

Author name: Name suppressed

Date of submission: Wednesday, 19 July 2023

Your submission for this review:

Thank you for inviting the Housing Industry Association (HIA) to make a submission on the Issues Paper - Monitoring the Biodiversity Credits Market in NSW, dated July 2023. HIA has become involved in discussions about the NSW Biodiversity Offsets Scheme, due to the current review of the NSW Biodiversity Conservation Act 2016. Land developers in Regional NSW are required to pay for biodiversity offsetting and the cost of this is impacting development viability for residential building projects. HIA has made a full submission on the Review of the Biodiversity Conservation Act 2016 and a copy is attached for IPART's information. We have no further detail to add on the IPART Issues Paper. However, thank you again for including HIA in the consultation process. We note that the issues paper is targeting practitioners currently operating in the biodiversity credits market.



HOUSING INDUSTRY ASSOCIATION



Submission to NSW Department of Planning and Environment

Statutory Review of the NSW Biodiversity Conservation Act

Submitted 21 April 2023



contents

ABOUT THE HOUSING INDUSTRY ASSOCIATION.....	1
1.0 INTRODUCTION	2
2.0 STATE OF THE INDUSTRY	3
CRITICAL HOUSING ISSUES AND DRIVERS	3
<i>Housing Trends</i>	<i>3</i>
<i>Population Growth and Migration</i>	<i>3</i>
<i>Rental Market.....</i>	<i>4</i>
<i>Land Markets.....</i>	<i>4</i>
<i>Housing Affordability.....</i>	<i>5</i>
<i>Taxes and Charges.....</i>	<i>6</i>
3.0 HOUSING POLICY.....	7
FEDERAL GOVERNMENT POLICY	7
NSW REGIONAL HOUSING TASKFORCE	7
4.0 NSW BIODIVERSITY OFFSETS SCHEME	8
CONTEXT AND IMPACTS.....	8
5.0 RECOMMENDATIONS.....	10
CONTEXT.....	10
RECOMMENDATIONS	10
CONCLUSIONS	11
ATTACHMENT 1	12
HIA'S SUBMISSION TO NSW REGIONAL HOUSING TASKFORCE	12

Housing Industry Association contacts:

ABOUT THE HOUSING INDUSTRY ASSOCIATION

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

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 170,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

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

Contributing over \$100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

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

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

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

1.0 INTRODUCTION

The Housing Industry Association (HIA) welcomes the opportunity to participate in the Statutory Review of the NSW Biodiversity Conservation Act 2016 (the BC Act). HIA has reviewed the Consultation Paper, released on 28 February 2023, and is providing this submission to explain the serious constraints the NSW Biodiversity Offsets Scheme (BOS) is placing on the housing industry, particularly in Regional NSW.

HIA's submission provides information and makes comments on the following matters:

- State of the industry & housing affordability
 - Housing trends
 - Population Growth and migration
 - Rental market
 - Land markets
 - Housing affordability
 - Taxes and charges
- Housing Policy
 - Federal Government policy
 - NSW Regional Housing Taskforce
- NSW Biodiversity Offsets Scheme
- Recommendations

HIA has focussed on matters relevant to the housing industry and we would be pleased to discuss any of the issues raised in more detail with the expert panel. HIA is currently part of a focus group of local government officials, environmental scientists, land surveyors, and residential developers who all share a serious concern about the current impacts of the BOS on the economics of development in regional towns and cities.

2.0 STATE OF THE INDUSTRY

CRITICAL HOUSING ISSUES AND DRIVERS

Housing Trends

The shortage of housing across Australia has become a serious issue with almost daily commentary about the escalating difficulties of buying or renting a home in both metropolitan and regional parts of the state. The National Housing Finance and Investment Corporation (NHFIC) expects that the cumulative gap between new household formation and new supply nationwide will be around minus 106,300 dwellings over the five years from 2023 to 2027. This figure is reported in NHFIC's 'State of the Nation's Housing 2022-23' research report, released 3 April 2023.

In October 2022, the Australian Government announced the formation of the National Housing Accord, to address the supply and affordability of housing across the nation. The proposed Housing Accord recognises the need to align the efforts of all levels of government, institutional investors, and the construction sector to help tackle the nation's housing problem.

In April 2023, NHFIC reported that housing affordability and supply are likely to remain challenging for some time, and that this underscores the need for a holistic approach to mitigate the housing pressures Australians are facing.

In NSW, government and industry stakeholders are saying that housing remains one of the biggest issues facing the regions. It is reported that the regions desperately need more workers, but that housing remains a key issue. There is ongoing media coverage of seasonal and temporary workers in regional towns living in makeshift campsites and vehicles, due to the lack of rental accommodation.

Population Growth and Migration

NHFIC said in its April report that the opening of Australia's borders in early 2022 led to a much stronger than anticipated recovery (post-Covid) in population growth.

The graph in Figure 1, prepared by HIA shows the spike in population growth from early 2022. HIA also reports that numbers of migration are up by 26 per cent in the first half of 2022, compared to pre-Covid rates.

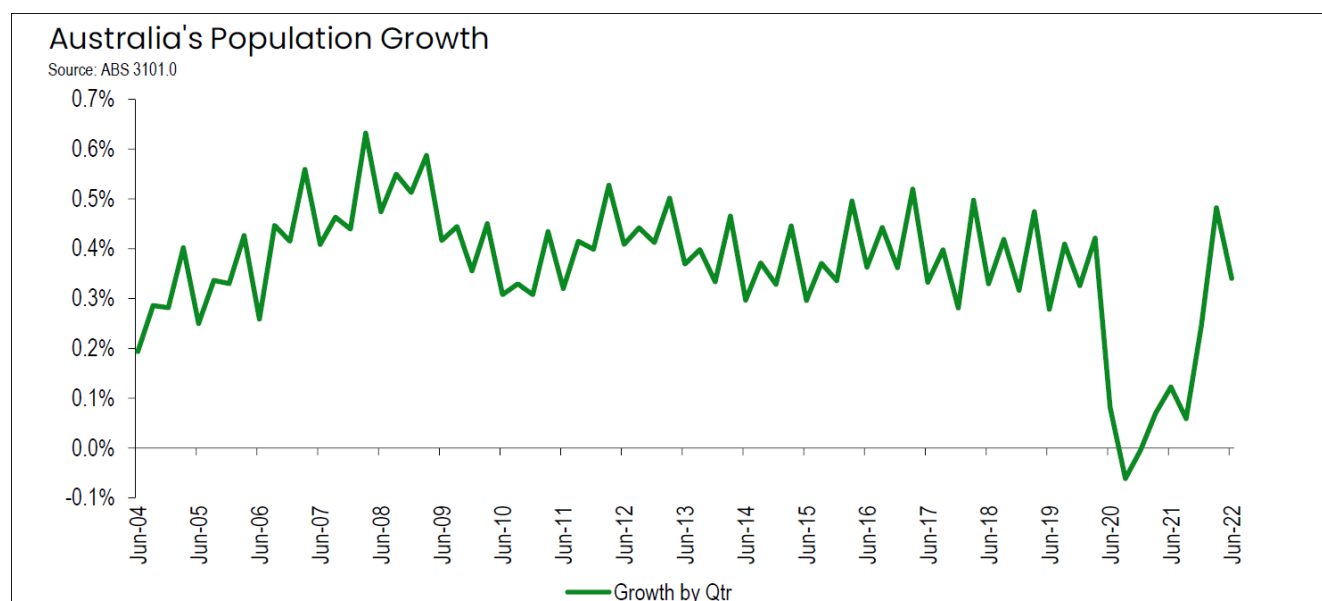


Figure 1 – Australia's Population Growth (Source: HIA using ABS data)

Rental Market

The latest CoreLogic Quarterly Rental Review, released April 2023, reports a 1.2 per cent vacancy rate for rentals (all dwellings) in Sydney, and 1.4 per cent for all regional areas of Australia combined. In the larger regional cities vacancy rates are currently well below 1 per cent, with many agents having no rental stock available.

Land Markets

In the HIA-CoreLogic Residential Land Report, dated January 2023, a trend of rising land prices and falling land sales is identified for both Sydney and Regional NSW. HIA reports that the falling sales volumes do not reflect an end to the underlying shortage of land, but inversely they reflect a shortage of shovel ready land in the face of growing demand.

Details of the growth of median lot values and decline in residential land sales since 2020/21 are shown in Figure 2 for Greater Sydney and Figure 3 for rest of NSW. When compared to other states, NSW dominated the list of the most expensive regional markets.

HIA concludes that lower land prices and more affordable housing must be driven by a greater supply of land, shorter delivery times, and fewer regulatory and tax imposts on the housing industry.

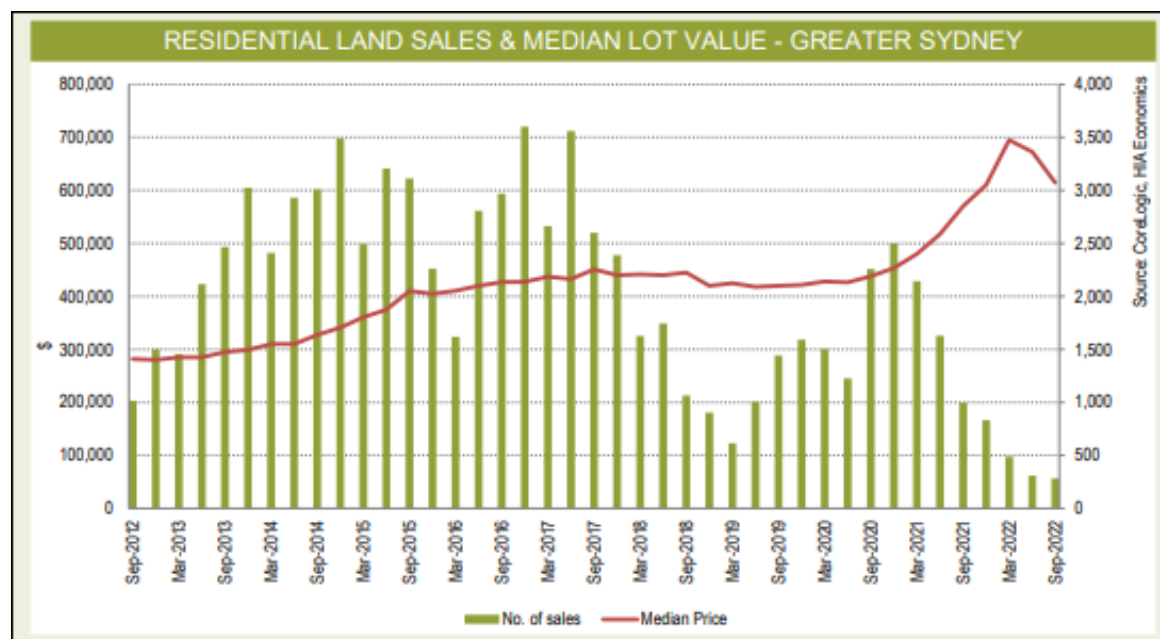


Figure 2 – Residential Land Sales & Medium Lot Value – Greater Sydney (Source: CoreLogic & HIA Economics)

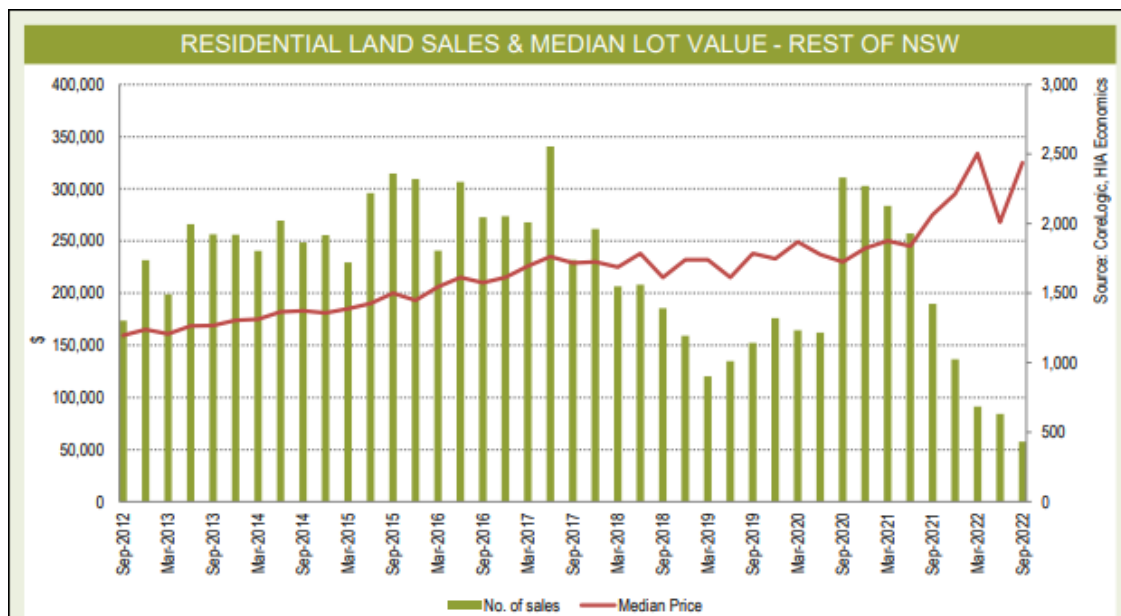


Figure 3 – Residential Land Sales & Medium Lot Value – Rest of NSW (Source: CoreLogic & HIA Economics)

Housing Affordability

Housing affordability continues to be a problem in the state. The most recent HIA Economics Affordability Report (December 2022 Quarter), shows that over recent years affordability has declined significantly across the state and most predominantly in regional areas. Data on housing affordability is presented in Figure 4.

Figure 4 shows that the affordability index for home ownership has deteriorated since mid-2020. The steep increase in dwelling prices and consequent deterioration in affordability represents a continuation of the tightening housing market. Homes in NSW are now less affordable than at any point in the last decade.

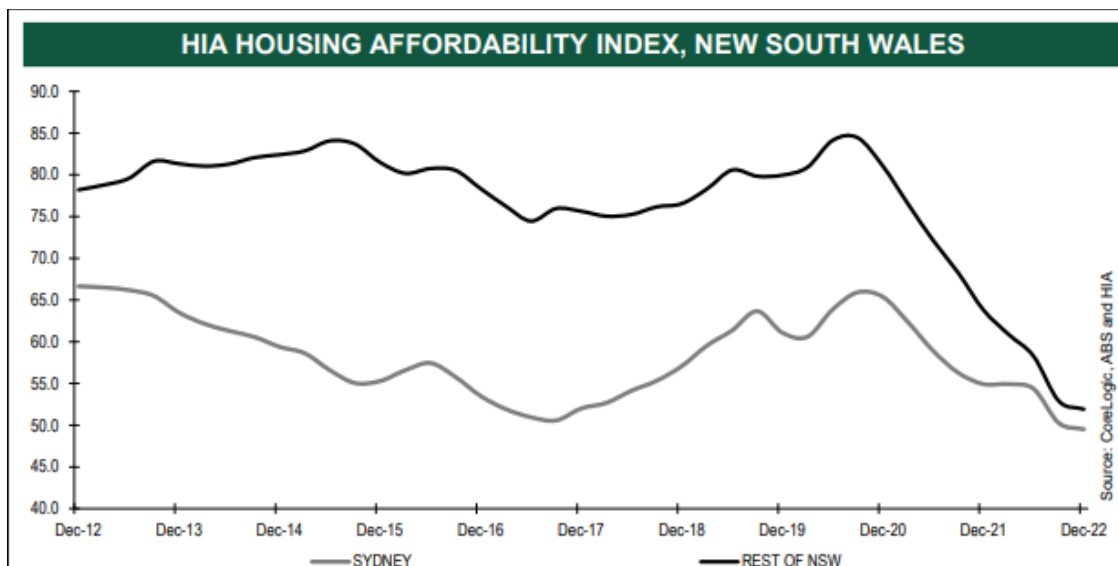


Figure 4 - HIA Housing Affordability Index, NSW (Source: HIA Economics)

Taxes and Charges

The NSW housing industry needs a coordinated approach to addressing affordability, and this includes addressing the tax and regulatory systems constraining supply of new homes. The tax and regulatory burden, together with the cost of land, are key contributors to the deterioration in housing affordability.

In 2019, HIA commissioned the Centre for International Economics (CIE) to report on taxes on the housing sector. The report found that housing is responsible for 10 per cent of revenue across all 3 tiers of government. Further, the CIE report found that 50 per cent of a house and land package in Sydney is made up of taxes, charges, and levies, compared to 37 per cent in Melbourne and 32 per cent in Brisbane. Comparable figures are available for new apartments. Most of the tax burden is transferred to the new home buyer.

The BOS adds a further tax on the development industry. The impact of the BOS, however, is so severe, that residential development projects across the state have become unviable and plans are being abandoned. This clearly has a negative outcome for housing delivery and affordability targets.

Section 3.0 of this report focusses on steps the Australian Government and NSW Government are taking to address the imbalance between housing delivery, and housing affordability. Section 4.0 demonstrates how the BOS will continue to stall progress in accelerating land supply and the delivery of new homes.

3.0 HOUSING POLICY

FEDERAL GOVERNMENT POLICY

Housing policy at the Federal Government level is seeking to address housing supply and affordability. As introduced in Section 2.0 above, the National Housing Accord, aims to align all levels of government, institutional investors, and the construction sector to help address the nation's housing problem, with a goal to build one million new, well-located homes, over five years from 2024. The NSW Government estimates that the state will need to provide 314,000 of these new homes.

Land supply is fundamental to ensuring consistent housing supply and excessive tax on housing, including the NSW BOS, will hinder growth in the market and housing affordability. Measures to improve the drivers of land and housing supply in regional NSW were addressed in 2021 by the NSW Regional Housing Taskforce, as discussed below.

NSW REGIONAL HOUSING TASKFORCE

In June 2021 the NSW Government established the Regional Housing Taskforce (the Taskforce) in response to increasing pressures on the supply and affordability of housing in Regional NSW. The Taskforce consulted widely with local government, experts from the development and housing sectors, community housing providers and regional communities across the state.

HIA made a submission to the Taskforce (refer Attachment 1).

The Taskforce delivered a Recommendations Report in November 2021, with 5 key recommendations as follows:

- Support measures that bring forward a supply of 'development ready' land.
- Increase the availability of affordable and diverse housing across regional NSW.
- Provide more certainty about where, when and what types of homes will be built.
- Investigate planning levers to facilitate the delivery of housing that meets short-term needs.
- Improve monitoring of housing and policy outcomes and demand indicators.

In August 2022, the NSW Government adopted all 5 key recommendations of the Taskforce. This was part of a comprehensive response to support the delivery of 127,000 new homes needed to house the growing population of the regions over the next 10 years. The response included a \$33.8 million Regional Housing Development Program with measures to support regional councils in planning for housing. This included housing for key workers and support for councils to manage accommodation for seasonal and temporary workers.

To achieve the Taskforce's recommendations, it is imperative that the impact of the BOS on stalling and cancelling regional housing projects is reviewed as a matter of priority.

The impact of the BOS is discussed in the following section of this submission.

4.0 NSW BIODIVERSITY OFFSETS SCHEME

CONTEXT AND IMPACTS

The Biodiversity Offsets Scheme (BOS) is the NSW statutory framework for offsetting impacts of development on biodiversity. The BOS was established under the state's *Biodiversity Conservation Act 2016* (the Act).

Under the BOS, applications for land clearing or new development must set out how impacts on biodiversity will be avoided and minimised. Any remaining residual impacts must be offset by the purchase or retirement of biodiversity credits, or payment to the Biodiversity Conservation Fund.

In practice, the BOS is having a serious impact on the economic viability of housing development, as well as other key economic, educational and infrastructure projects. In addition to costing a developer around \$50,000 for a Biodiversity Assessment Method (BAM) consultant to determine the biodiversity status of the site, the offset charge can be higher than the actual retail value of the land.

The opportunity to buy offset credits is also limited as they must be purchased within 100 km of the development site, and credits are not always available.

As a result of BOS, the pipeline of new residential subdivisions, particularly in regional NSW is being halted and the number of new homes built reduced, resulting in a significant impact on regional housing affordability.

The BOS is having a significantly greater cost impact in the Western parts of the state compared to the coastal fringe, due to the lack of suitable and acceptable offset credits available at a reasonable market price. This is especially the case in the Far West, Central West and Orana, Riverina Murray, and New England North West Regions.

HIA members have advised that it is near impossible for any significant residential projects to progress within these regions due to the BOS threshold requirements. In addition, there is a lack of supply of suitable and acceptable stewardship offset credits for any development in these regions.

Examples of recently calculated offset costs for development projects in regional NSW have been provided by our members and are set out in Table 1. The data shows that there can be a steep escalation in the market price of land, and this is unsustainable. A residential developer cannot develop and sell land at these prices, and nor can a homebuyer finance such increases.

At a time when housing affordability is nearing a crisis point, and has become a government priority, it appears that economic burden of the BOS on development is working against this. In addition, state government investment in Special Activation Precincts (SAPs) in Parkes, Moree, Wagga Wagga and Tamworth are destined to fail, unless housing can be provided. The SAPs are designed to create employment opportunities and boost regional prosperity.

The application of the offset program to infrastructure, agriculture and industrial development is also having a ripple effect through the regions. Examples of non-residential projects impacted by the BOS are also listed in Table 1.

Project viability is being seriously eroded which leads to lost employment growth in regional growth centres. Designated growth cities such as Tamworth and Wagga Wagga with aspirational population growth targets of 100,000 people, face the reality that they are now very unlikely to grow their economies and over time to face the prospect of economic decline.

Table 1: Impact of Biodiversity Offsets Scheme in NSW Regional Areas

	Project / Location	Description of development	Estimated value of project	Additional BOS cost	Status of project
1	Inland Rail	Driver of investment, growth, and job creation	\$14.5BN	\$1.375BN	Project ongoing at significant increased cost
2	Transgrid	Hume Link Transmission Line between Wagga Wagga and South Australia	\$3.3BN	\$1.2BN	Increasing power costs
3	Bourke Shire	60 hectares of 6 and 12-hectare blocks for industrial, commercial, employment development	\$336K	\$3.4M	Project lost
4	Moree Plains Shire	300 student agricultural college	n/a	\$3-\$5.5M	Project lost
5	Moree Plains Shire	600 housing block project, to capitalise on the new Inland Rail project.	\$90M	\$120M	Project lost
6	Wyangala Dam	Raise the Wyangala Dam wall (located 320 km west of Sydney), to drought-proof the area.	\$815M	\$500M	Project still under assessment
7	Parkes Shire	Develop 40 house blocks for housing in the town.	\$8M	\$2M	Project lost
8	North West Council	35 hectare - \$40m construction of large glass houses to grow vegetables.	\$40M	\$6-10M	Project lost
9	Tamworth	46 small lot rural residential estate on the edge of the town.	\$11.5M	\$16.2M	Project lost
10	Armidale	40 lot residential subdivision.	\$5M	\$3M	Project reduced to 10 lots. Lost 30 houses.
11	North West Region	Large grain receival and storage facility.	n/a	\$324k	Paid by NSW Government
12	Gilgandra	Commercial development	\$4M	\$1.4M	Being reviewed to reduce scale
13	Tamworth	96 lot rural residential subdivision	\$30M	\$19M	Project lost
14	Tamworth	24 lot rural residential subdivision	\$5.4M	\$3M	Project lost
15	North of Tamworth	50 lot rural residential subdivision	\$4M	\$6M	Project lost
16	Narromine Shire	Gold found at Tomingley requiring company to build a small part of a new road under the Newell Highway disturbing a minimal 36 hectares.	n/a	Reduced from \$20m to \$10m	Project now proceeding
17	Wentworth Shire	New Gypsum quarry involving 61 hectares	\$24M	\$8-9M	Project lost
18	Murrumbidgee Shire	Complete the building of the small Coleambally town.	n/a	\$24M	Project lost
19	North-West Region	3 lot large rural residential subdivision	\$580k	\$720k	Project lost

5.0 RECOMMENDATIONS

CONTEXT

The Consultation Paper on the Statutory Review of the NSW Biodiversity Conservation Act encourages responses on matters of concern relating to the legislation.

HIA notes that the expert review panel already have already collected feedback about the operation of the BC Act from preliminary consultation. The comments made from the preliminary consultation that resonate with HIA's concerns, include:

- Parts of the Act and associated processes are overly complex and may not be delivering the intended outcomes.
- 'Like-for-like' offsets are challenging to find in practice.
- There are concerns about BOS costs and impacts on regional development, housing, and industry.
- The scheme is adding costs to development and communities and the ecological outcomes achieved under this scheme are not clear.
- Concerns around the effective operation of the market, including matching supply and demand for credits.
- Biodiversity certification can support 'up front' consideration of cumulative biodiversity impacts and give developers certainty.

RECOMMENDATIONS

HIA makes the following recommendations for future changes to the BOS:

1. The impact of any future biodiversity offset program must guarantee foremost that regional growth and investment is protected and assisted.
2. Biodiversity offsetting programs should not be applied to currently zoned land.
3. This current program requires the following changes:
 - i. The offset should be capped at a fixed percentage of the 'englobo' land value, and this percentage be determined at the time of rezoning and gazettal of the Local Environmental Plan.
 - ii. The offset should not be applied to land zoned at or before the commencement of the BC Act.
4. Land proposed for rezoning should be bio-certified to streamline the biodiversity assessment process and eliminate need for subsequent site-by-site biodiversity assessment.
5. Any future offset program must be transparent, socially responsible, and economically accountable.
6. Any future offset program must have regard to social impact and ensure the objectives and recommendations of the NSW Regional Housing Taskforce can be achieved.
7. HIA strongly encourages the four western regions of the state – Far West, New England North West, Central West and Orana, and Riverina Murray be excluded from the program, due to the lack of offset credits available.

In regard to point 5 above, HIA notes that the NSW Auditor-General's Report on the *Effectiveness of the Biodiversity Offsets Scheme* (30 August 2022) concludes that:

"Key concerns around the Scheme's integrity, transparency, and sustainability are also yet to be fully resolved."

CONCLUSIONS

The NSW BOS in its current format is leading to a significant loss of investment in parts of the state and particularly the western regions of Far West, New England North West, Central West and Orana, and Riverina Murray.

Failure to address the critical issues raised in this submission, relating to the BOS, will mean that economic investment and housing development will be halted, and community and infrastructure projects will stop.

At a time when housing affordability is nearing a crisis point and has become a government priority at both Federal and State Government levels, it seems that economic burden of the BOS is working against this. Project viability is being seriously eroded which leads to lost opportunity for economic investment and new housing development, particularly in regional towns.

HIA would be pleased to provide clarification or further information on any of the comments that we have raised within this submission.

ATTACHMENT 1

HIA'S SUBMISSION TO NSW REGIONAL HOUSING TASKFORCE



HOUSING INDUSTRY ASSOCIATION



Submission to NSW Government

**Regional Housing Taskforce
August 2021**

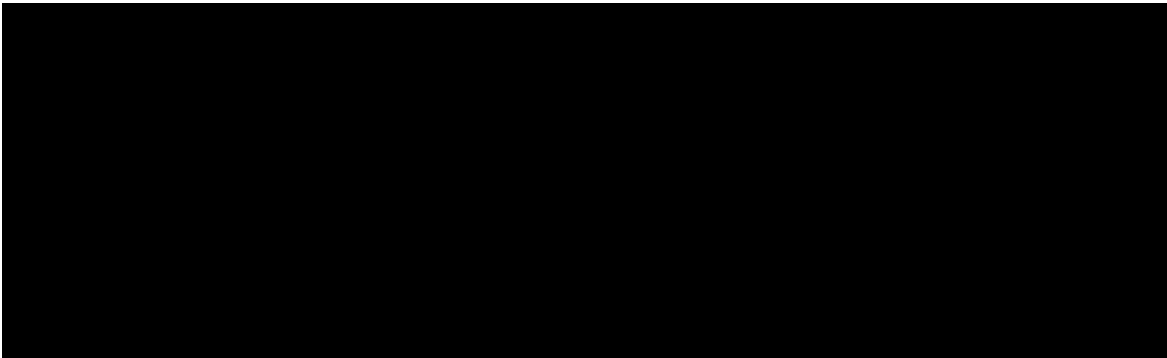
Submission made 1 September 2021

contents



ABOUT THE HOUSING INDUSTRY ASSOCIATION.....	1
1.0 INTRODUCTION	2
2.0 CRITICAL HOUSING ISSUES AND DRIVERS	3
POPULATION & MIGRATION PATTERNS	3
HOUSING SUPPLY & SHORTAGES	4
HOUSING AFFORDABILITY AND DIVERSITY.....	5
3.0 BARRIERS TO HOUSING DELIVERY	8
NSW PLANNING SYSTEM	8
SHORTAGES OF LAND, LABOUR AND MATERIALS.....	9
4.0 CONCLUDING STATEMENT.....	10

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1.0 INTRODUCTION

The Housing Industry Association (HIA) is pleased to make a submission to the NSW Regional Housing Taskforce (the taskforce).

Conversations about the planning and development of housing in regional NSW are highly important to our members, some of which have participated in the taskforce's online forums held over the past few weeks.

Prior to the setting up of the taskforce, HIA had already been working with the Economics and Land Use Forecasting Team in DPIE, to identify current trends and issues with housing demand and supply in regional areas.

The Economics and Land Use Forecasting Team have met with HIA's regional committees in the Illawarra/Shoalhaven and Northern NSW to discuss issues relating to the planning system, housing demand and land supply, labour and materials shortages. DPIE planners and economists explained that they were keen to meet with our regional committees to get direct feedback from builders, developers and material suppliers involved in the housing industry.

This submission is structured to provide comments on the following inquiry streams within the taskforce forums:

- Critical housing issues and drivers
 - Population and migration patterns
 - Housing supply and shortages
 - Housing affordability and diversity
- Barriers to housing delivery
 - NSW Planning system
 - Shortages of land, labour and materials

HIA is supportive of the research work that the taskforce is undertaking into regional housing matters and we look forward to continuing to provide input into policy development work over the coming months. Furthermore, members from our NSW Planning Committee would be pleased to meet with the taskforce to provide any further information and insights into regional housing issues if this would assist.

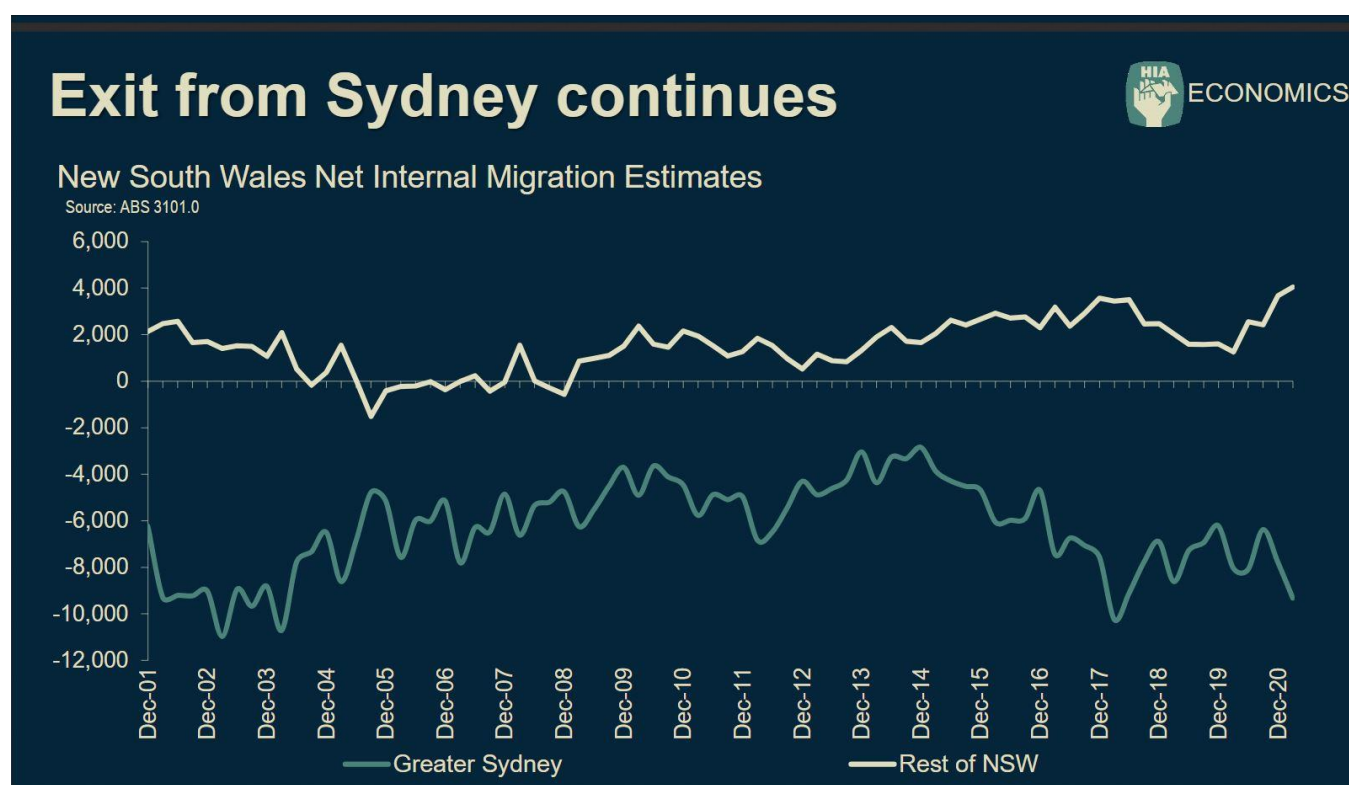
2.0 CRITICAL HOUSING ISSUES AND DRIVERS

POPULATION AND MIGRATION PATTERNS

For a long time Greater Sydney has seen population losses to both intrastate and interstate destinations. This intra-regional shift is driven by the usual cycle of sea changers and tree changers and those moving to retirement. However, net internal population migration to regional NSW has become more pronounced since the onset of the COVID-19 pandemic (the pandemic).

The intrastate migration trend can be attributed to changes in workplace from city offices to home, and the ability to live further from work. This is together with young adults and students returning from the city to their family homes in regional areas, and now two years of school leavers remaining in the regions, rather than moving away for university or first jobs.

NSW net internal migration patterns are shown in the graph below.



Source: HIA Economics

Regional migration data for 2019 and 2020 is provided in the table over-page. You will note that in 2020 Sydney had 10% more people leave the city than in 2019, while regional NSW received more than double the inward population migration numbers (+110%) compared to the previous year.

NSW MIGRATION DATA 2019 TO 2020

	Greater Sydney			Rest of NSW		
	Intrastate	Interstate	Total	Intrastate	Interstate	Total
2019	-13,995	-14,473	-28,468	13,995	-7,974	6,021
2020	-17,896	-13,668	-31,564	17,896	-5,205	12,691
Year on Year change	27.9%	-5.6%	10.9%	27.9%	-34.7%	110.8%

Source: HIA Economics

HOUSING SUPPLY & SHORTAGES

The following comments about regional housing demand, supply and shortages have been provided by HIA members, including matters raised at the DPIE / HIA regional workshops held with our Illawarra / Shoalhaven and North Coast committees in June and July 2021.

Inland cities and towns

- In the inland cities and shires there is very little supply of housing available for rent or for purchase, which is severely hampering regional growth. The supply that is available is mostly 3-bed plus and not consistent with the needs of the market. Vacancy rates are at almost zero for both purchase and rental.
- Inland cities have massive skill shortages partially arising from the inability to secure housing
- This shortage has been generated not by influx of people but people not leaving. The low interest rate regime has in fact contributed.
- There is a real mismatch between supply of product and actual demand.
- It is also the case single person households have far less options in these towns.

Illawarra / Shoalhaven

- People are now able to live in Illawarra as they can work from home and travel to the Sydney office once a week. However, people are starting to be pushed further down the coast to buy homes as they are being priced out of the market, in the more central Illawarra / Shoalhaven locations.
- There is extra demand for new homes arising from the Homebuilder Grant (the grant). The grant brought a lot of first time buyers to the market, as that group were more able to qualify for the \$750,000 threshold. Others used the grant for renovation work.
- There is no land available for new homes and it takes a long time to get new land to the market. Any new land that does become available gets 'snapped up' quickly.
- Before the pandemic there was a sense that demand for building work was falling, but now with everyone at home there has been a growth in demand for both new homes and renovations. People now need different things from their homes and generally have more cash available as they are no longer going on holidays.
- There are shortages in the rental market. It is difficult to get find rental property and people are paying 6-months rent upfront to secure a rental home and they need impeccable references.

North Coast

- There is a shortage of land which means that new land gets sold straightaway. However, the land shortage is not just related to the pandemic, as it is a longer term problem for the North Coast.
- There have been many different issues happening at the same time with the region still recovering from bushfires and floods, as well as dealing with the pandemic.
- There was reporting of local trends on the North Coast with 'mums and dads' building in Tamworth, rather than retirees or investors.
- There is a shortage of land in Wauchope with people moving to the town from Port Macquarie and recent subdivisions sold out in one day.
- The renovation market has also started to move quite quickly, with a lot of kitchen and wet-area refurbishment work in Armidale, with people qualifying for the Homebuilder grant. With lockdowns and no travel, people have money to spend on renovations and refurbishments.
- In Tamworth there are only a few houses left to rent, with people moving from Sydney and other coastal areas including Newcastle. New arrivals are working remotely or finding new work locally.
- Rental property is virtually non-existent with vacancy rates under 1.0%.
- People are also now looking for bigger homes.

HOUSING AFFORDABILITY AND DIVERSITY

Housing affordability has become a national issue and since the commencement of the taskforce, the Australian Government has announced a Parliamentary Inquiry into housing affordability and supply in Australia. The Chair of the Committee, Mr Jason Falinski MP, has said the following:

As data provided by the Reserve Bank of Australia (RBA), the Treasury and the Australian Bureau of Statistics (ABS) shows, home ownership, one of the building blocks of Australian society, has been falling for the last 30 years. In my view, this represents an urgent moral call for action by governments of all levels to restore the Australian dream for this generation and the ones that follow.

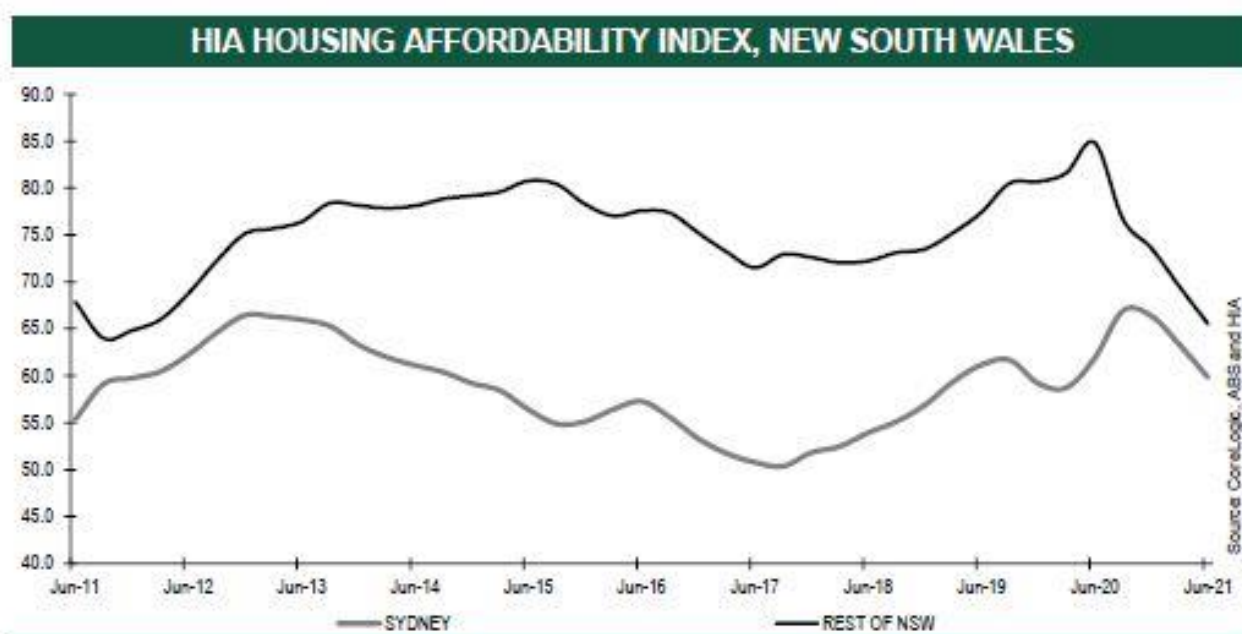
HIA prepares an affordability index for each of the nation's capital cities and regional areas on a quarterly basis and takes into account the latest dwelling prices, mortgage interest rates and wage developments. The most recent data shows that over the past twelve months regional NSW has experienced the biggest deterioration in affordability across the nation, down by 22.8 per cent over the year, as shown on the table over page:

HIA Housing Affordability Index by Region – June Qtr. 20- June Qtr. 21

State	Capital City	Rest of State
NSW / Sydney	-3.3	-22.8
VIC / Melbourne	-3.8	-6.5
QLD / Brisbane	-6.3	-10.3
SA / Adelaide	-8.7	-8.1
WA / Perth	-5.5	-0.6
TAS / Hobart	-18.7	-13.6
NT / Darwin	-13.0	-8.6
ACT	-10.2	-

Source: HIA Economics

The following graph provides additional data for Sydney and Regional NSW showing the change in housing affordability over the past ten years.



Specific comments about regional housing affordability has also been made by HIA members, as follows:

- Affordability has been an ongoing issue for years but is now exacerbated because of the pandemic.
- Stamp duty is too expensive, especially for first time buyers, with most first time buyers not under the exemption threshold in Wollongong and the Illawarra.

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- In the Illawarra, people are starting to be pushed further down the coast to buy homes as nearer towns to Sydney, are being priced out of the market. Wollongong is essentially becoming a suburb of Sydney. It was suggested that you cannot get a home rental in the Illawarra for under \$500 per week, unless it is for a one-bedroom unit.
 - There are also shortages in the private rental market – it is difficult to get rental properties and people are paying six-months rental upfront to secure a place to live, with applicants also needing impeccable references.
 - There is no doubt that growth in Airbnb has made a huge impact on long-term rental availability, owners and investors are now making more money from short-term rather than longer-term rentals.
 - There is increasing demand for diversity in housing type including medium density products and also secondary dwellings (granny flats).

3.0 BARRIERS TO HOUSING DELIVERY

NSW PLANNING SYSTEM

There are challenges and barriers arising from the NSW planning system that the industry face in the delivery of housing in Regional NSW. The most common of these barriers can be outlined as follows:

- There is a need for more certainty in the planning system, it can take takes five to seven years to get land zoned and then once the land is zoned it doesn't mean you can develop it. There is a long time to wait and then no certainty. More detail about this is available in HIA Policy on *Truth in Zoning* and a copy is attached to this submission.
- Post zoning issues regularly arise with the need for DA submissions to redo work done at the rezoning stage, together with enquires and post-zoning involvement by other government agencies causing unnecessary delays.
- There needs to be better coordination between government agencies early in the process, not at the end. For example, energy and power supply are assessed and approved outside of the planning process and timelines and design are creating large delays to medium density development.
- All duplication in the rezoning and DA processes needs to be removed.
- The government should play a bigger part in delivery of serviced land for housing, including the co-ordination and timeliness of land supply.
- The prohibitive cost of infrastructure imposed on individual developments cannot be sustained.
- Land that has multiple ownership is much more difficult to acquire and the land ownership may take years to negotiate which has a significant delay on the approvals for land.
- Small lot and small unit development is not feasible for developers but there is a demand that needs to be identified and satisfied. Planning controls hinder small lot developments with minimum lot sizes and other DCP controls that should be relaxed. There may be a need for government to become proactive in the market to get small lots happening with for example, land dedication or community housing projects to engineer outcomes to simply get the product going.
- Council's steadfast reliance on DCP controls is stifling modern and innovative design. Further, the application of DCPs is inconsistent and can vary between development proposals making it difficult for industry to see consistency in what is acceptable and what is not. In NSW it is often the case that far too much emphasis is placed on compliance with DCP controls, rather than good planning outcomes.
- The cost and time spent on meeting regulation and compliance is becoming prohibitive for the industry.
- Regional councils have been struggling with the introduction of the NSW Planning Portal and onboarding ePlanning. This has caused delays in the lodgment and assessment of DAs and frustrations for both councils and applicants. Some regional councils are struggling with the specialist skills needed for the roll-out of the new ePlanning technology.

- There are delays in DA assessment times in regional councils due to large volumes of applications and on occasions, shortages of staff.
- There is some resistance to urban change from the community that is putting pressure on councils to resist change, particularly apparent in regard to the recent conversations about local character.

SHORTAGES OF LAND, LABOUR AND MATERIALS

A shortage of land, labour and materials in regional NSW has pushed new home costs higher. There is not enough land being released which is pushing up the price of land that is available. In addition, timber, steel, PVC pipes, fittings, electrical equipment and tiles are all in short supply due to factors including global shortage of shipping containers, and domestic production of structural timber nearing capacity.

Completions of new homes are now being delayed due to constraints on materials and labour.

In the June 2021 quarter, input prices for house construction jumped by 2.6 per cent, representing the sharpest quarterly jump on record since the 1990s. The largest price rise is for timber-related products, while the price also increased for steel products, pipes and fittings, electrical equipment and tiles.

In March 2021, HIA conducted a survey of its members in which 80 per cent of respondents stated that disruptions to the supply chain had resulted in product or input shortages for their business. The *HIA Trades Report* also found the current shortage of labour is nearly as severe as any time in the last 20 years. Similarly the HIA-CoreLogic Land Report found sales of shovel-ready blocks fell in the March 2021 quarter.

The following comments about land, labour and materials shortages were raised at the DPIE / HIA regional workshops held with our Illawarra / Shoalhaven and North Coast committees in June and July 2021.

Illawarra / Shoalhaven

- There is a shortage of timber, resins and paints which has led to significant price increases and some products being unavailable such as timber beams, frames and trusses. Builders have slabs down but cannot complete the build in usual timeframe due to materials shortages.
- Delays in build and rising costs of materials lead to contractual issues with the client. How do you go back to the client to ask for more money to cover the increase in materials costs?
- Some suppliers are only providing quotes for the larger project builders and are bypassing the small to medium parts of the industry.
- The price of steel has escalated.
- There is also a shortage of cabinetry hardware such as hinges and drawer runners as key supplies are produced in Europe and are being kept for the local markets.
- There are serious shortages of skilled trades and apprentices. This skill shortage is across all trades from cabinetmakers through to concreters.

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- It is important to promote apprenticeships in the regions as a career pathway for school leavers. However school leavers can get more money working part-time in retail / hospitality than in learning a trade in construction.
 - There are not enough incentives for employers to take apprentices on and the school system now wants to keep everyone up until Year 12. Traditionally apprentices started after year 10 and when this was the case a wage of \$300 a week or under wasn't an issue.
 - The industry cannot afford to take on mature age apprentices as their pay rate is too high.
 - There is also a shortage of TAFE places for apprentices, with this shortage evident before 2021.
 - Families are also concerned about risk of injury to young apprentices in trades.
 - As all markets are busy nationally there is no internal migration for skilled labour as whole country is experiencing a construction boom.
 - The high demand for trades means that they are lifting their rates.
 - Trades can get much higher rates in Sydney than in the regions and it is also hard to find accommodation in the regions.
 - There are also labour and skill shortages in the manufacturing / supply side of the industry such as window manufacturers.

4.0 CONCLUDING STATEMENT

Thank you for inviting HIA and its members to participate in the Regional Housing Taskforce workshops and for inviting us to make this submission on the challenges and barriers that the housing industry is facing in regional NSW. We would be pleased to provide clarification or further information on any of the comments that we have raised within this submission.

HIA looks forward to reading a copy of the taskforce's final report to the government, and also a plan for the implementation of the taskforce's recommendations.



Truth in Zoning

Policy Background

- The supply of land for housing development is influenced by zoning, subdivision approvals and the development approval process.
- Developers and builders face a range of barriers to building on residentially zoned land that can be applied at any stage of the land and housing supply pipeline.
- Many constraints affecting the supply of land for housing:
 - emerge in planning scheme requirements after land has been zoned for residential purposes;
 - have a layered approach and a cumulative effect on the development that can ultimately take place on a single parcel of land;
 - can quarantine or sterilise land from development at any stage of the process, despite being zoned for residential purposes;
 - can relate to the risk of natural hazards or to broader social or environmental concerns that are not specific to a single parcel of land; and
 - are being applied to zoned land retrospectively.
- Some constraints relate to mapping of natural threats such as anticipated threat of bushfire or sea level rise/inundation, threatened species identification.
- Others can be non-environmental and can include heritage matters, presence of easements and other design and development related requirements.
- While each is a potentially valid claim for land to be preserved or development to be managed in a specific way, in many cases the request by authorities to address these constraint is made at an inappropriate stage of the development process resulting in significant delays and additional costs.
- In some cases, this can result in highly valued residential land being removed from the land supply pipeline as no longer appropriate for development.
- The outcome is that despite land being residentially zoned the heightened level of uncertainty results in financial risk, additional costs, delays and ultimately a restriction on the supply of build ready land.
- Governments need to be responsible for providing greater certainty over when constraints are applied to land through the zoning, subdivision and development approval processes to ensure that land owners are aware of all potential matters that may affect the future use of that land for residential purposes at the earliest possible time.

HIA's Policy Position on Truth in Zoning

1. Governments (being all governments or relevant authorities) should provide certainty in the application of planning controls on residential land.
2. In applying planning and environmental controls to land, Governments should firstly verify and then disclose all known constraints which they intend to apply and at which stages of the development process.

3. The key stages at which known constraints should be declared and applied by governments are:
 - a. Designation for urban development;
 - b. Zoned for urban development;
 - c. Subdivision planning approval; and
 - d. Registration of title and sale or redevelopment of lots.
4. The known constraints should only be applied by Governments at the designated stage in the development assessment process. (as set out in Attachment A)
5. If a constraint is missed, or unknown, by a government at an earlier stage of development, it cannot be retrospectively applied unless appropriate compensation is provided to the property owner for the reduced development rights.
6. All major constraints on land should be accounted for by the build stage (that is prior to stage 4: registration of title) leaving builders, and home buyers, to only account for site layout, setback matters and known environmental constraints as outlined in council planning schemes.
7. Requests from councils to apply constraints that have no foundation in state planning schemes or documents incorporated within planning schemes should be rejected outright.

ATTACHMENT A – Constraints on Land and their Application by Authorities

This attachment seeks to provide a list of constraints that are typically applied in the zoning, subdivision and planning approval processes and nominates the preferred stages in the land supply pipeline that HIA considers they should be identified or applied (if they are to be included at all).

The changing planning environment means that this is an indicative list that remains live and able to be adjusted over time. HIA policy position sets out the nature of the problem and industry's preferred approach. The stages are intended to mirror the six stages of land development identified by the National Housing Supply Council (2010). For the purposes of this Policy they have been combined where appropriate.

Stage 1 Designation of Land for Urban Development Zone

The constraints listed below should be identified prior to designation of land of urban development zone.

Constraints to be identified when land is Designation for Urban Development	
Open space	Open space allocation including major regional open space parks already operational includes State and National Parks
Airports	Location of airports and environs, includes any future airfields
Roads	Freight and major road links
Major Infrastructure	Pipelines for utilities including gas and electricity
Facilities for renewable energy	Any area set aside for wind farms or similar.

Stage 2 Zoned for Urban Development

The constraints listed below should be identified prior to rezoning any land from a general Urban Growth/Future Urban zone or rural zonings to a specific purpose zone, e.g. residential, public land, special purpose zonings.

Also at this stage planning scheme overlays or structure plans may be prepared which might also seek to apply a constraint on land e.g. identification of flood prone land, heritage areas, site coverage (density), slip, slope, subsidence and so forth. These constraints should also be declared at this stage to increase certainty for land owners.

Constraints to be Identified when land is Zoned for Urban Development	
Environment and landscape overlays	Could include environmental significance overlay Vegetation protection overlay Significant landscape overlay
Heritage and built form overlays	Heritage overlay Design and development overlay Incorporated plan overlay Development plan overlay Neighbourhood character overlay

Constraints to be Identified when land is Zoned for Urban Development	
Land management overlays	Erosion management overlay Salinity management overlay Floodway overlay Land subject to inundation overlay Special building overlay Bushfire management overlay State resource overlay
Other overlays	Public acquisition overlay Airport environs overlay Environmental audit overlay Road closure overlay Restructure overlay Development contributions plan overlay Toll Road overlay Parking overlay
Alpine areas	Framework for planning alpine resorts Sustainable development in alpine areas
Biodiversity	Protection of habitat Location of threatened species Native vegetation management
Sea level rise/coastal issues	Protection of coastal areas threat of coastal inundation and erosion
Bushfire	Bushfire planning strategies and principles

Stage 3 Subdivision Planning Approval

The constraints listed below should be identified prior to the subdivision planning approval for lot designs. These constraints are normally addressed through the subdivision application process, whereby relevant studies are undertaken before the issue of a subdivision planning approval, and potentially, relevant actions are required to be carried out before the completion of a subdivision to confirm or address the impact of these constraints on land.

Constraints to be identified by Subdivision Planning Approval	
Soil degradation	Use of contaminated and potentially contaminated land Erosion and landslip Salinity
Noise and air	Noise abatement, air quality
Water	Wetlands and storm water planning.
Heritage	Heritage conservation Aboriginal cultural heritage

Constraints to be identified by Subdivision Planning Approval	
Layout of built environment	Neighbourhood subdivision site and context description and design response Lot design location and design of residential development Access and mobility management Integrated water management Utilities location Any design requirements for safety Cycling networks
Location of commercial centres/public transport networks	Principal Public Transport Network Road system Waste and resource recovery
Community infrastructure	Health facilities Education facilities Day Care facilities Recreation facilities
Bushfire	Bushfire prone areas

Where the 'subdivision planning approval' occurs after the civil works construction approval (and the required civil works are completed), the constraints in the table above should be identified during stage 2 (Rezoning).

Stage 4 Registration of Title

Once lots are registered and sold any constraints that continue to apply to future development of the site should only be those related to the individual lot. These constraints should be clearly specified in relevant publicly available planning information available to the owner of that site. The following matters may be identified as the remaining issues for consideration in the design of a new building:

Constraints that are considered acceptable if applied to an individual lot (or group of lots)	
Planning requirements relating to the individual allotment may include:	<ul style="list-style-type: none"> • Site layout and building massing • On-site amenity and location of facilities/utilities • Detailed design factors • Neighbourhood character considerations • Single tree removal requirements • Restrictive covenants • Any common property type infrastructure required as a result of creating more than one allotment including utilities and creation of common property • Minimum floor levels (for construction in flood prone areas) • Bushfire rating levels (for construction in bushfire prone areas)