one interviewee. The UDIA also reported a massive boost in sales, with weekly figures up from around 50 in March and April to over 400 in June (according to one interviewee response). Sales eased into July and August but remain around twice that of the March and April level. Similar patterns were reported by interviewees in SA. There are so far more than 8,000 registrations in the HomeBuilder scheme, with some volume builders reporting record sales (up to an additional 200%) in July. The SA interviewees highlighted the multiplier effect; a lot of professionals and trades were employed to accommodate the massive spike in interest in new housing and renovation, including in construction materials, furniture and appliances.

Overall, most respondents indicated that the stimulus measures have had a significant positive impact on demand for housing, and that projects in the planning stage had been brought forward where possible, increasing demand for civil contractors in particular. In NSW, while the price caps were seen to be a limitation to actual uptake, particularly in Sydney, interviewees believed that the announcement of the stimulus had a generally positive impact on buyer sentiment, stimulating interest even above the price thresholds of the policy.

Interviewees in SA and WA were convinced that the only way to stimulate the housing industry is through creating demand; these cash incentives have done just that. Supply side incentives are not effective without demand. The SA interviewees were concerned that land resources are quickly running out and urged the South Australian Government to consider releasing more land, believing available land will become the key barrier to the housing developments as part of pandemic recovery.

Despite the sustained downturn of the WA market over the last few years, interviewees noted that the grants have created awareness and stimulated interest among potential buyers. The presence of a regional land booster scheme from Development WA also helped boost regional demand for land. Many regional markets are now experiencing a land shortage as a result of purchase activity.

There was some criticism of HomeBuilder, focused particularly on timing and eligibility; the criteria are too narrow, excluding multi-residential development, and the price caps are too low, failing to account for housing market differences across the country. This is particularly true in Sydney where interviewees explained that: the majority of new housing supply is priced above the \$750,000 threshold; a significant proportion of new supply is in multi-unit developments where pre-sale requirements mean long lead times for commencement; and there is a lack of registered residential lots (with buyers typically buying land 'off plan'). These issues have also been highlighted by property and development groups. For example, the UDIA has informed the state treasurer that the HomeBuilder scheme 'largely fails Sydney and NSW' as fewer than 1,000 lots in greater Sydney meet the eligibility criteria' (Thompson 2020).

The Chief Executive of the Property Council of Australia (PCA), Ken Morrison, warned that HomeBuilder would offer 'limited support to new apartment construction given the requirement to start building within three months of contract signing and the longer lead times for commencement of these projects' (PCA 2020c). The UDIA contended 'the package will primarily have an effect in greenfield markets, and there is limited benefit to middle ring or apartment development also crucial for creating needed supply and employment' (UDIA 2020d). These concerns were echoed in NSW. One interviewee also pointed out that the policy does not assist developers who have capital tied up in completed, unsold apartments, meaning they are unable to commence further projects.

For the program to meet the desired targets, Morrison stressed the importance of state and territory governments coordinating with the Australian Government, and ensuring that their titles, planning and building approvals systems are ready to facilitate new construction starts within three-months of contracts being signed (PCA 2020c). Settings were adjusted within WA to improve the workability of the scheme, after consultation with industry and other modifications have been made across the country. For example, construction is considered to have commenced in the ACT and SA following substantial earthworks, excavations, and/or building demolition. Whereas, the commencement of construction in Tasmania is determined after the laying of the foundation is complete, which is much more onerous (Treasury of Australia 2020a).

Concerns have been aired regarding the renovation component of the HomeBuilder program. However, the majority of interviewees, who were predominantly focused on new build, had little to say on this aspect of the grant other than it would not impact their business. One interviewee pointed out that the advantage of home renovation as a stimulus strategy is that it does not depend on acquisition of land and, in many cases, can be funded through household savings, which means that work can be commissioned quickly. However, those benefits are most likely to be realised through small-scale renovation projects. As the interviewee explained, the HomeBuilder thresholds are currently too high to capture smaller scale renovations. This view has also been put forward by Shadow Minister for Education and Training, the Hon Tanya Plibersek MP, who has suggested that the program prevents low-to-middle income home owners from undertaking small-scale housing upgrades who are unable to afford to spend \$150,000 on a major housing renovation (Holroyd 2020). By a similar token, commentators have noted that given the extent of planning, drafting, preparation and financing required, as well as building and development approvals to organise major housing refurbishments worth more than \$150,000, the renovation element of the HomeBuilder scheme is likely to be taken up by those who had already started the process prior to its release (Coates 2020; CoreLogic 2020).

While welcoming state level measures around social housing in NSW and WA, interviewees from the not-for-profit sector, as well as the wider development industry, expressed some disappointment around the absence of a SHI style intervention. Interviewees stated that the stimulus measures had so far largely ignored the role of affordable housing and its providers. Access to cheap or subsidised land was suggested as a possible intervention that would increase supply relatively quickly whilst also allowing these organisations to grow. This was particularly the case in NSW, where interviewees explained that a long period of housing market growth had significantly raised vendor expectations, even challenging the viability of market-rate projects. Capital grants and increased funding through NHFIC were also discussed as potential means to boost the sector through social and affordable housing development.

Chapter 2.2 details the various planning reforms undertaken by each state. Interviewees welcomed reforms to the planning system designed to make the development approval process more efficient, but it was too early to tell what impact COVID-19 based planning reforms would have on the industry. Planning reform was identified by interviewees as a relatively low-cost reform that would help stimulate the industry, particularly in NSW.

In WA, there was concern about the timely release of new titles for land brought to the market as a result of the developers trying to meet demand. Additionally, all the state agencies involved in land development would need to ensure processes are in place to meet the short timeframes. It was felt by one interviewee in WA that this would require some state agencies to change their existing working practices. The general feeling of WA interviewees was that the state/territory government and its agencies related to development recognised the need to react quickly to the demand surge and were doing their best to prepare.

### 4.3 Administration of stimulus measures

The intention of HomeBuilder and related state stimulus measures was to create consumer demand and deliver new development. The scheme's settings attempted to do that by requiring building contracts in place before the end of 2020 and for building to commence within three months of signing that contract. This resulted in two outcomes. First, consumers had to act quickly to ensure a building or off-the-plan contract could be signed by 31 December. Second, it required the industry to have sufficient capacity to deliver land for building and to commence construction within three months of the contract data. Construction commencement was defined differently in different states. Administration of the program was handed to the states who were already responsible for first home owner grants. One of the interview questions asked which level of government is best placed to lead a stimulus. In NSW, feeling was generally that program (including overarching goals or targets) and funding should come from the Australian Government as it is best placed, embeds program legitimacy and ensures an element of uniformity. However, these programs then need to be administered by the state and territory governments, with some flexibility given to state and territory governments to adapt a program to their local context. WA and SA interviewees largely agreed.

The policy settings created problems and some states changed the settings, such as the definition of construction commencement (e.g. commencement of site works or laying the slab) and the timing of that commencement. For example, under the WA Building Bonus Grant, construction must commence within six months of entering the contract. As such, the Western Australian Government aligned the federal HomeBuilder settings with those of the state-based Building Bonus Grant to avoid confusion. In SA, construction is taken to have commenced when site works, including excavation for the approved building works to the top of the base level, is complete. Commencement must be supported by evidence such as a statutory declaration from the builder or a mandatory notification form, which is used to notify local councils of stages of work. However, the definition of construction commencement as significant earthworks, excavations or physical building works undertaken requires a number of factors to fall into place such as finance, land purchase and title, contract signed and building approval. The NSW Government has allowed for a three month extension based on commencement delays and the Victorian Government has extended commencement to six months as a result of the second lockdown.

While the interviewees were very supportive of the HomeBuilder grant, its timing and administration was the main concern. Interviews took place before some of these issues were resolved due to changes in policy settings.

There was agreement between interviewees that the scheme settings effectively ruled out stimulating new apartment development. For instance, the SA interviewees highlighted that apartment developers have lost out due to the six month timeframe that favours buying a single plot of land and building a house, rather than projects involving more complex title arrangements. The failure to simulate a large part of the construction industry was viewed as a major flaw. However, there was also agreement that the timings built into the grant got consumers moving quickly and almost created demand overnight. This would not have occurred had there been a much longer time period around contracts and commencements.

In WA in particular, the impact has been substantial, with record land and new home sales reported by the UDIA and HIA. This was in part due to the combination of the HomeBuilder and state Building Bonus Grants, the ability to combine these payments with first home owner grants and stamp duty relief coupled with a relatively affordable land market. With the housing market having been in a steady decline for five years, interviewees believed there was a lot of pent up demand. Households have acted on this demand in the face of a government funding and stimulus package that is simply too good to turn down. The regional land booster scheme from Development WA also helped stimulate land sales in regional WA. In fact, this scheme has been so successful that there is little, if any, land left in some regional towns, such as Albany.

A number of interviewees discussed the problems created by the HomeBuilder timeframes and how various processes around finance and building approval would result in consumers missing out on grant payments. They pointed out the blame would inevitably fall on the builder, even though these are processes outside the builder's control.

While settings mean that consumers acted quickly, there was a call to spread out the work by increasing the period between contract signing and building commencement. Twelve months was the duration frequently mentioned by interviews, which would allow everything to be lined up and spread the demand from civil contractors and trades over a longer period. Other interviewees disagreed, saying a longer timeframe would have resulted in consumers delaying their decisions until towards the end of the year, creating an initial lag which could have resulted in job losses.

In NSW, interviewees had concerns over income limits and the maximum dwelling price. Interviewees thought the \$750,000 price cap was too low and even if there were new build opportunities below \$750,000, the income limits would make it difficult for many to secure a mortgage in the absence of a large deposit. For a new build market where apartments are so important, and with a scheme which does not lend itself to new apartment development, NSW interviewees thought there was little hope of a big increase in activity outside some regional areas. Interviewees suggested that this difference in house prices and incomes between major cities and regional areas could be addressed through different price thresholds. Increasing the grant to \$50,000 and raising the price cap to \$850,000–\$900,000 in Sydney was suggested by one interviewee. With NSW dwelling commencements having fallen sharply in 2019, the market was looking for a demand boost even before COVID-19. Interviewees generally felt that, while offering a boost to market sentiment, HomeBuilder is not sufficient in its current form to achieve such a boost; further measures will be necessary.

There was widespread agreement across all interviewees from all three states that the settings around renovations (minimum spend and income eligibility) would mean very few people would benefit from the scheme. Interviewees felt the scheme was more targeted at knock down and rebuild for low-income households with significant equity (typically retired households). One interviewee in NSW expressed concern that the scheme may encourage households to take on more debt, which could be risky in the current economic climate.

WA interviewees were full of praise for the state's Building Bonus Grants, saying the government got the settings just right after a sustained period of consultation with industry. One interviewee commented that having no income eligibility limits was the perfect setting to stimulate the market to greatest effect and generate all types of buyer active. "Why restrict the impact of a stimulus by restricting the number of potential beneficiaries?" While timing was still tight, allowing six months for commencement eased the initial concerns from industry. Coupled with the other incentives available, the interviewees were very confident there would be a significant upturn in activity, which has proved to be the case. However, forecasts of dwelling commencements suggest the stimulus will still only return dwelling commencement activity to around 2018 levels, which is still below the five year average and well below the ten year average (HIFG 2020).

Respondents in all three states believed both the Australian Government and the state and territory governments will need to provide additional stimulus to the housing industry into 2021, and some believed beyond. Those in NSW were keen to see the introduction of a package of measures that would help stimulate the apartment sector, as well as alterations to the existing settings to make them more relevant to the NSW greenfield market. Once the initial surge of new home building activity stimulated by HomeBuilder and related measures fed through the system by mid-2021, there was concern the industry would be back to where it was during the early stages of the pandemic. Elevated levels of unemployment and low levels of population growth are detrimental to housing demand and many believed low new house building levels will result in major job losses within the industry during the second half of 2021. There was some doubt whether an extension of HomeBuilder would be beneficial due to the volume of demand pulled forward. Alternative methods of stimulating construction may be necessary. With numerous new infrastructure projects announced across the country, some workers may leave the industry and be difficult to re-attract.

### 4.4 Capacity constraints

In order to increase home building activity, the industry must have the capability to increase output. This requires the availability of civil construction workers, various trades responsible for construction, state utility organisations, local government staff to deliver development approvals and bodies responsible for issuing new land titles (such as Landgate in WA).

In NSW, the capacity of the housing industry to respond to the various stimulus measures was not considered an issue. This is due to two factors: the limited impact the various measures are expected to have on building activity; and the industry already had capacity due to a contraction in dwelling commencements in 2019 following a period of unprecedented development activity. There were, however, concerns expressed about the industry's ability to deliver all the major infrastructure projects announced by the NSW Government. This could impact the availability of civil works once the housing industry recovers.

It was a different story in both SA and WA. More than one SA interviewee commented that capacity could be increased by 50 per cent easily, and as much as 100 per cent over a 12 to 18 month period, provided that the right stimulus measures were put in place.

Land developers have different pressures to housebuilders. In particular, they need to estimate demand early each year to ensure they do not hold a significant volume of stock come 30 June, which generates an enormous land tax bill. Given the timing of the pandemic, land developers deliberately chose not to title as many lots as they could in March to avoid a tax liability in June. Therefore, there is a rush in SA and WA to bring new land to the market to meet the grant time settings; this is very difficult unless the development process is well underway. Developers also require the issuance of titles to enable sales. In WA, Landgate has been alerted to the potential rush of applications for titles as developers try to bring new land onto the market to meet demand.

In both SA and WA, interviewees reported the likelihood of an enormous volume of work passing through the system all at once. This will place enormous pressure on banks to approve finance as quickly as possible, local government to expedite planning approvals and, ultimately, trades and suppliers delivering work and materials. The availability of skilled trades may also become an issue as there is only a finite amount of local capacity and it takes a number of years to train and qualify for specific jobs. It is therefore difficult to increase the number of trades working in a location, particularly if they cannot be flown in from other locations due to border closures. Indeed, a lack of trades has become the biggest risk in the housing sector. Interviewees reported that some builders had stopped taking new orders because there is a limit on the number of new dwellings they can deliver while continuing to provide a quality service to their customers. This limits the potential response.

In WA, interviewees reported early capacity issues within the civil trades, who were also in demand for various infrastructure projects and within the resources sector. Without availability of civil contractors to complete the works necessary under the grant settings, consumers risk ineligibility under the grant criteria. One of the biggest complaints from the local industry is the competition for workers in both SA and WA. Experienced, highly skilled industry professionals, such as project managers and contract administrators, have been attracted interstate, particularly in WA given the market downturn over the last five years.

Interviewees in WA were not concerned about increasing worker capacity in the non-skilled trades, such as labourers. However, when new residential project commencements pass through the approvals process and reach the physical construction phase, there is likely to be a shortage of trades. This could lead to delays in the delivery of houses and price increases unless workers can be sourced from interstate, which is difficult with border closures in place.

One WA interviewee raised the issue of quality and safety. WA has been a market working slowly over the last few years and has suddenly been required to accelerate production and work at maximum capacity to meet what are regarded as tight deadlines. Some builders have capped their sales to ensure quality of build and there are other constraints on capacity such as home indemnity insurance. Builders' insurance coverage has remained at a low base for five years as orders have dropped. As such, if builders want to increase production, they will need to increase their insurance cover which one interviewee regarded as an onerous process. This will, again, limit the capacity of the industry to deliver in the short-term.

A number of interviewees raised issues around mortgage finance and the ability to secure finance within the HomeBuilder timeframes. Some banks have been slow in finance approval due to additional pressures resulting from COVID-19, such as the number of mortgage deferral applications. In WA, there have also been issues with valuations and finance. Many of the areas that will see large numbers of applications have also seen a significant drop in the value of established homes in recent years. This makes valuations for finance problematic as they are based on an established market where established dwellings are often cheaper than the cost of building a new dwelling. Consequently, many land sale contracts may fall over if the bank decides to turn down the finance application for land and building on the basis of valuation. With many banks not taking into account the HomeBuilder grant as part of a deposit (because an applicant does not have the sum in their bank account at the time of the application), loan-to-value ratios are higher than they might otherwise be, increasing risk to the bank.

### 4.5 Pulling forward demand?

It is always asked whether cash grants, such as HomeBuilder, generate new demand, or simply pull forward demand from buyers who would have purchased at a later date. Drawing on house purchasing data following the 2008 First Home Buyers Grant and Boost, analyses demonstrate that home buying grants can trigger a vacuum effect<sup>15</sup> where the total amount of construction activity is not increased, but simply moved forward, accelerating already-planned home purchases (CoreLogic 2020; Chyi and Reed 2014; Randolph, Pinnegar et al. 2013).

The structure of the HomeBuilder program also creates issues around the transfer of public funding to wealthier Australians who were already likely to have purchased a new home or undertaken a substantial renovation project (Coates 2020; CoreLogic 2020; Hanmer 2020b; Holroyd 2020; Maiden 2020; Malo 2020; Razaghi 2020). In this regard, Australian Council of Social Services (ACOSS) Chief Executive, Dr Cassandra Goldie, referred to the HomeBuilder program as 'wrong and risky' stating 'there is no argument that the construction sector needs a shot in the arm, but this money will not go where it is most needed. It will largely benefit those on middle and higher incomes undertaking costly renovations, without any related social or environmental benefits' (ACOSS 2020b). During an interview with ABC news, Nicki Hutley from Deloitte Access Economics stated that 'the Federal Government has missed the mark with its HomeBuilder scheme, which is likely to benefit wealthier people rather than those struggling' contending that 'the money should be spent on public housing instead' (Hutchens and Morgan 2020).

Interviewees were asked whether the stimulus measures would simply pull forward existing demand or create new demand. Respondents all commented there was no doubt the cash grants would pull forward demand and a proportion of those buying would probably have bought at some point in the future anyway. However, there were also comments that the payments were stimulating new demand from people who hadn't previously thought about buying but considered the opportunity too good to miss, or from those who had planned to use savings for other activities but, because of the uncertainty, decided to invest in a home. In WA, there were comments that parents were helping their children with deposits and there was also a small element of investment demand.

One WA interviewee highlighted how the programs had created awareness around opportunities to build, which led to people investigating their options, some of whom would go on to buy land. Given the state of the market in WA (featuring pent up demand and people waiting until the market bottomed out before committing), the rush to buy wasn't that surprising to interviewees, but the scale of the rush was.

Interviewees from CHPs had a strong view that HomeBuilder has brought forward demand, and not actually created new demand. They argued that the same sum of money, or perhaps slightly less, could be used to leverage the production of one additional unit of affordable housing through their sector, and that this would actually represent new demand or activity, rather than displacement of activity already planned.

The impact of the various grant measures will depend on how many of the land and house sales contracts result in a new build commencement. The vast majority of applicants will rely on bank funding and, if banks are not prepared to lend, the contract will fall over. In WA, there were comments that between 20 per cent and 50 per cent of contracts for sale were likely to fall over because of a lack of finance, or because delays would mean the buyers were no longer eligible for HomeBuilder. Prior to COVID-19, home builders were working with buyers to ensure they were able to line up finance and were often providing incentives to help. These same organisations are now able to be more selective with their clients, only choosing those that are likely to secure finance. The key now is just how willing banks are to lend, particularly in areas where the established market continues to struggle and where established dwellings can be cheaper to buy than the cost of building new.

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<sup>15</sup> In this context, a vacuum effect describes 'housing stimulus bringing forward a planned decision to purchase property. It reflects a surge in buyer activity soon after housing grants are made available, and a significant drop in activity thereafter' (CoreLogic 2020).



Apartment developers with an excess of completed stock for sale were hopeful the various stamp duty relief extensions, combined with a surge in people returning from overseas, would increase demand for their product. This increased demand would enable developers to dispose of this excess stock, putting them in a better financial position. There was concern that HomeBuilder might actually work to draw what apartment demand currently exists away from recently completed stock to new properties that may be eligible for the subsidy.

### 4.6 Alternative stimulus measures including social housing

Interviewees were asked what they believed would be the most effective way to simulate the housing market. Virtually all interviewees indicated that grants to stimulate demand were the most effective method in the short-term. According to interviewees, the Australian Government measures had largely been effective in terms of quickly stimulating parts of the industry, although the structure of the measures will likely mean there is limited uptake in NSW.

Outside direct grants, reforms to the planning system were the most frequently suggested policy intervention by house builders and developers. Making the development approval process more efficient so the industry can deliver housing quickly and create jobs was considered a priority. As one interviewee in NSW explained, injecting stimulus funds into a system characterised by very slow and uncertain approval processes is inefficient and counter to the aim of providing stimulus to the industry quickly. There was support for the planning interventions announced in NSW and WA, although many interviewees commented that state and territory governments should go further.

Suggested planning reforms ranged from introducing special assessment pathways and approval authorities (removing planning decisions from local government to help de-politicise and accelerate development approval processes), through to larger scale release of development land. The development approval process was pinpointed as being very slow by several respondents. In the jurisdictions where significant uptake was being seen, there were concerns that this would be exacerbated by the HomeBuilder intervention. In NSW, one interviewee explained that development applications for single houses that go through the local government development assessment pathways can take six months or more to receive approval. These development applications are relatively simple and pertain to already contracted projects. Accelerating approval of those applications was seen as a relatively simple way to stimulate the industry. Banks, as well as councils, were indicated as being slow and liable to slow down further in the face of heightened development activity generated by HomeBuilder. In NSW, this also extended to land registration.

While not an issue stemming specifically from COVID-19, interviewees also pointed to the need to review development fees and charges. Reducing fees and development contribution charges, which have implications for development costs, was suggested by some interviewees as a means to improve the financial viability of projects.

In SA, reforms to the planning legislation are due to take effect from September, and concerns were raised about the timing of this given that stimulus measures are designed to raise demand and keep builders busy. Coinciding an increase in work for councils with a change in the planning system itself was seen as a potential problem.

Other suggested interventions included taxation reforms and the longer-term development of a new segment of the private rented sector (build-to-rent products). Suggested reforms to taxation included reductions to, or abolition of, GST on residential construction and abolition of, or a moratorium on, stamp duty. While the interviewees generally agreed on the need for taxation and regulatory reform to support the development of a purpose built rental housing sector, they pointed out that reform to taxation and regulatory settings across multiple levels of government is complex and takes time. This means it is unlikely to be an effective measure to support the housing industry in the short-term, but will be important for the medium- to longer-term.

Other frequently mentioned issues related to population growth, migration and foreign investment policies. Several interviewees argued that these factors are even more urgent than planning system reform. One respondent argued that there is an urgent need to re-start migration and a population strategy is required. Others agreed that population growth is the underlying support for housing demand and for the housing development industry's growth prospects. They believed that levels of demand would not return to a viable level until population growth returns to pre-COVID-19 rates. The use of low taxes to encourage business formation and migration policy to attract international and interstate migrants were mentioned by several developers. Another interviewee argued that governments need to review recently implemented policies around foreign investment, with a view to attract foreign investors back to the new build market.

There was widespread support amongst interviewees for more direct measures to support development of social and affordable housing as part of a broad industry package. Community house representatives saw it as a once-in-a-generation opportunity to boost the supply of affordable housing. There was slightly more qualified support for social housing spending from many of the private sector representatives. New social housing and refurbishment, as announced in NSW and WA, creates jobs and delivers housing to meet increasing need, which can have wider economic and social benefits. A number of respondents suggested government could switch its attention from stimulating market demand to direct funding of social housing while others wanted to see both a demand and supply side approach as a stimulus package into 2021. In this respect, many housing commentators contend that an economic stimulus package geared toward building and upgrading social housing dwellings is essential and would produce benefits in terms of reigniting the building maintenance and construction industry, and generating economic activity along the supply chain, while delivering housing to Australia's most vulnerable populations (ACOSS 2020; Black 2020; CHIA 2020; CFMEU 2020a; 2020b; Coates 2020; CoreLogic 2020; Hanmer 2020a; 2020b; Mares 2020; MBA 2020b; Moore and Matthews 2020; Pawson and Mares 2020). As one NSW interviewee argued, investment in social and affordable housing development would not only provide a stimulus to the development industry, but could help to develop a social safety net to boost resilience in the future.

## 5. Maintaining housing industry capacity

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- The housing industry is volatile and sustained market downturns result in workforce leaving the industry. This makes it difficult for the industry to increase capacity quickly in order to respond to demand spikes.
- The housing industry relies on a skilled workforce so it is important for government to support training through TAFE and other sources and try and attract young people into the industry through secure apprenticeships.
- The complexity of state-based training requirements reduces the mobility of skilled labour. A national system of qualifications and/or framework of licence recognition across jurisdictions would aid mobility.
- While there is little government can do to smooth market cycles, it could increase social housing output during market downturns to help sustain the workforce.

This penultimate chapter examines what can be done to make the housing industry more responsive to changes in demand. This involves maintaining a core workforce, which is kept active even when market demand falls, and having an efficient and responsive training program that allows organisations to increase their skilled workforce relatively quickly. As is evident from Figures 1 and 2, dwelling commencements are volatile. For example, WA is now at around half of 2015 levels of activity and construction employment has fallen by around 20,000 jobs or 15 per cent. As highlighted in the previous chapter, capacity was not considered an issue outside WA where the workforce had contracted. The 25 industry stakeholders were asked questions around increasing capacity and training. Unfortunately, most did not know much about training processes and had few ideas on how to make the housing industry more responsive outside reform of the planning system. Consequently, this chapter relies on the input of a small number of interviewees and recommendations from the grey literature.

### 5.1 Supporting workforce development

The MBA proposals for the October announcement of the 2020-2021 Federal Budget (MBA 2020f) highlight the importance of the construction workforce. The proposals lay out a number of recommendations designed to simplify training and support the building and construction workforce. Among them is support to hire apprenticeships. A building apprenticeship is usually three years in length. It requires cost and commitment on behalf of the employee and employer. The current stimulus is only six months in length so it does not provide the certainty required for an organisation to take on an apprentice. This is a recurring issue in what is a very cyclical industry. Does an employer invest in an apprentice only to find there is no work in 12 months' time? One WA interviewee echoed the MBA report suggesting there needed to be a simple, streamlined incentive system for hiring apprentices that makes the process easy for the employer. In fact, the interviewee went as far as to say that the cost of hiring the apprentice should be met by government. In this way, if the employer was no longer in a position to support the apprentice, they would not be lost from the industry.

The MBA also recommended a COVID-19 specific initiative designed to encourage people into the industry. The MBA proposed a 'tailor made four-week introduction course that will provide training and employment opportunities for displaced workers, JobSeekers and school leavers through formal and informal training (including white card and asbestos awareness); mentoring and wellbeing support; and on-site work experience' (MBA 2020f). The MBA also proposed setting up a Building and Construction Skills Organisation to examine potential improvements to the vocational education and training (VET) sector.

One of the areas this research focused on was the quality, availability, and transferability of training targeted at the home building industry. A reduction in skilled workers in the industry leads to small and medium businesses closing down and can lead to increases in building costs, at least in some trades where there are huge skills shortages. Subsequently, initiatives designed to attract existing and new skilled workers will help address the skill shortage in the home building industry. In this regard, training and quality education can act as a key catalyst for nurturing new skilled workers, while encouraging existing skilled workers to return.

A recent announcement by the Treasurer, the Hon Josh Frydenberg MP<sup>16</sup>, highlighted the need to cut red tape for trades; a new agreement with the Council on Federal Financial Relations (CFFR) will see the development of a framework for occupational licenses to be automatically recognised across jurisdictions. This should increase the mobility of trades associated with the housing industry

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<sup>16</sup> <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/nation-wide-red-tape-reduction-make-doing-business>

Interviewees noted that there needs to be greater workforce mobility given different parts of the market are often in different parts of the cycle. State-based qualifications, and at the moment hard borders, make this difficult. Skills cannot easily follow work. Different state licensing criteria can be problematic in the mutual recognition process of qualifications obtained outside the licensing state and hinder a swift and optimal skill redistribution process across the nation as markets fluctuate. Smoothing this process, perhaps via a national program for each building trade, would help. If tradespersons cannot readily transfer their skillsets interstate, they are more likely to depart the industry to find alternative employment.

Attracting new skills to the industry is another problem one interviewee mentioned. The interviewee was firmly of the opinion that to foster organic skills growth in the industry, it must attract more young people. Firstly, they believed that teenagers in Year 10 and 11 must be able to leave school if they have secured an apprenticeship with a tradesperson, because it helps to cater for high school students whose interests do not align with an extended period in a formal school setting. One of the builders interviewed started in the industry this way by leaving school to pursue his dreams and learn a trade. Secondly, the interviewee believed that there is a stigma. TAFE and private RTOs address key skills in many areas, not only in the home building sector, that universities do not offer. Yet, many young people are under pressure to go to university instead of TAFE. Addressing the stigma of TAFE as inferior to university is critical to ensuring young people enter the home building industry, thereby addressing the current skill shortages in many building trades. Media campaigns highlighting the skill importance of home building trades, areas experiencing severe skills shortages (and the potential employment opportunities in same), whilst promoting clear career entry pathways via accessible and affordable TAFE qualifications and apprenticeships are important.

One female interviewee noted that 'only 12 per cent of home building participants in WA are female', and that there is a clear lack of diversity in the building industry. Whilst not entering into the underlying reasons for this imbalance, she firmly believed that females can, and should, be better represented in the industry. To address this problem, employers running apprenticeships could be encouraged to hire females through various employment incentives. In addition, TAFE course subsidies and scholarships should be established to encourage participation by female students. In WA, for example, there is a great not-for-profit organisation of female tradespersons that aims to attract girls into construction trades and support them when they are establishing their careers (Trade Up Australia<sup>17</sup>) which has received some government funding from time to time.

Another pool of skills that Australian can tap into is foreign migrants who have worked in the building industry in their home countries. Most Australian states have some mutual recognition processes for interstate skills and New Zealand skill migration. However, it is very difficult for foreigners other than New Zealanders to have their previous qualifications and work experience recognised. In some instances, no recognition is given. This leads to people with significant home building skills being forced to enter different industries to secure employment. Australia should develop an appropriate bridging course, specifically designed for new residents with foreign home building skills, to recognise prior experience and/or international qualifications. This would enable new residents to update their experience and qualifications to Australian standards as required to smooth the migration transition. A TAFE bridging course, for trades that require licensing, must be available for foreign migrants to recognise and retain their skills in building trades. The immigration department could also list certain home building trades that are experiencing net outflows in the Skill Shortage List.

### 5.2 A national training program

Some of the challenges faced in a segregated training provider environment include inconsistencies in qualification recognition, previous experience recognition, migrant qualification recognition and admission criteria across RTOs and TAFEs, as well as the transferability of qualifications between Australian states.

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<sup>17</sup> <https://tradeupastralia.com.au/community/profile/>

A possible solution is to change to a single unifying national program for every building trade. To start such a process, national training programs can be introduced to high risk trades such as builders, electricians, plumbers and gas fitters, pest control contractors, and the trades licensed by Safe Work Australia (such as scaffolding, tunnelling, asbestos removal, load shifting workers and so on). Appendix Three highlights the complexity of existing training programs.

Each national training program can be introduced per building trade and carry national recognition to assist the transferability of skills interstate from a licensing and qualification recognition perspective for employment. Each national training course must preferably set out criteria for existing skills, new skills starting the course, and bridging units for overseas migrants. National training courses for each building trade can help retain building skills in the industry even when tradespersons move between states by making licensing in states and employment recognition of qualifications more seamless.

### 5.2.1 Funding TAFE training and subsidy opportunities

Funding directed towards quality TAFE courses in the building industry would enable well-developed skilled workers to enter the industry, increases apprenticeship applications, and may also encourage tradespeople to start their own businesses over time. In other words, there is a broader employment multiplier effect in the home building sector. Stimulus measures creating more places within TAFEs and subsidising fees should help attract young people into the industry.

Funding can also be directed towards subsidising the cost of apprentice recruitment and pre-apprenticeships for young people by offering recruitment and payroll subsidies to employers and subsequently provide young people with more opportunities to enter the building industry. The goal is to make hiring apprentices more enticing for employers, especially during challenging economic times. The more difficult it is for the youth of Australia to find employment in the home building industry, the more likely it is they will seek opportunities outside this sector.

One interviewee mentioned the issue of a lack of diversity in the building industry. This issue can potentially be addressed with employment and TAFE training fee subsidies and scholarships. Another way funding can be utilised to promote diversity in the home building sector is to utilise existing women's support organisations, such as the WA not-for-profit Trade Up Australia. Representatives of these organisations could visit high schools and TAFEs, and run community 'taster' workshops specifically geared towards promoting and inspiring female representation in home building trades. Another possibility could be to follow the Victorian *Women in Construction Strategy* applied on a national scale. This strategy places great emphasis on raising public awareness that gender equality in the construction sector can be achieved and that women in construction can earn a good income. This initiative operates as a forum and involves industry participant collaboration. However, high school and TAFE workshops will help make a direct impact on the youth of Australia, hopefully inspiring organic growth for new construction skills that better represents female participation.

Media campaigns can highlight the pressing need for home building participants to enter trades with skills shortages, and that nationally accredited TAFE courses are available to facilitate entry to these trades. Media education campaigns can also help to address the stigma between TAFE course and university qualifications and highlight the urgency, importance, and shortage of building sector trade skills in Australia; noting that these trade skillsets are just as essential as careers that require university degrees.

Where apprentices are studying a TAFE course, these courses can be subsidised to promote student enrolments in trades where skill shortages are substantial, for instance in bricklaying and plastering trades in WA. Some building trades have a naturally high turnover because of the physical nature of the work; hence these trades must be at parity between skill inflows and outflows. Making course fees and apprenticeships financially more attractive may entice new student applications, and help the net outflow of skills that some trades are currently experiencing.

### 5.3 Smoothing economic cycles

Volatility in the house building industry and competition for labour from commercial, infrastructure and resource construction projects makes it difficult to sustain a core workforce. Given the cyclical nature of the industry, in a housing downturn where dwelling commencements contract, particularly if the downturn is sustained, workers can exit the industry for other construction jobs or exit the construction industry altogether. Some workers may return when house building picks up and wages on offer become attractive, while some may never return having found employment in alternative industries. This can make it difficult to increase industry capacity in response to demand shifts, which can occur very quickly. The sustained downturn in WA has resulted in a contraction in the workforce and interviewees for this research were concerned about the industry's capacity to respond to the stimulus measures and the ability of the industry to increase the size of its skilled workforce. In a normal market, it may be possible to attract workers from interstate, lured by competitive wages and the promise of sustained work. Border closures make this problematic.

While improving training and making the jobs in the housing industry attractive, less volatility in the system would keep workers in the industry and remove the need for sudden surges in construction. House building responds to demand (owner occupier and investment), which is a function of population growth, consumer confidence, the cost and availability of finance, incomes and potential returns. It is very difficult to control such factors. The only course of action for government is to create work for the industry at times when private demand is low, which can be quite cost effective if builders are looking for work. This could be through increasing funding for the delivery of social housing but would need to be on a large scale to make a real difference. For example, the WA Government would need to have funded the delivery of around 6,000 dwellings in 2019 just to keep dwelling commencements at their five year average. This is, of course, unlikely but governments could create work for the house building industry during downturns to try and keep at least some of the workforce employed.

Housing downturns are a factor of housing markets and industry capacity will reduce during prolonged market contractions. Having a more mobile workforce, funding to sustain apprentices even when there is little work for the employer, and an expansion of public sector house building are some options to reduce workforce volatility.

# 6. Policy development options

Federal and state/territory governments have identified housing as a key element of the economic recovery from the COVID-19 pandemic. Various stimulus measures have been introduced to stimulate demand, create construction activity and keep the industry working. This report provided a detailed outline of the measures adopted using interviews with key stakeholders to identify what has, and has not, worked and what is required for the industry going forward. In this final section, we answer a number of questions of importance to policy makers looking to assess the impact of the measures and considering further stimulus into 2021.

## 6.1 An effective stimulus?

There are a number of questions answered by this research at the time of writing (late August 2020). However, it should be noted the situation is likely to have evolved by the time of publication, including the possibility of extended, revised, or new stimulus measures.

### 6.1.1 Have the Australian housing stimulus measures been effective?

The answer to this question depends upon the purpose of the stimulus measures. In terms of the HomeBuilder and associated state grants, if the purpose was to quickly create new home building activity with the associated employment benefits, then the stimulus has been successful in most states. In terms of an overall economic stimulus, the various programs are too small to have much of an impact. Compare the \$680 million funding of the HomeBuilder program to the \$5.64 billion Social Housing Initiative (SHI), launched by the Australian Government in response to the Global Financial Crisis (GFC), which delivered almost 20,000 social housing units. Added to the SHI spending was the first home owner grant boost and the energy efficient homes package, which amounted to another \$5.8 billion. In total, \$10 billion of funding flowed into the housing industry as part of the GFC recovery. The Australian Government has a long way to go for the COVID-19 response to match the post-GFC level of spending on housing.

Indeed, the Community Housing Industry Association (CHIA) has called for a \$7.7 billion federal stimulus package to expand Australia's social housing supply by 30,000 homes (CHIA 2020). According to recent economic modelling undertaken by SGS Economics and Planning (2020), the \$7.2 billion investment would raise construction output by at least \$15.7 billion over four years, generate an increase of \$5.8–\$6.7 billion in GDP, and support over 30,000 jobs. Master Builders Australia (MBA) has called for an even larger, \$10 billion fiscal stimulus to facilitate the construction of over 30,000 new social housing dwellings (MBA 2020b; 2020d).

A number of industry organisations have produced forecasts of dwelling commencements following the impact of COVID-19 and the stimulus measures. The Housing Industry Association (HIA) (HIA 2020b) estimated the number of home starts in 2020-2021 at 139,700, down from 173,000 in 2019-2020. Recovery to 2019-2020 levels is not expected until late 2023. The MBA forecast is even more pessimistic, with the number of new home building starts predicted to fall to 124,550 during the 2020-2021 financial year. The MBA predicted HomeBuilder could lead to an additional 14,000 new dwellings being built over a 12-month period (MBA 2020d). Macrobuilder forecast 129,000 dwelling commencements, 44 per cent below the peak of 2018 (Pascoe 2020), with, again, 2023 the year when starts are predicted to climb back to 2019 levels.



It is worth noting all these organisations were expecting a contraction in dwelling starts prior to COVID-19, with the pandemic accelerating the downturn. None predict HomeBuilder and state level schemes will make a massive difference to Australian dwelling commencements. However, forecast levels would have been even lower without it. So, at best, HomeBuilder will have been successful in supporting existing jobs rather than creating new jobs. There is a danger that these interventions will have simply brought forward existing demand that would have been realised in 2021, rather than creating new demand.

The variation across states is significant. In WA, the HIA predict dwelling commencements to increase above previous forecasts for 2010-2021 as a result of HomeBuilder and the state's Building Boost grants. WA's Housing Industry Forecasting Group (HIFG) is forecasting 17,000 commencements, up from an estimated 14,500 in 2019-2020 (HIFG 2020). In NSW, HomeBuilder is expected to make little difference to the decline in commencements because the settings don't match the characteristics of the local market.

Interviewees in SA and WA were full of praise for the HomeBuilder stimulus. In WA, interviewees were even more positive about the state-based equivalent, particularly its lack of eligibility requirements that allow anyone to access the \$20,000 Building Boost grant. HomeBuilder was designed to stimulate activity very quickly and protect and create jobs. It certainly achieved those goals in these two states. However, as noted above, it is likely that demand has been brought forward and that once the work stimulated by the grants has passed through the system. There is a danger of unemployment in the sector unless there is a surge in consumer confidence coupled with population growth resulting from the opening of borders. For NSW, it will be a different story because demand has not been sucked forward; potentially, any market recovery will have a more immediate impact on commencements.

If the house building industry is to have the chance to rebuild Australia after the pandemic, the level of intervention would need to be much greater, returning dwelling commencement activity to the sort of levels seen in most states in 2018. In 2018-2019, there were around 200,000 dwelling commencements across the country. Forecasts for 2020-2021 are around 70,000 units lower. Therefore, to stimulate the housing industry to deliver the 2018-2019 level of commencements would require an intervention far greater than HomeBuilder, targeted at both the multi-residential and detached sector, coupled with at least 30,000 units delivered directly by government.

There is likely to be an extension of the first home loan deposit scheme, which will offer low deposit home loans to first home buyers. While the scheme is beneficial for those eligible as it accelerates home ownership, its scale (at 10,000 per financial year) means the scheme will make limited difference to market activity and fail to contribute markedly to the economic recovery.

The SHI delivered around 20,000 units in a relatively short period of time. A similar level of social house building activity in response to COVID-19 would have a very positive impact on the industry and deliver a lasting impact—some would say a legacy. The question is how to stimulate more dwelling starts by increasing consumer demand. Given the HomeBuilder program effectively ignored medium and high density development, this would seem an obvious place to start. Melbourne and Sydney could deliver a significant increase in activity with a model that offers grants for off-the-plan purchases or even purchases of unsold stock within existing developments. This would also allow developers to release capital and move on to their next project. Planning reform, plus a scheme tailored to multi-residential development, could certainly stimulate the parts of the market ignored by HomeBuilder.

It is too early to determine the impact of other measures on the home building industry and, therefore, Australia's economic recovery. Planning reforms have been widely welcomed by the industry and may help accelerate a number of proposals, which will create jobs in the future. The full extent of the impact will not be known for some time. This is also true of tax reforms to aid the build-to-rent sector. Until there are firm commitments to projects resulting from the reforms, its success cannot be judged but industry reaction has been positive.

State-based measures around social housing will create work for the housing industry and deliver housing desperately needed both pre and post COVID-19. Social housing refurbishment activity, especially in the regions, creates work for smaller actors in the industry and will improve outcomes for households.

Community Housing Providers (CHPs) interviewed as part of this study were enthusiastic about the role of the National Housing Infrastructure Facility (NHIF) and its contribution to delivering new projects. In NSW, the NHIF is leveraging NSW Government funding to deliver social and affordable housing in partnership. Perhaps COVID-19 will also be the catalyst that sees institutional investors realise that affordable housing offers far greater certainty of returns than commercial or retail property, particularly where rents are guaranteed by government. While consumers reduce spending on retail and the use of office space contracts, housing remains essential and in such a crisis affordable housing is one investment guaranteed to perform.

Section 2.3.2 outlined a number of arguments put forward by industry bodies as to why the Australian Government should direct funding into the delivery of social housing in the same way the Labour government did with the SHI. Indeed state and territory governments have announced funding to support new social housing and refurbish existing dwellings, which has been welcomed across the industry. Nevertheless, there is a strong argument for federal money to be directed towards shovel ready social housing developments rather than providing relatively wealthy Australians, who would most likely have purchased a dwelling in any event, cash handouts. It can be argued that direct funding of social housing is a more efficient and equitable use of public funds. While NHIF continues to work with the community housing sector, a stimulus like SHI would support its activities and deliver both positive employment and social outcomes.

### 6.1.2 Why have the measures been more effective in certain states?

The HomeBuilder package was targeted at detached dwelling development. As such, it was always going to be more effective in those states where new supply is concentrated on these types of developments (Rowley, Gilbert et al. 2020). HomeBuilder has been particularly effective in WA because of its combination with the state-based Building Bonus grant program, stamp duty relief, the first home owner grant (for those eligible) and the relative affordability of the WA market (median house price around \$450,000). The combination of a median land price around \$220,000 (HIFG 2020), \$55,000 in grants, and stamp duty relief makes a major difference to affordability. The WA market has seen median prices decline for the last five years alongside dwelling commencements and, while population growth has been below the 20 year average, it has recently increased (HIFG 2020). The rental vacancy rate was just 1.3 per cent in September 2020 (HIFG 2020). All these factors point to considerable pent up demand and available grants have meant many consumers have decided the time is right to build. HIA reported an increase in new homes sales to well over 2,000 in July compared to just 600 in April, while land sales jumped from a February weekly average of around 100 to 500 in July according to UDIA (HIFG 2020). Clearly, the grant combination had a massive impact on activity as the settings were just right for detached housing development and the type of consumer looking for this type of dwelling.

The NSW market is very different to that in WA. In NSW, there is much more apartment based supply and detached house prices are much higher. Different policy settings are required to stimulate markets with different characteristics. It remains to be seen whether there will be future stimulus to markets that have seen little benefit from HomeBuilder and state level bonuses. Certainly, those interviewed in NSW for this project were looking for additional stimulus models. Nationally, industry is lobbying for HomeBuilder settings to be reviewed to maximise the potential benefit of the scheme<sup>18</sup>.

<sup>18</sup> <https://www.udia.com.au/blog/homebuilder-mark-2-submission/>

### 6.2 Further stimulus?

Almost all 25 interviewees across the three states believed there would need to be further stimulus for the housing industry to protect jobs through 2021 and at least until population growth recovers. Interviewees were generally focused on stabilising activity rather than significant growth, with little thought to larger scale interventions which would have a major impact on the economy. While some interviewees believed it would be necessary to stimulate demand again once the first round of stimulus measures worked through the system, others believed a different type of stimulus would be necessary. This is because significant demand would already have flowed through the market, making demand side measures less effective the second time, unless targeted at a different market segment.

NSW interviewees were hoping for a stimulus that would be effective within their state, which means stimulating development in the multi-residential sector and having market appropriate income and price cap eligibility criteria.

There was support for additional funding of social housing delivery that would create jobs within the industry. This was seen as a critical component of a stimulus package alongside, not instead of, demand side measures. Certainly international stimulus measures have incorporated significant national spending on new social housing and refurbishments. Even the market facing UK Government has committed to new affordable housing supply, although this is more on the market, rather than social, end of the affordable housing continuum.

Many interviewees believed the time was ripe for major changes to tax settings, particularly around stamp duty, which would create activity in the established market delivering the associated economic benefits. There were positive comments about the NSW Government working with industry to foster the settings required to deliver build-to-rent developments. Similar reforms should be adopted within other states.

While internationally the European Union, New Zealand and the UK have committed to investment in improving the environmental sustainability of their social housing stock, there has been little announced in Australia of any scale. The energy efficient homes package in response to the GFC had its problems, but it did create jobs and improve outcomes in tens of thousands of homes. Retrofitting poor quality established dwellings has environmental, economic and health benefits and well-designed schemes funded by the Australian Government could provide significant employment in 2021. Again, this is something the Australian Government could do in partnership with state/territory governments. Recommendations through the National Low Income Energy Productivity Program (NLEIPP) (ACOSS 2020c) combines positive social housing investment with energy efficient outcomes.

The Social Housing Acceleration and Renovation Program (SHARP) set out by CHIA includes a renovation budget of \$500 million devoted to a specialised social housing maintenance and upgrading program (CHIA 2020). The need for a nation-wide social housing upgrading program is well-recognised and long overdue (ACOSS 2020a). A recent Infrastructure Australia audit found that over 25 per cent of social housing was rated as 'poor quality' (Infrastructure Australia 2019). If the SHARP was enacted, social housing upgrades could commence immediately, stimulating job growth, ensuring high-level environmental performance standards are met while delivering significant economic and health benefits for tenants. For instance, improving the energy performance of homes would reduce households' energy consumption and costs, and by extension, reduce the health risks associated with lower-income tenants experiencing energy poverty (ACOSS 2020a). Further, a \$500 million maintenance and upgrading program could restore and return out-of-service homes currently unfit for occupation.

So a further stimulus program should be nationally based and far broader than current measures. In particular, significant spending on new social housing and refurbishing existing dwellings, with energy efficiency front and centre would produce favourable economic as well as social outcomes. Correspondingly, targeted demand side measures could also be initiated to stimulate those parts of the housing industry that did not benefit from the first round of measures. Of course, this is all very expensive but it will maintain and create jobs and social housing expenditure will deliver lasting benefits.

### 6.3 Policy recommendations

This title of this research asks whether building homes can help rebuild Australia. The answer is that, yes, it can. However, the current stimulus measures are not delivering on the scale required to make a real difference to economic recovery. While HomeBuilder and related state grants have boosted demand, home building activity is still expected to be at levels well below those of 2019. To make a real difference and use that multiplier effect to boost the economy, investment on a massive scale is required to create thousands of jobs and stimulate real growth. The many reports and recommendations reviewed for this research published by various industry organisations all called for a much larger stimulus program and, while industry welcomed the demand side measures introduced, there are already calls for further stimulus activity (MBA 2020f). The not-for-profit sector has argued strongly for a massive investment in social housing, even larger than the SHI back in 2009. This would not only support and create jobs but deliver social housing on a scale desperately needed in this country. It would also deliver longer-term outcomes, instead of the short-term boost generated by demand side stimulus.

#### 6.3.1 Funding social housing development

While state and territory governments have announced spending for the delivery and refurbishment of social housing there has been nothing of the scale of the SHI, which successfully delivered almost 20,000 dwellings in 2009-2010 and helped grow the community housing sector. In order to stimulate the construction industry and deliver an essential supply of social housing, it is recommended that the Australian Government commit funding to deliver 30,000 new social housing dwellings and work in partnership with the states and community housing sector to ensure the most efficient and effective distribution and management of these dwellings. Such spending is an efficient and equitable use of public funds with many studies highlighting the need for an increased supply of social housing (Rowley, Leishman et al 2017; Troy, Nouwelant et al 2019). Government should also adopt the recommendations of the SHARP around upgrading social housing, incorporating features that will reduce running costs for tenants, and improve affordability and environmental standards.

#### 6.3.2 State specific demand stimulus measures

Government should work closely with industry to ensure existing stimulus measures are as effective as possible in stimulating the housing industry. They should also work with industry to deliver a second round of demand side stimulus measures to protect and create jobs in the housing industry on the back of sustained uncertainty around future market conditions. These measures should take into account local housing market conditions, such as prices and the nature of dwelling stock. This way, policy settings can be tailored to help those parts of the industry most in need of support. There may need to be different types and levels of support for different states and different parts of a state (regional versus Greater Capital City for example).

Policy settings should take into account the capacity of the industry to deliver certain product types. For example, WA is at or near capacity when it comes to separate dwelling product but there are opportunities to stimulate development within the multi-residential sector. The multi-residential sector could absorb labour once the initial stimulus related activity feeds through the house building industry. Spreading work over 12-24 months rather than condensing activity into six months would help sustain jobs until there is a widespread market recovery. It is possible not every state will require additional, sustained support as markets will recover at different rates. It is therefore essential that government carefully considers market activity and responds quickly to changing pressures and removes support where a market is no longer in need.

### 6.3.3 Tax settings to encourage institutional investment

COVID-19 could well prove a catalyst for institutional investment in affordable housing. Affordable housing offers stable cash flow in even the most uncertain times and suddenly the stability of returns is perhaps becoming more important than actual the level of return. If state/territory governments are prepared to work with CHPs and provide access to free or low-cost land with accelerated approval processes, affordable housing investment becomes a viable option. The NHFIC has already improved access to finance for the community housing sector and should play the lead role in connecting institutional investors with this sector.

The NSW Government has taken the lead in creating conditions for the private sector to deliver build-to-rent housing by reducing land tax liabilities. Other states should follow their example as, like affordable housing, the private rental sector seems like an extremely secure investment opportunity in times of crisis. Partnerships between state/territory governments and the private sector to deliver build-to-rent housing could prove effective and, if correctly structured, could also deliver an element of affordable housing.

Stamp duty is another tax setting due for reform and in the current climate of change, it seems now is as good a time as ever to make major reforms.

### 6.3.4 Preparing for market recovery

In a period of unknowns, markets are likely to recover at different rates. Some markets will recover very quickly, while other markets will recover slowly depending on the existing stock profile and how consumers and investors react in a post-Covid environment. We may see shifts in demand away from inner city locations to outer suburbs containing houses with more space, as well as an increase in demand for regional locations. Only time will tell, but to avoid price spikes, supply needs to respond quickly to changing demand. Governments need to be proactive and flexible, releasing and preparing land in regional Australia as such areas are very vulnerable to rapid price change. Having a stock of land that can quickly be brought to market and working with developers to accelerate development activities is essential.

We are already seeing the impact of short-term population growth in some areas resulting from people returning from overseas and interstate. The rental vacancy rate in Perth, for example, has fallen to 1.3 per cent and the shortage of accommodation will inevitably result in rent rises and a rental shortage. In contrast, rental vacancy rates are increasing within inner Sydney and Melbourne. Markets are very different and state and territory governments need to allocate the resources required to respond to specific challenges, working with industry to deliver solutions. Again, investing to accelerate market led development activities through infrastructure spending and streamlined planning will help. However, direct intervention that delivers new rental accommodation may also be required. One way this could be achieved is through absorbing excess new apartment stock available in many markets through long-term rentals agreed with the developer.

### 6.3.5 Working with industry to deliver sustainable training programs

Capacity constraints resulting from the stimulus measures have so far not proven to be an issue outside WA. However, there are major issues with the training of skilled workers required by the housing industry. A complex system of state licensing and regulation hinders labour mobility and the volatility of the housing market creates problems for apprenticeship training. Government needs to work closely with industry to deliver more efficient and attractive training programs and ensure the industry has the workforce it needs to deliver housing in response to market demand. The recent announcement by the Treasurer around recognising licenses across jurisdictions is a welcome start. Funding injections into TAFE as part of the economic stimulus will also help with the challenge of attracting young people into the industry.

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# Appendix 1: Industry proposed home buyer incentive schemes

## Urban Development Institute of Australia

To facilitate the construction of approximately 60,000 new residential dwellings, the Urban Development Institute of Australia (UDIA) has called on the Australian Government to initiate a \$3 billion 'Home Starter' incentive that would offer \$50,000 grants to prospective home buyers (UDIA 2020b, 2020c). The industry body call for a non-means-tested home purchasing scheme that is available to all applicants on the condition that one-third of allocations are committed to non-urban areas. The UDIA has also advocated for the release of a second tranche of the First Home Loan Deposit Scheme of 10,000 loan allocations exclusively targeting new builds. To broaden the choice available to first-time buyers, the UDIA suggest adjusting the property price thresholds to better align with median house prices.

## Property Council of Australia

In a similar vein, the Property Council of Australia (PCA) has proposed a \$2.5 billion 'New Home Boost' incentive of \$50,000 (PCA 2020a). The PCA claims that a federally-funded home buyer grant of this magnitude would deliver up to 50,000 dwellings and generate over 200,000 jobs in the residential construction industry. In contrast to the Australian Government HomeBuilder grant, the PCA advise against property price capping while asserting that the construction commencement deadline should be extended to 30 June 2021 to capture the widest market demand possible. To create additional stimulus, the PCA suggest that states and territories complement the 'New Home Boost' with incentives such as first home buyer assistance, stamp duty concessions and foreign investor tax relief. As of August 2020, the governments of WA and Tasmania have met this proposal with the announcement of \$20,000 boosts to the federal HomeBuilder program.

## Housing Industry Association

Under the *Home Building Recovery Plan* the Housing Industry Association (HIA) has advocated for a 'New Home Buyer' grant of \$50,000 for new homebuilders and owner-occupiers undertaking substantial renovations. At an estimated cost of \$1 billion in Australian Government funding, the proposed initiative would deliver approximately 20,000 newly constructed homes. To spur immediate economic activity, HIA recommend that eligibility criteria require construction to commence before 31 December 2020 (HIA 2020a). To further accelerate developments, new home applications should be streamlined through a single-step approval process on the condition that building designs align with existing state housing codes. Akin to the UDIA's (2020b, 2020c) proposal, the HIA also encourage the release of an addition 10,000 allocations under the First Home Buyers Deposit Scheme exclusively targeting newly constructed dwelling. An additional program proposed by the HIA is a 'HomeKeeper' insurance and incentive scheme for home buyers. Administered through the NHFIC, the 'HomeKeeper' insurance component would provide support to new home builders who have lost their job due to COVID-19. The program would underwrite the interest-only loan payments for those who commenced a new home building contract between 1 January 2020 and 31 December 2020. Meanwhile, the 'HomeKeeper' incentive component would provide home buyers with a cash grant for new home building contracts entered in the first half of 2020 with construction commencing before 2021. The HIA has not disclosed the size of the cash grant, nor has information been released regarding how the 'HomeKeeper' incentive will parallel to their proposed 'New Home Buyer' grant.

## **Master Builders Australia**

Deviating slightly from the aforementioned proposals, Master Builders Australia (MBA) has called for a \$40,000 home building cash grant initiated on a federal-state dollar-for-dollar basis (MBA 2020b; 2020c; 2020d). For MBA, the scheme should be time-limited, consider cost and income thresholds (means-tested), and allow consumers access to their superannuation funds to contribute to financing. Drawing on Ernst & Young economic modelling, MBA's home building proposal would deliver up to 14,058 new dwellings, create 14,114 direct jobs, while generating an additional 44,197 indirect jobs across the building and construction sector. Premised on notion that new housing construction generates an economic multiplier boost of \$3 in GDP for every dollar invested, MBA claims that a \$5.2 billion commitment from the Australian Government to a home building grant scheme would produce \$17.5 billion in construction-related activity. Of the five stimulus scenarios modelled in the *Rebuilding Australia* economic recovery plan, MBA contend that the home building grant offers the best value for money in terms of job creation, immediate economic stimulus, while also boosting GDP.

# Appendix 2: Social housing investment proposals

## Australian Council of Social Service

The Australian Council of Social Service (ACOSS) has proposed a five-point plan calling on the Australian Government to deliver a fiscal stimulus that directly addresses homelessness as well as low-income households experiencing acute rental stress in the private rental sector (ACOSS 2020a). A key pillar of ACOSS's *Post COVID-19 Economic Recovery* plan advocates for a \$7 billion public investment scheme to deliver 30,000 social housing dwellings within three years. In addition to relieving pressure from homeless services through the provision of secure, good quality housing for priority clients, the peak body for the community services sector contends that direct investment into social housing construction will create jobs and provide a significant boost to the economy. Citing data from the 2008 Social Housing Initiative (SHI), ACOSS emphasise that every dollar directly invested in social housing construction can generate a multiplier boost of \$1.30 (KPMG 2012). Moreover, as titles are transferred to not-for-profit community housing providers (CHPs), a secondary stimulus effect is anticipated through increased leveraging capacity for CHPs to scale-up social housing portfolios. To support the proposal, ACOSS has also asserted that public investment in social housing construction can be implemented more quickly than major infrastructure projects, such as rail or roads.

Moreover, ACOSS (2020c) and a coalition of more than 50 organisations have released the National Low Income Energy Productivity Program (NLIEPP), a proposal which calls on the Australian Government and state/territory governments to initiate a housing stimulus package targeting low-income households, boosting economic activity while addressing climate conservation concerns. The program details a set of potential stimulus measures to support jobs and ultimately improve the energy efficiency in low-income homes. The four key facets of the NLIEPP proposal include:

- 1. Social housing upgrades:** The Australian Government and state and territory governments would co-invest to initiate an energy efficiency upgrade and solar photovoltaics (PV) installation program for public, Aboriginal and community housing dwellings. At a calculated cost of \$3,800 per housing unit, the NLIEPP estimates a budget requirement of \$838 million to upgrade 440,000 social housing dwellings across the country between 2020 and 2022.
- 2. Low-income home ownership upgrades:** Under the NLIEPP, the Australian Government would provide funding to conduct energy efficiency audits for low-income home owners, and subsequently carry out energy efficiency upgrades and solar PV installations. To initiate upgrades to 1.1 million low-income households for \$5,000 per housing unit, the program is estimated to cost \$2.1 billion over a two-year period.
- 3. Addressing inefficient rental properties:** Building on an initiative set out by the Council of Australian Governments (COAG) Energy Council to implement mandatory energy efficiency standards for rental properties, advocates of the NLIEPP have proposed a program offering time-limited grants to landlords to conduct energy audits and support energy productivity improvements. Under-performing rental properties would be eligible to receive an energy improvement grant of up to \$5,000 to be utilised in compliance with recommendations of the energy audit. According to the NLIEPP costing assumptions, a total budget of \$264.4 million would be required to upgrade 180,000 private rental dwellings at a sum of approximately \$3,800 per housing unit.



- 4. Low-income appliance replacement offer:** Akin to the ACT appliance replacement scheme (Act Smart 2015), the NLIIEPP proposes a nation-wide initiative providing subsidies for low-income households to replace inefficient appliances with those that meet energy efficiency standards. According to the proposal, approved appliances would include heating and cooling appliances, fridges, hot-water systems, washing machines, dryers and size-limited televisions. In addition to addressing energy inefficiencies experienced by low-income households, the replacement scheme would provide additional stimulus to the economy, supporting jobs in community services, retail, local manufacturing, and transport and handling (ACOSS 2020c: 5).

## **Master Builders Australia**

MBA has called for a \$10 billion fiscal stimulus to facilitate the construction of over 30,000 new social housing dwellings (MBA 2020b; 2020d). To enrol the stimulatory expenditure, MBA proposed the establishment of a joint Australian Government and state and territory governments investment trust or a National Housing Trust. Building on the NHFIC bond aggregator (AHBA) and the Specialist Disability Accommodation (SDA) National Disability Insurance Scheme (NDIS) models, the \$10 billion trust would invest in projects designed to increase the supply of social and affordable housing. MBA contend that the National Housing Trust could also function to increase the leveraging capacity of CHPs and other not-for-profit housing developers, stimulating further growth in the social housing sector. The Construction, Forestry, Maritime, Mining and Energy Union (CFMEU) has endorsed MBA's proposal. CFMEU National Construction Secretary, Dave Noonan, stated that stimulatory expenditure structured to delivering social housing would: 'keep more than a million people in jobs, stimulate the industry and deliver a significant social and economic dividend to the entire nation. We could provide homes to tens of thousands of people at a time when housing security has never been more important' (CFMEU 2020b).

## **Community Housing Industry Association**

In a similar vein, the Community Housing Industry Association (CHIA) has called for a \$7.7 billion federal stimulus package to expand Australia's social housing supply by 30,000 homes (CHIA 2020). Supported by a coalition of welfare and housing industry groups, including Homelessness Australia, National Shelter and Everybody's Home, the CHIA has developed a comprehensive action plan titled the Social Housing Acceleration and Renovation Program (SHARP). The overarching objective of the SHARP is to address the shortfall of social housing and reduce homelessness, while simultaneously stimulating Australia's economy through job retention and creation, as well as boosting GDP. The program largely emulates the 2008 Social Housing Initiative (SHI), taking a two-tiered approach to increase the quantity and quality social housing through a targeted employment-boosting investment. To expand the social housing sector, the CHIA has called for a government commitment of \$7.2 billion to facilitate the construction of 30,000 new properties, as well as the acquisition of existing dwellings. The program aims to meet 75 per cent of the target within three years with all new properties adhering to high-level environmental performance standards (CHIA 2020). According to recent economic modelling, the \$7.2 billion investment would raise construction output by at least \$15.7 billion over four years, generate an increase of \$5.8–\$6.7 billion in GDP, and support over 30,000 jobs (SGS Economics and Planning 2020).

A second component of the SHARP includes a renovation budget of \$500 million devoted to a specialised social housing maintenance and upgrading program (CHIA 2020). The need for a nation-wide social housing upgrading program is well-recognised and long overdue (ACOSS 2020a; Lawson, Pawson et al. 2018; McNelis 2004; Troy, Nouwelant et al. 2019). A recent Infrastructure Australia audit found that over 25 per cent of social housing was rated as 'poor quality' (Infrastructure Australia 2019). If the SHARP was enacted, social housing upgrades could commence immediately, stimulating job growth, ensuring high-level environmental performance standards are met while delivering significant economic and health benefits for tenants. For instance, improving the energy performance of homes would reduce households' energy consumption and costs, and by extension, reduce the health risks associated with lower-income tenants experiencing energy poverty (ACOSS, BSL et al. 2017; PowerHousing and CoreLogic 2020). Further, a \$500 million maintenance and upgrading program could restore and return out-of-service homes currently unfit for occupation.

Since its release in May 2020, the SHARP proposal has been endorsed by a range of housing industry and welfare advocacy groups. A recent PowerHousing and CoreLogic report shows how investment in social and affordable housing as outlined in the SHARP would deliver a substantial employment-boosting opportunity to stimulate the Australian economy, offsetting the decreased private demand for new housing while providing housing security for vulnerable populations (PowerHousing and CoreLogic 2020). To complement the SHARP, PowerHousing and CoreLogic have also proposed a set of sustainable house building measures that could be implemented to deliver additional economic, social and environmental benefits. For instance, a social housing stimulus package that includes renewable energy design features (such as solar rooftop systems) could reduce household electricity bills by over 40 per cent while supporting jobs in manufacturing, engineering and electrical trades among other employment sectors. In short, the report provides economic modelling for a range of manufacturing and housing innovations that could be integrated into the SHARP to generate additional jobs and economic activity while helping Australia meet its climate targets (PowerHousing and CoreLogic 2020).

To incentivise in-kind contributions from states and territories in the form of discounted land sale and/or equity investment, the CHIA recommends allocating a proportion ( $\approx 75\%$ ) of funding on a per capita basis, while delivering the remainder through a matched state and territory contribution scheme (CHIA 2020). To effectively administer the funding, the CHIA (2020) has proposed that the National Housing Finance Investment Corporation (NHFIC) establish a specialised division to coordinate and liaise with state and territory governments and community housing providers (CHPs). Notably, upfront capital grants combined with NHFIC financing have been identified as a cost-effective pathway for governments to fund and deliver social housing (Lawson, Pawson et al. 2018; PowerHousing and CoreLogic 2020). In turn, the CHIA contends that allocating resources directly from the federal level to CHPs would maximise public value from the initiative. In addition to streamlining administration processes, direct allocation would enhance the leveraging capacity of CHPs to secure future financing to acquire or develop new social housing dwellings. An increased asset base, facilitated through direct government capital investment, could enable CHPs to deliver up to 5,000 additional social housing units (ACOSS 2020a; CHIA 2020; MBA 2020b). Under the 2008 SHI, CHP asset leveraging featured as a secondary stimulus, increasing the supply of social housing by a further 10 per cent above the initial 19,700 dwellings delivered through direct government investment (KPMG 2012).

To accelerate project delivery times, the CHIA (2020) has also recommended replicating the special land-use planning processes initiated for the SHI. For instance in WA, a regulation change to the Planning and Development Act 2005 enabled the Department of Housing to self-administer housing approvals in conjunction with the Western Australian Planning Commission, considerably fast-tracking planning, construction and delivery times for new social housing dwellings (KPMG 2012). In this respect, recently completed state and territory land audits could be used to identify and list available sites ready for immediate housing development. Moreover, the CHIA encourages the Australian Government to make use of the Affordable Housing Assessment Tool to provide the NHFIC with need and cost information (see Randolph, Troy et al. 2018). The NHFIC would report to the National Cabinet, while the National Regulatory System for Community Housing (NRSCH)<sup>19</sup> would continue to provide insight and assurance to Australian Government and key stakeholders regarding CHPs' performance, financial management and service delivery (CHIA 2020).

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<sup>19</sup> The Western Australian Community Housing Regulatory Framework and the Victoria Regulatory System provide similar assurances as the NRSCH within each respective jurisdiction.

Furthermore, the SHARP is designed to increase the potential for CHPs to expand their capabilities and facilitate a broader range of housing options such as build-to-sell packages that target affordable home purchases and affordable rental properties (CHIA 2020). This approach could foster new partnerships and alliances between CHPs and other housing industry actors, such as institutional investors, landowners and banks. The CHIA also suggests that social housing could also be integrated into larger housing developments, such as build-to-rent and SDA (Supported Disability Housing) properties, providing a wide range of mixed-tenure dwellings. In addition, the revenue generated would provide an additional form of stimulus to increase the supply of low-cost housing. In a similar manner, the PowerHousing and CoreLogic report highlighted the potential to develop a long-term investment fund administered by the NHFIC, enabling equity to co-invest in CHP social and affordable housing projects. Citing Australia's AAA credit rating, PowerHousing and CoreLogic have advocated for the Australian Government to take an active role in promoting social and affordable housing investment programs, offering institutional capital longer-term tax credit, government subsidies and grant and equity structures. For PowerHousing and CoreLogic (2020), investment in CHP operated social and affordable housing projects would provide a 'recession proof' return to the likes of superannuation members among other longer-term investment entities.

Key arguments for enrolling the SHARP as outlined in the CHIA led proposal:

- Australian Government investment would enable CHPs to increase social housing supply by 30,000
- The investment would provide immediate stimulus to the economy, creating jobs within and beyond the housing construction and building maintenance industry
- New and refurbished dwellings would be targeted to provide housing for homeless Australians, or those at risk of homelessness
- SHARP builds on a tried-and-tested program that delivered timely and effective outcomes (as evidenced by the SHI)
- Social housing construction can be initiated more quickly than major infrastructure projects
- The maintenance and upgrading element of the program could commence immediately, enhancing energy performance standards that deliver social, economic and environmental benefits
- Recent land audits can be used to quickly identify suitable sites for social housing development
- CHPs have demonstrated their capacity to deliver new social housing on a large scale
- CHPs will continue to leverage against their asset base to improve services, build capacity and ultimately expand the supply of social housing
- NHFIC and NRSCH could be engaged to provide clear oversight and ongoing assurances to government and key stakeholders
- The proposed social housing investment package could facilitate mixed-tenure developments such as affordable rental housing and the emerging build-to-rent sector

# Appendix 3: Construction industry training requirements

	License and qualification required			Qualifications, training, and courses available
	WA	SA	NSW	National accessibility (Online, and classes)
<b>Contractors and subcontractors</b>				
Architect	Yes	Yes	Yes	Yes
Quantity surveyor	No	No	No	Yes
Town and regional planner	No	No	No	Yes
Project manager	No	No	No	Yes
Builder	Yes	Yes	Yes	Yes
Engineer (geotechnical, civil)	No	No	No	Yes
Demolitions subcontractor	Yes	Yes	Yes	Yes
Pest control	Yes	Yes	Yes	Yes
Surveyor	Yes	Yes	Yes	Yes
Earthworks and excavations	No	No	Yes	Yes
<b>Concreter*</b>	Yes	Yes	Yes	Yes
Bricklayer	No	No	Yes	Yes
Roof construction (timber or steel frames)	Yes	Yes	Yes	Yes
Roof coverings subcontractor	No	Yes	Yes	Yes
Roof plumbing	No	Yes	Yes	Yes
Plasterer	No	Yes	Yes	Yes
Painter	Yes	Yes	Yes	Yes
Plumber and gas installations	Yes	Yes	Yes	Yes
Electrician	Yes	Yes	Yes	Yes
Carpenter	No	Yes	Yes	Yes
Scaffolding assembly	Yes	Yes	Yes	Yes
Load shifting equipment (Dogging, rigging, cranes etc.)	Yes	Yes	Yes	Yes
Paver	No	Yes	Yes	Yes
Aluminium and glazing subcontractor	No	Yes	Yes	Yes
Blinds subcontractor	No	Yes	No	Yes
Garage doors subcontractor	No	Yes	Yes	Yes

	License and qualification required			Qualifications, training, and courses available
	WA	SA	NSW	National accessibility (Online, and classes)
<b>Contractors and subcontractors</b>				
Landscape and reticulation expert	No	Yes	Yes	Yes
Tiler	No	Yes	Yes	Yes
Asbestos removals	Yes	Yes	Yes	Yes
Fencing	No	Yes	Yes	Yes
Insulation and ceilings	No	Yes	Yes	Yes
Cladding	No	Yes	Yes	Yes
Retaining walls (can be part of the builder services)	No	Yes	Yes	Yes
Bitumen surfacing	No	Yes	Yes	Yes

Source: Authors.



**Australian Housing and Urban Research Institute**

Level 12, 460 Bourke Street

Melbourne VIC 3000

Australia


+61 3 9660 2300

[information@ahuri.edu.au](mailto:information@ahuri.edu.au)

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