

# HIA FEDERAL ELECTION IMPERATIVES 2019:



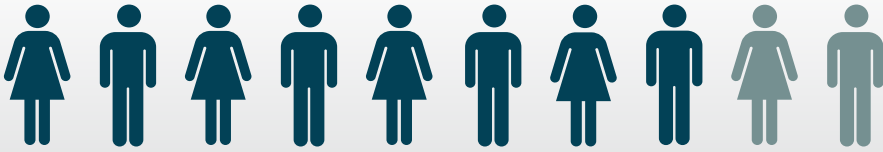
# HOME OWNERSHIP MATTERS

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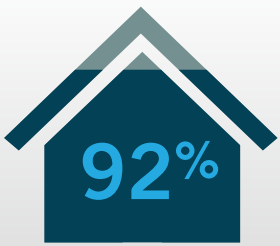




# HOME OWNERSHIP MATTERS



**81%** think 'everyday Australians' should be able to own their own home.



of renters aspire to own.



Feel they will achieve it.



**80%** believe owning your own home makes you more financially secure.

**71%**

are concerned those unable to get into home ownership will face financial challenges in retirement.



## Housing affordability

is a top three concern, after cost of living and healthcare and ageing.

*Source: National poll of 1500 Australians on Housing Issues, JWS Research, December 2018*



Pino Monaco  
HIA National President

# HIA PRESIDENT'S MESSAGE

Home ownership is the bricks and mortar that has helped Australia build a stable and vibrant society. As the opportunity to own a home in Australia becomes more challenging, and the type of home many families aspire to is changing shape, evidence shows that an overwhelming majority of Australians agree; home ownership matters.

Polling undertaken by JWS Research shows that 92 per cent of renters still aspire to own their own home, yet just 49 per cent of renters feel they will achieve home ownership.

These figures clearly show that Australians believe they have a right to own their own home. The same evidence shows Australians believe home ownership will make them more financially and socially stable and confident in both their younger years and in retirement.

In 1966, home ownership rates in Australia peaked at 71 per cent supported by federal government action on housing and strong support for home ownership as a path to growing the wealth of Australians and the economy.

Today, home ownership rates have fallen to 67 per cent and with renters, young and old, not seeing themselves ever realising their home ownership dream, it is important that this federal election brings a focus to home ownership.

Despite recent improvement in housing affordability in some cities, there is always more that can be done, particularly at the federal level.

Housing affordability remains one of the three main concerns for everyday Australians today.

The upcoming federal election provides all parties with an opportunity to recognise the importance of the housing sector to the Australian economy.

**Now more than ever home ownership matters to all Australians.**





# HOUSING OUTLOOK

While 2018 was a watershed year for the residential building industry after five years of a record volume of new homes starts, the market is now easing. This housing cycle was significantly higher than any preceding cycle and saw around 20 per cent more homes built in the past five years.

The culmination of the natural end of this cycle was accelerated by prudential lending restrictions, constraints on foreign investors, falling house prices impacting market sentiment and finally a bank imposed credit squeeze. This is likely to culminate in the fastest downturn in building activity on record in 2019.

With unemployment low, wage growth returning and income tax cuts on the way, we expect that this downturn will be very modest in terms of its depth. This outlook is contingent on government not adjusting overseas migration levels which could compound both the speed and depth of this downturn.

**After five years of the housing industry driving economic activity in the rest of the economy, the industry will now be dependent on the economy to drive new home building and to support ongoing supply.**

# HIA'S ELECTION IMPERATIVES:

## 1 MAKE HOUSING A PRIORITY

**Housing is a national priority. A well housed population is more productive, cohesive and healthy.**

Independent research shows half of all renters believe they will never afford to buy a home even though over 90 per cent of renters would like to.

Ensuring timely and cost effective supply of affordable private housing needs strong coordination and delivery across several federal portfolios, state and local governments and industry.

The lack of federal leadership in driving housing policy has led to complex, costly and inconsistent planning and regulatory environments around the country that inhibit the industry in delivering enough of the homes people want in the places people want to live.

### ACTIONS:

- **Appoint a Federal Housing Minister within Cabinet.**
- **Make land and housing supply a permanent item on the COAG Select Council on Housing and Homelessness agenda.**



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## 2 ACCESS TO HOUSING FINANCE

**92 per cent of renters aspire to own their own home, yet half the population of existing renters think they will never achieve home ownership.**

Home ownership gives people a sense of security and provides a platform for stability in work, schooling and the community.

Supporting first home buyers to move from either public or private rental accommodation is a challenge all governments need to share. The federal government has provided assistance in various forms over many decades using measures that both support first home ownership and generate new housing supply.

Despite slight increases in first home buyer activity over the last two years, the restrictions now being applied on first home buyer finance are likely to see another decline in activity.

The federal government, through the National Housing and Infrastructure Financing Corporation, could play an important role in supporting first home buyers to access appropriate housing finance.



- **Provide federal assistance for first home buyers to offset the costs of mortgage insurance for home loans where the loan to value ratio exceeds 80 per cent.**
- **Through the National Housing and Infrastructure Financing Corporation, investigate the potential implementation of a national first home buyer mortgage assistance scheme including shared equity and low interest finance, such as Keystart in Western Australia and Land Rent in the Australian Capital Territory.**





## 3 REDUCE THE TAX ON HOUSING

**Housing is the second most heavily taxed sector of the economy raising around \$40 billion each year for federal, state and local governments; this is around 12 per cent of total government revenue.**

Independent research shows tax typically accounts for up to 50 per cent of the cost of a new home, seriously damaging the affordability of housing.

Another barrier to home ownership is state and territory government stamp duties: they are paid up front and eat into home seekers' deposits. They are universally acknowledged as inefficient.

Housing taxes cascade adding to cost. Stamp duty can be paid multiple times as raw land is transferred through the development process with GST added along the way. Taxing taxes is inequitable and erodes affordability.

### ACTIONS:



- **Hold a Productivity Commission inquiry into the real costs of home building and recommend how costs can be lowered.**
- **Eliminate the cascading application of stamp duty on Goods and Services Tax, development taxes and levies.**





## 4 PRESERVE INDEPENDENT CONTRACTING

**Business owners face confusion and cost in unravelling the many different definitions of who is a genuine independent contractor in federal and state legislation.**

The rise of the gig economy and union pressure has led to agitation for the creation of new definitions of ‘contractor’ that could undermine the legitimacy of independent contracting in residential building and the ability of people to run their own business.

The clearest and most appropriate test for determining an individual’s status as a contractor is the current ‘results test’ set out in taxation laws as part of the Alienation of Personal Services Income (APSI) test. Contractors who satisfy the APSI test qualify to use the business tax deductions regime. The results test is based on the traditional criteria used to distinguish independent contractors from employees, namely: working to produce a result; providing their own plant, equipment and tools of trade; and being liable to rectify defective work.

### ACTION:



- **Establish one single national objective test, based on the ‘results test’, for determining who is an independent contractor for all relevant commonwealth and state legislation through COAG.**



# 5 PROTECT INVESTMENT IN RENTAL HOUSING

Privately owned rental housing makes up around one third of Australia's nine million existing homes providing much needed housing stock for those not eligible for public housing, but not ready, or able, to purchase their own home.

Negative gearing and capital gains tax arrangements underpin Australia's long term private rental housing market and have helped to keep downward pressure on rents.

At a time when the construction of new public housing remains low, and existing public housing stock is under constant pressure to meet demand, maintaining an adequate supply of private rental housing is essential.

Independent research has shown that the proposed increase in investment taxes would disrupt the rental market in the short term, leading to higher house prices and rents over time and reducing rental housing stock over the longer term. Additionally state governments would see their revenues drop by \$1 billion a year as property transactions decline from changes to capital gains tax alone.

## ACTION:



- Retain the current taxation arrangements for investment in residential property.

PRIVATELY OWNED RENTAL  
HOUSING MAKES UP AROUND  
ONE THIRD OF AUSTRALIA'S  
9 MILLION EXISTING HOMES

# 6 GROW A SKILLED WORKFORCE FOR HOUSING

## **The building industry's workforce is ageing.**

The supply of skilled tradespeople is critical to providing the quantity and quality of new homes for the growing population and renovating and maintaining the current stock of ageing homes.

There are insufficient numbers of people becoming apprentices and too many are failing to complete their training.

Government programs to attract and retain apprentices are sporadic and uncoordinated across federal and state governments. Effective programs like the Industry Specialist Mentoring for Australian Apprentices (ISMAA) scheme come and go and are rushed.

Group Training Organisations (GTOs) provide an important option to deliver industry-run hands-on trade training. GTOs offer the benefits of oversight by an industry organisation that provides on the job support and manages placements, safety, mental health, and mentoring for apprentices that leads to higher retention and completion rates.

Training packages in the building industry are slow to respond to the changing needs of industry and are confounded by industrial relations considerations.



- **Provide long term funding coordinated between the federal and state governments to attract and retain apprentices in the building industry.**
- **Extend the current ISMAA scheme for a further three years.**
- **Provide an incentive for apprentices who complete their trade training in addition to the incentives currently available to their employers.**
- **Ensure Group Training Organisations are treated favourably with funding support to maintain the broad range of industry based services to apprentices in the building industry.**
- **Recognise and provide funding for recognised skill sets within the current building industry trade qualifications and pathways for contractors.**
- **Undertake a broad ranging inquiry into vocational training and its funding.**







**STRONG IMMIGRATION  
HAS HELPED BUILD  
OUR ECONOMY**

# 7 MAINTAIN STRONG IMMIGRATION TO UNDERPIN ECONOMIC GROWTH

Strong immigration has helped build our economy, counteracted the ageing of our population and supported the housing industry by boosting the supply of skilled labour and the demand for new homes, especially in the last decade.

Calls to bring down annual immigration numbers based on overpopulation concerns are misplaced and reflect governments' failure to invest in infrastructure to support our growing cities.

Current skilled immigration programs fail to recognise the residential building industry's reliance on independent contractors, effectively blocking a range of skilled and experienced tradespeople from helping to meet Australia's skilled employment needs.

## ACTIONS:



- Commit long term to a strong and predictable level of migration with a focus on working age skilled people.
- Remove the caps and limits that currently exist on skilled and business migration categories.
- Introduce a new skilled migration category for independent contractors.



**INADEQUATE  
PLANNING FOR  
GROWTH ... HAS  
CONTRIBUTED  
SUBSTANTIALLY TO  
THE EXCESSIVE COST  
OF NEW HOMES**



## 8 MANAGE LAND SUPPLY AND HOUSING DATA

**Inadequate planning for growth in the demand for land and housing has contributed substantially to the excessive cost of new homes across all states and territories.**

Accurate planning for Australia's future housing supply relies on accurate and consistent land supply and housing data in both new and established areas. The quality of this information varies enormously around the country.

Federal leadership is needed to drive the delivery by state and territory governments of consistent, accurate and timely monitoring of land supply and housing.

### **ACTIONS:**



- **Establish and resource a national residential land planning council to provide monitoring and reporting of land supply and forecasts at all of the stages of the land supply pipeline.**
- **Establish regular reporting arrangements for the land planning council to both the Minister for Housing and COAG's Select Council on Housing and Homelessness.**

# 9 SUPPORT THE DELIVERY OF INFRASTRUCTURE FOR GROWING CITIES

State and local governments face difficulties in funding infrastructure to support the supply of new housing in our growing cities.

The City Deals program presents an opportunity to better coordinate the priorities and infrastructure funding of the three levels of government to support the affordable delivery of new housing.

A properly resourced National Housing Infrastructure Facility (NHIF) can provide funding for state and local governments to deliver infrastructure that supports housing supply and should be targeted at reducing the upfront taxes and charges that are being applied to new housing.



- **Provide additional and ongoing funding through the National Housing Infrastructure Facility to focus on the delivery of infrastructure that facilitates new housing supply where state and local governments remove or significantly reduce the upfront infrastructure levies on new home buyers.**
- **Ensure that City Deals are coordinated with the NHIF and deliver programs that improve the cost and availability of new housing in new and established areas.**





# 10 PRESERVE AFFORDABILITY THROUGH HOUSING CODES

**The National Construction Code has shifted away from its mandated goal of minimum necessary regulations for safety, health, amenity and sustainability towards aspirational and best practice standards.**

Over the next term of government COAG Energy and Building Ministers will consider increasing energy efficiency standards for housing and mandating accessible housing features for all new homes well beyond the “minimum necessary” level potentially adding substantial cost to a new home.

The potential for the existing housing stock to contribute to energy efficiency improvements continues to be ignored by regulators.

Confidence in the quality of Australia's buildings has become a priority issue. The release of the Shergold-Weir Building Confidence report in 2017 sets an agenda for reform that requires national oversight and resourcing.

The Australian Building Codes Board (ABCB) is well placed under its existing remit to manage administrative reforms bringing together the federal, state and territory authorities in a well-structured forum, with clear roles and responsibilities.

To provide a sound footing for genuine reform the current operation and independence of the ABCB should be enhanced.



- **Establish a financial incentive program for the housing industry and homeowners to voluntarily apply universal design accessibility features into new homes and renovations.**
- **Implement an energy efficiency mandatory disclosure scheme at the point of sale for all existing homes to promote understanding of energy efficiency among home buyers.**
- **Establish an independent statutory authority for national oversight of the administration of building to**
  - **guide government's responses to the recommendations of the Senate Economics Committee's inquiry into non-conforming building products;**
  - **take forward the recommendations of the Shergold-Weir Building Confidence report; and**
  - **support industry compliance with the National Construction Code.**



# HOUSING FACTS



Over the last **10 years** the housing industry has built **1.77 million homes** (average 177,000 per year) – this equates to homes for 4.53 million people (assuming average household size 2.56);

Australia has around **9.2 million homes**



Australia will need to build over **2.5 million new homes by 2030**

There are over 1.1 million people employed in construction in Australia



There was over **\$105 billion of residential building work** done in Australia in 2018

5.8%

Residential building activity accounts for **5.8% of expenditure in the Australian economy**



*Figures based on Australian Bureau of Statistics data and Housing Industry Association research*



# you're in good hands

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