

MEDIA RELEASE

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Planning regulation and risk is holding back Super-fund investment in housing

Urban Taskforce Australia backs the calls from the former Australian Prime Minister, Paul Keating, for the \$3.3 trillion superannuation sector to get more involved in funding housing supply and social infrastructure investment.

But the superannuation and pension funds have belled the cat. The risks associated with approvals and timely delivery of housing projects are simply too high and most have refused to get involved. The common response from the Super funds is ... *"we would like to ... but it is just too risky"*.

There is an urgent need for the Commonwealth to take the lead in de-risking investment in housing supply, otherwise we will never tap into the massive funds available through superannuation and pension funds. The States need direct stimulus from the Commonwealth to reform planning systems which are ambiguous, uncertain, litigious and cause shortages in supply and house prices to be unaffordable.

What does it tell you about state planning systems when the top fund managers in the country are afraid to invest in housing supply?

While some of the regulatory burdens relate to the tax system and the GST treatment of Build to Rent investments, the vast majority of the regulatory risk lies at the hands of the States and their respective planning Ministers.

Urban Taskforce has been calling for improvements to State Planning Systems and Commonwealth taxation arrangements to boost housing approvals and housing supply for years. Now that everyone acknowledges that there is a crisis in housing supply which is holding back the entire economy, it is time for a fresh approach.

With a new Federal Government and a new Treasurer, there is an opportunity for a reset.

National Competition Payments should be used to drive improvements in productivity of the State Planning Systems. A carrot and stick approach is the only way to bring the States to the table. The myopic option of protecting existing boomer communities for fear of a NIMBY campaign has resulted in the current crisis. Planning laws now embed the rights of organised objectors while completely ignoring the interests of those looking to move into the new housing, not to mention the positive impact on the economy.

Led by NSW, planning systems across Australia have shifted the balance so far away from supporting new housing to meet demand that prices have gone through the roof, even during the pandemic when there were negative levels of migration for two and a half years.

The Super funds claim that from an investment perspective, housing is not an option. It is just too risky. Approvals take too long. Outcomes are unpredictable. Reasonable expectations of yield are

regularly slashed. Additional burdens of fees, taxes, charges are applied by States and local Councils, often well after decisions to invest have been made. The same concerns face the property development sector every day.

Ironically, the very same Super funds are investing in social, affordable and market housing in other countries (USA, Canada and UK), with significant investment in rental accommodation known as “build to rent”. But the planning regulatory and taxation settings in Australia render the majority of these investment opportunities unfeasible.

Our Super funds are supporting housing supply across the globe, but not here in Australia, where we have a crisis.

The superannuation and pension funds say that the development risk is just too high. In the meantime, we have a housing supply crisis, escalating construction costs, builders going bankrupt every day, and rising interest rates are putting massive pressure on new home buyers. This is a perfect storm and the failure of state governments to get ahead of the game and drive housing supply with approvals during the pandemic is now going home to bite.

Urban Taskforce welcomes calls from Super funds for the Commonwealth to look at opportunities to attract investment into housing supply and infrastructure that supports housing supply.

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

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

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