Urban Living Network covers news about new homes and apartment developments, retail trends, job locations, density related to railway stations, urban projects on city fringes, strata and planning reforms. We aim to provide real data on trends, housing supply and demographic change. ULN is essential reading for all those involved in urban living including politicians, councils, planners, architects, developers, financiers, legal firms, real estate agents and strata bodies.

Tom Forrest
CEO - Urban Taskforce Australia

7 JULY 2022

Cost increases risk turning the lights off on housing supply

Rising construction costs, long delays in obtaining pre-construction approvals, and the increasing dead hand of planning over-regulation, all represent significant risks for home buyers, developers, builders and the construction workforce.

Immigration and labour shortages

- Migration has gone backwards for two years in a row. Rather than Net overseas migration being +160K per year (total increase in population of 320,000), in fact in 2020 and 2021, if Net overseas migration was negative – by 100,000 each year. So rather than getting an extra 320K, we actually got -200K. The combined result is we have over 500,000 fewer people in Australia than was anticipated. Most of these migrants would have been educated, skilled migrants. It is no wonder you can't find anyone to work in a café, a bar, let alone a construction site!
- Since the opening of the borders, net overseas migration has continued to be negative. This is because there remains some hesitancy from skilled migrants who are in high demand from many nations around the world – many with much easier systems of migration applications. It is also because large numbers of young Australians are now taking up the opportunity to travel outside of Australia or emigrate for opportunity elsewhere. As of today, more people are leaving our shores than are coming in. This has caused an ongoing shortage in labour and this is flowing through to labour costs and shortages in skilled trades.

Cost of inputs is rocketing

- Shortages in structural steel due mainly to logistics (getting the steel from South Korea or China to Australia) – prices up 20%
- Shortages in building- timber – problems started with the bushfires in 2019 – but have persisted with COVID, cost of logistics (truck drivers) and increasing cost of fuel. Timber prices up by over 30% but are starting to ease.
- Shortages in shipping containers (Suez Canal, plus Covid) price to secure a container up from $2,000 per container to a peak of $22,000 per container (over 1,000%). These pressures are now also easing.

- The impact of fuel price rises (the Russia invasion of Ukraine) also has had a big impact on the supply chain and cost of logistics. This is ongoing.

Overall – Urban Taskforce members have advised that prices have gone up by circa 22% over the last 12 months. For some, price rises have been more. Other have longer term supply contracts so have not yet been hit by the increased supply costs. Any builder that signed up to a fixed price contract has been smashed by these unforeseen price hikes and developers face a tough choice – cop increased construction costs or the builder goes broke.

The NSW planning system is taking baby steps towards speeding up it assessments. But a quantum leaps are needed to drive up housing supply. This requires more than tinkering at the edges. The big losers are small businesses – mainly sub-contractors. If big businesses go under, this flows through the entire industry.

Government fees and charges continue to rise
Too many in the NSW government see the property development sector as a bottomless pit. The reality is that this is not the case. Taxes, fees and charges are passed on to the consumer (new home buyers). With interest rates on the rise, Governments need to examine their own fees, taxes and charges before the historic high levels of debt cause a housing market collapse.

- Affordable Housing levies, encouraged by the Greater Cities Commission, add up to 10% to the cost of new property, rendering many projects unfeasible and thus unable to attract banking finance
- Increasingly, the State Government is looking to new home buyers to fund major infrastructure with Regional Infrastructure Charges adding between $12,000 - $15,000 to every additional dwelling in Greater Sydney
- Voluntary Planning Agreements between Local Councils and Property Developers have become effectively compulsory, with Councils extracting large sums for local infrastructure, including community infrastructure, much of which should be funded through rates as they benefit all of the community (not just the new home purchasers).
- The State Government already benefits from Stamp Duty, Land Tax, and GST. The irony is that by adding additional fees, taxes and charges to the production of new property, the make the provision of new homes unfeasible. This denies them far more revenue than the additional charges could ever generate. The NSW Government is shooting itself in the foot.

New Building Standards are coming in everywhere

Not only is the cost of construction going up; and the cost of complying with increasing reels of red tape slowing things down, but we also face the need to comply with increasing costs associated with changing standards.

The new version of the BCA will come out in September. This will increase the cost of the delivery of new homes and apartments. The NSW Minister for Fair Trading is yet to sign off on amendments to the regulations to enable complex mixed use and high rise buildings to proceed with certainty. Otherwise, under the new interpretation of the NSW regulations, any change in a DA (eg. An amendment of the unit configuration on the top level to amalgamate two apartments into one larger one) will trigger a new approval with a new CC. The problem here is that this invokes the need for compliance with the new BCA – **for the entire building or development** (even where that development involves multiple buildings). In both Victoria and Queensland, the version of the DA is locked in at the point of lodgement of the Development Application. A compromise has been negotiated with Fair Trading – but unless signed off soon, work on larger projects will slow up and that will cost many small businesses time and money.

NaTHERS (Residential building energy efficiency ratings) and a new version of BASIX will also result in the need for redesign of apartments and will involve increased costs.

There is a lot going on – interest rates, rain and floods, changes to rules and regulations, increasing fees and charges! The property development and construction sector employs too many people to just ignore it.

Minister seeks to resuscitate the Housing SEPP

The Housing SEPP was developed in midst of the COVID lockdown period and it was launched by the former Minister to much fanfare: *The housing SEPP would drive housing choice and supply*, it was said.

The Housing SEPP was a disaster, but thankfully, bit by bit, with the Government and Planning Department under new leadership, the new Minister for Planning is unravelling the damage.

The Urban Taskforce was always the industry body that was up front about opposing the Housing SEPP. While it was initially promoted as the "Housing Diversity DEPP" when launched as a draft, in almost every respect it actually worked in the opposite direction.

This week, Minister Roberts made some welcome changes to the Housing SEPP which represent a step in the right direction. These changes took effect on July 1, 2022.

• **Seniors' Living:** Repeal the prevention of applications for development of seniors living on land zoned R2 (Low Density Residential). This will now allow applications for Seniors Living and Independent Living apartments in land zoned R2.

• **Build to Rent:** the Housing policy previously required that any Build to Rent building needed to be able to be converted by the commercial use if the build to rent building was located in a commercial zone. This killed off interest in this style of investment altogether. This requirement has been removed

• **Build to Rent:** DPE has not approved one application for Build to Rent development under the SSD planning pathway. The changes announced this week with reduce the threshold from $100m to $50m in Greater Sydney (and $30 million outside Greater Sydney). Unfortunately, this will not do a lot to change the economics of Build to Rent. Without floor space or height bonuses, given the cost of land in Greater Sydney (in particular) build to rent is generally not able to compete with market housing.

- **Co-living:** Expand the area where affordable housing bonuses apply from 400m walking distance from B1 Neighbourhood Centres and B2 Local Centres, to now be 800m (outside Greater Sydney, Newcastle and Wollongong only)
- **Co-living:** The minimum lot standards have been simplified for co-living.
- **Co-living:** consent authorities will no longer be required to consider whether:

o at least one bicycle parking space will be provided for each private room
o at least one motorcycle parking space will be provided for every five private rooms.

These two sub-clauses represented social engineering at its worst – a manic desire to force people to accommodate bicycles. Wisely, it has been scrapped. Sensibly, the new standard required that the development have adequate bicycle and motorcycle parking capacity available.

• **Affordable Housing Bonus:** this has been extended to now be available to shop-top housing located in infill areas.

While this announcement was greeted with the usual enthusiastic support by some industry bodies, the Housing SEPP remains a poor document which lacks any appreciation for what makes a development feasible. These are no doubt good and welcome amendments and are supported by the Urban Taskforce. But they are a small step forwards on the back of a giant leap backwards.

In the meantime, Councils are rushing to include punitive Affordable Housing clauses in their LEPs which oblige the applicant to include affordable housing within the approved footprint of the building. This will surely ensure that no apartments are produced. In the case of Willoughby Council, one might consider the possibility that this was their intent all along?

Building approvals dive - Dangerous signs for Housing Supply over next five years

In an article recently posted by Hannah Page in the Australian Property Journal, Urban Taskforce CEO Tom Forrest makes comment on the NSW Planning System and the impact of the decrease in home approvals and what that means for the housing market.

This is following the data released recently by the ABS which shows a decrease in numbers in recent years. Tom Forrest adds that “Prices have sky-rocketed. Now interest rates are on the rise. As the new targets are developed for the new Regional Plan and associated Cities Plans, it is critical that this failure in policy leadership is addressed,”

With the decline in housing approvals, rising house prices and now recent interest rate rises this is a recipe which does anything but assist the current lack of housing supply that we already face.

Click here to read the full Australian Property Journal article.

Click here to read the full Urban Taskforce media release.

$6 billion Melrose Park Urban Renewal Project receives green light

On Tuesday, 5 July 2022 DPE announced in a Media release that the $6 billion, 25+ Hectare Melrose Park Urban renewal project has been granted final approval by the NSW Department of Planning and Environment.

The transformational project, a partnership between Payce and Sekisui House, will deliver:

- 5,500 new homes, including affordable housing units
- 50,000 square metres of parks and public open space
- Transport upgrades on Victoria Road, including a new public transit corridor
- A new public school
- Dedication of land for the future Parramatta Stage 2 Light Rail

Preliminary site works have already commenced with major construction work starting later this year.

Click here to read the DPE Media Release in full (PDF)

Click here to read the PAYCE Media Release in full (PDF)

Minister Stokes asks Private Sector to fix the CBD mess he helped create

The CBD of Sydney is in desperate need of a lift. Now the Minister who signed off on council plans to effectively exclude mixed use residential development in large portions of the CBD is calling for the private sector to support public space activities to fix the problem.

Sydney's CBD is in trouble because the NSW Government killed off the nightlife. The lack of downtown atmosphere is made worse by the lack of residents. Unlike Tokyo, New York, Paris or London, where mixed use development is common, Sydney's CBD has been constrained by highly restrictive planning rules.

The reason why privately funded enterprise and activity works in those international cities is because there are people there to enjoy them. They live there! This creates a culture of fun, or appreciation for the arts and entertainment. This attracts tourists and workers. Who doesn't want to work in a place where the action's happening 24/7 ?

But rather than heed the warning of the business community that COVID was seeing a shift towards more flexible working and a reduced demand for CBD office accommodation, the former Minister for Planning backed the City of Sydney Council and doubled down on restrictions that effectively prevent residential development in most of the northern part of Sydney's CBD.

Without residents, a city loses (arguably what it never really had and certainly after dark) its verve. It loses its soul. Live music venues and night clubs die. Restaurants and cocktail bars struggle without a 7 day lunch and dinner trade. That is what we have seen in Sydney, particularly during the pandemic. The city needs people!

While we have seen a proliferation of vacant bicycle lanes, we have not yet seen the re-activation of the city. Weekend rail and bus timetables are sparse. The late night mass transit services simply stop soon after 11.30pm. For many – it is simply too much hassle to come to the CBD. Without residents, in apartments above our shops and bars, it is no wonder the city streets feel so empty.

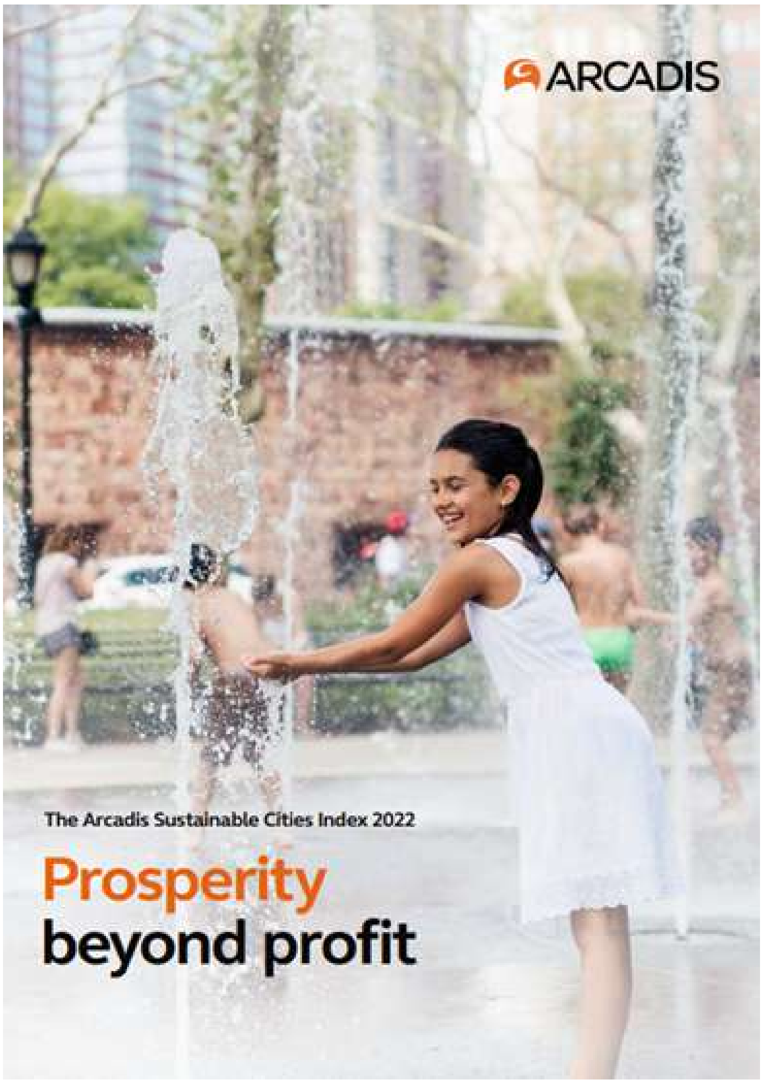
Minister Stokes takes credit for allowing businesses to spill out into public spaces, footpaths and pavements during the COVID lockdown and recovery period. People plus activity make a city an attractive place to work, live and play.

The Arcadis Sustainable Cities Index 2022

Arcadis has published **'The Arcadis Sustainable Cities Index 2022'**, its fifth report which evaluates the sustainability performance of 100 cities.

Using 51 equally weighted metrics under three pillars: **Planet**, **People**, and **Profit**, the index examines what actions cities need to take in order to be truly sustainable.

Our Australian cities are falling behind with Sydney ranking the highest among the three cities at 33. Melbourne comes in at 60 and Brisbane at 64.



Other News

Disaster payments available for NSW flood-impacted residents.

Minister for Social Services, Amanda Rishworth, discusses flood assistance payments, social services portfolio, Stage 3 tax cuts, disability employment, and Cashless Debit Card. From 7 July 2022 one off payments of $1,000.00 per adult and $400.00 per child are available to those who has suffered significant loss or injury in the floods.

Click here to read the full transcript

Anglicare Australia Launches a twenty-year roadmap for affordable housing

"Australia's housing crisis has reached fever pitch. Our ten-year Rental Affordability Snapshot shows the new

Government is inheriting a true emergency," said Anglicare Australia Executive Director Kasy Chambers.

Click here to read the full Media Release

Builders respond to latest rise in rates

Responding to the rise in interest rates Master Builders Australia's CEO Denita Wawn said "The Reserve Bank's decision to further increase interest rates is more evidence of the need for monetary policy to return to more normalised settings to combat inflation."

Click here to read the full Media Release

UTF In the Media

Inflation causes construction crunch

Urban Taskforce Australia CEO Tom Forrest says inflation is “really hitting all aspects” of the construction industry. *“It doesn’t matter if it’s residential, retail, industrial, renovations – every single area’s being hit,”* he told Sky News Australia.

Mr Forrest said there are a range of factors *“all coming together at the same time”. “All of those factors are putting upward pressure on construction prices,” he said.*

- *Sky News Australia (On Courier Mail)*

Expert says in terms of Planning, Sydney's the... WORST IN THE WORLD.

See Tom Forrest quoted in story by Matthew Benns on page 16 of The Daily Telegraph (note: paywall protected)

- The Daily Telegraph, 5 July 2022

Members News

URBAN TASKFORCE
MEMBER NEWS

Mirvac and its Design Team have teamed up with The Salvation Army to create Transformation House to be auctioned during the charity’s Red Shield Appeal.… read more …

Architecture Design, 4 July 2022

Urban have shared a tour video and additional information of **Hyecorp's** New York-inspired boutique apartment development, Audrey… read more ...

Urban.com.au, 1 July 2022

Dexus has inked a transformative deal with Atlassian to fund, develop and invest in Atlassian's new headquarters in the precinct. The development is next to Central Place Sydney… read more …

The Urban Developer, 1 July 2022

In celebration of NAIDOC Week, **Walker Corporation** team Parramatta Square has installed and Indigenous Art Pop-Up store supporting Boomalli Aboriginal Artists… read more…

Walker Corporation Facebook Page, 5 July 2022.

Woolworths Group and their teams have partnered with The Australian Literacy and Numeracy Foundation (ALNF) to support its Breakfast Library program for the past six months... read more...

Woolworths Group Facebook Page, 7 July 2022

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