

MEDIA RELEASE

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Urban Taskforce welcomes expansionary budget – but warns of risks of a housing price spike in NSW

The Commonwealth's expansionary budget is the right approach for the times.

The Commonwealth has led the way with support for new home buyers through its "First Home-owners Deposit Scheme" which effectively under-writes housing loans for first home buyers with only a 5% deposit. However, this, along with record low interest rates and the relaxation of APRA controls has seen a spike in housing demand.

The Budget expands this scheme and creates a new category of beneficiaries with the new Family Home Guarantee which will provide single custodial parents with a step up towards home ownership. There's also more flexibility for older Australians (over 60) who sell their house (generally to down-size after children have moved out) allowing them to deposit up to \$300,000 per person into Superannuation.

The Budget also includes the expansion of the "First Home Super Saver Scheme" which increases the funds that can be withdrawn from Super accounts from \$30,000 to \$50,000. This, on top of HomeBuilder grants all adds to demand for new homes. But without a big boost in housing supply, borrowing from Super just pumps up the price further.

So Treasurer Josh Frydenberg has a conundrum. Stimulate the economy – but risk new home prices going up and a backlash from those locked out of the housing market. All of the worthy Commonwealth measures announced in the Budget face particular problem in NSW.

The NSW Planning System dropped the ball and slowed housing approvals down to a crawl just before COVID – then they failed to use COVID-19 as a chance to catch up. Now there is a massive shortage in supply of land sub-divisions and re-zonings for new homes across Greater Sydney. There is a plan for reform of planning in NSW – but it won't deliver for years to come. The same bold approach which has driven the Commonwealth is urgently needed in NSW.

What that means is all the extra funding for home buyers just pumps up the price of the existing stock of housing, ironically making home ownership less affordable.

The real issue for NSW is the supply of new housing.

The Department of Planning's own forecasts predict 150,000 new homes over the next 4 years in Greater Sydney – but even this bold prediction, unlikely to be achieved given the Government's refusal to take on NIMBY Councils, falls short of meeting the NSW Government's own Housing Strategy "*Housing 2041*" targets which call for 50,000 new dwellings (on average) each year from now till 2041.

The big problem for first home buyers and for the Commonwealth Budget is the NSW planning system.

The Commonwealth needs to get tough with NSW and drive planning reform to increase housing supply. While ever we wait for reform in NSW you can expect that new home prices will continue to rise.

The Commonwealth's increased investment public health, the vaccine roll out, mental health and women's support services is all very welcome indeed.

The Commonwealth investment in in city Infrastructure is also supported – though one short-coming was the absence of funding to support local infrastructure surrounding the new Western Sydney Airport

because the success of this precinct will drive the economy of the nation. With a massive levy of 6.5% (on top of all the other fees and charges) to be applied to the development of employment centres around the airport, the feasibility of development of employment land is called into question and NSW risks missing out on the predicted jobs boom without some support from the Commonwealth.

All up, this is a budget for all Australians. It is very welcome and is strongly supported. By the Urban Taskforce.

End.

The comments above can be attributed to Tom Forrest, CEO, Urban Taskforce.

*The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*

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