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MEDIA ALERT

Development industry plea: stimulus for recovery

The Australian development industry has this morning (31 March) issued a call for urgent measures from the federal government to prevent massive job losses by the end of the year.

At the annual gathering of the country's development, housing and construction sector – the Urban Development Institute of Australia (UDIA) National Congress – UDIA National President Stephen Holmes issued a plea for direct stimulus of the struggling sector.

With over 4,500 industry jobs lost in Queensland alone since December, Mr Holmes said significant losses were likely nationally without intervention.

"It is no secret that the housing and construction industry has been hard hit by the global economic crisis," Mr Holmes said.

"In the last quarter alone, dwelling approvals were down 36 per cent compared with the last five years.

"The drop in new dwellings to the market continues to chart a dangerous trend – with the gap between the underlying demand and supply continuing to grow.

"The Government's own Housing Supply Council estimated in its report released this month that there was an undersupply of 80,000 units in 2008.

"ANZ Chief Economist Saul Eslake has predicted an accumulated undersupply of over 330,000 by 2012.

"With reduced development activity comes job losses and here in Queensland more than 4,500 jobs have been lost from our industry since November.

Addressing a 500-strong industry crowd, Mr Holmes outlined measures to safeguard the \$85 billion national industry including broadening the success of the First Home Owners Grant Boost initiative.

"The alarming drop in dwelling approvals and job losses to date have been delivered in the context of the Government's stimulus package for new home buyers.

"The First Home Owners Grant Boost has provided indisputable support for this sector of the market and we commend the Government for providing leadership in this area.

"The problem is – the rest of the market represents more than three quarters of what is required to ensure a viable and secure industry. And at the moment that three quarters is almost dormant. The outlook is bleak.

“What is required is strong and decisive intervention to provide a path to stability and certainty for investment, growth in job creation, and the delivery of economic growth through new development activity and housing construction.

“The UDIA calls on the Government as a first and decisive step to extend the first home owners Boost beyond this financial year. The message is patently clear – the stimulus is working, use the opportunity now to build on this success.

“It is the industry’s view that this stimulus needs to be broadened to address the much bigger problem and we call on the Government to introduce a New Home Owners Grant.

“This proposed grant would provide a cash stimulus for all new residential development activity, one which would create new jobs, encourage investment, deliver much needed new dwellings and deliver economic growth in the time of need.”

THE PROBLEM OF FUNDING

Mr Holmes called on the Commonwealth Government to decisively address the problems which developers are facing in sourcing finance for new projects.

“Despite the slowing of dwelling supply, the fundamentals of the residential development sector remain robust. What is frustrating for developers is the lack of available credit to start new projects and create new jobs,” he said.

“UDIA calls on the Rudd Government to extend that Australian Business Investment Partnership – the Rudd Bank - to major viable residential projects.

“These projects will generate activity, they will provide jobs, and they face significantly fewer risks in regard to the volatility of market values.

“UDIA also calls on the Government to use the goodwill and leverage it has established with the four major banks to promote a more targeted approach to lending for the residential sector – recognising the robust fundamentals of market demand, strong links to job creation, and the opportunity for economic stability for Australian families through home ownership.”

“The Australian Government has been good to our banks. Its time they used their influence to encourage banks to start lending and let good projects get the finance they need to get out of the ground,” he concluded.

Ends.

Media:

The UDIA National Congress session featuring UDIA National President Stephen Holmes will take place on Tuesday at 9.15am at the Brisbane Convention and Exhibition Centre. This session will be closed to the public. Interested media must contact Susan McCosker on 0422 567 667 to gain entry.