

UDIA National Congress

President's Address – Stephen Holmes

1 April 2009

Good morning and welcome to the 2009 UDIA National Congress. UDIA is proud to present a fantastic program for this year's congress – Warren Harris, Brian Stewart and the team in Queensland have been working closely with our National Office to deliver an exceptional line up of speakers, great opportunities for networking, and of course, the development industry's night of nights – the UDIA National Awards for Excellence Gala Dinner.

The Gala Dinner On Thursday will remind us of the great service our industry provides to the community – delivering the most basic and fundamental of society's needs – and in the case of the National Award's winners, doing it with style – More on the festivities later.

Today is a very sobering time in the development industry. Our industry provides more than a million jobs nationwide through direct and indirect activity in development and housing construction, contributing on an annual basis more than \$85 billion towards economic productivity – and countless billions more through indirect activity. There should be **no** doubt that the development industry is a fundamental driver of the national economy.

Ladies and gentlemen, these are indeed challenging times. Despite the strong attendance here in Brisbane, and the quality of this week's program, we are not immune from the dramatic impacts of declining economic growth.

In the last quarter alone, dwelling approvals nationwide are down **36%** on the same period over the last five years. The supply of 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 National Housing Supply Council estimated in its report released this month that there was an undersupply of more than 80,000 dwellings in Australia as at the end of 2008.

With reduced development activity comes job losses. Four and a half thousand jobs have been lost in Queensland alone since November last year – with countless more nationwide. In the absence of dramatic intervention, the trend for the next twelve months is cause for significant concern. Many thousands of jobs are at risk.

These alarming figures have been delivered in the context of the most significant involvement of the Federal Government in urban development in the last decade. The First Home Owners Grant and Boost have delivered strong results in the new first home buyer market, with activity here providing **some** insulation from a lack of activity across the rest of the market.

The problem is – the rest of the market, which represents more than **three quarters** of the whole market, is in freefall and the outlook is bleak.

What is urgently required is strong and decisive action 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.

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

The message from the development industry is also clear- the stimulus is working and therefore it needs to be broadened. Keeping the first home owner market going is great – but the problem is much broader.

UDIA today calls on the Government to introduce a New Home Owners Grant. A cash stimulus for all new residential development activity. A stimulus that will quickly create new jobs. A stimulus that will encourage investment. A stimulus that will deliver much needed new housing and deliver economic growth in this time of need.

Home owners are doing it tough and developers are doing it tougher. Project financing is nowhere to be found. 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. The front page of yesterday's Financial Review is evidence enough of the challenge the property sector faces to finance new projects.

We need more than rhetoric on toxic assets in overseas markets – we need capital for commercially viable projects now. Projects that will deliver millions in new investment and thousands of new jobs – projects that will underpin economic growth in this country.

The Rudd Government has sought to address the funding impasse that we have reached by initiating the Australian Business Investment

Partnership. This is a positive step in providing confidence in the property sector and one that has strong support from UDIA. The RuddBank, however, remains limited to commercial property investment and fails to acknowledge the funding constraints that plague the residential sector.

UDIA calls on the Rudd Government to extend the Australian Business Investment Partnership 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.

Government stimulus is an essential resource in challenging times and is strongly supported by UDIA in the current climate. It must not however, mask the need for **structural reform**.

The tax and levy structure in Australia continues to constrain development activity at a time when significant fiscal stimulus is trying to create new opportunities. The absence of strong leadership on development levies and taxes has led to an unwieldy and dramatic

expansion of their application. Levies and taxes should be equitable, efficient and sustainable.

The Government must use the opportunity presented by the economic crisis to get the settings right for the long term. UDIA calls on the Government to initiate and deliver taxation reform for the urban development industry. The fact that new home buyers continue to pay the GST on taxes that they have already paid is testament to the need for a wholesale review.

The UDIA Policy Team has reviewed the recently released National Housing Supply Council – State of Supply Report. The numbers provide some food for thought, and Dr Owen Donald, the Chairman of the National Housing Supply Council will be speaking to us later about it.

Without wanting to steal Dr Donald's thunder there are some key issues that come out of the report that we must address now. Number one – housing and land supply is a national issue. Number two – there are too many inconsistencies between the states on how we collect land supply data. Number three – we need a national approach to setting land and housing targets and national leadership on delivery of these targets.

UDIA today calls on the Federal Government to develop a national agenda for land and housing supply through COAG. Land and housing are of national importance – its time we treated them that way. UDIA is calling for national housing and land targets that the states must deliver with significant fiscal implications if they don't.

We now have a picture from the National Housing Supply Council on the supply of housing that will be required over the next twenty years. The issue is now about removing the impediments to supply.

UDIA contends that a national agenda for Housing and Land Supply should be preceded by a comprehensive review of the barriers to supply. The disparate approaches to rezoning and development control processes between the states and the varying economic and fiscal frameworks for development present significant barriers to market entry and to the delivery of key land and housing supply targets.

UDIA calls on the Government to commission a comprehensive COAG Review to identify the financial and regulatory barriers to dwelling and land supply at the Federal, State and Local Government level. The Review should include clear and concise recommendations on the removal of major barriers to supply and scope for the Federal Government to drive reform outcomes. This process will be fundamental to the development of the Federal Government's National Land and Housing Supply Agenda.

We have some unique opportunities now that we have not had in the past – we have seen unprecedented fiscal stimulus to keep the economy moving and a Government that has shown a willingness to engage in meaningful debate on the key policy issues affecting the urban development industry. Today I have outlined six of UDIA's key recommendations for the Government to assist in ensuring that this industry remains the powerhouse of the national economy that it has been. We will pursue these recommendations with vigour and we look forward to working with Government on its solutions in the coming weeks.

Finally, and on a lighter note, I take this opportunity to thank the organising committee for delivering the National Congress and in particular, its tireless Chairman, Warren Harris, Brett Gillan – Queensland President, and the support provided by Queensland ED Brian Stewart and his team at the Queensland office.

I know this will be a most stimulating and exciting Congress. We have some of the most talented and thought provoking speakers from Australia and overseas. We have arranged some great events and entertainment. Please, be provoked and be entertained.

I look forward to catching up with many of you over the next few days. Thank you for supporting the National Congress.

Good morning.