



# Make Housing Great Again

*Our five point plan to rejuvenate the housing sector and help more first homebuyers get into the market*

Submission



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## 1. Background

### **Who we are and the importance of the building and construction industry to South Australia's economy**

Established in 1884 as the peak body representing South Australia's building and construction industry, Master Builders SA is committed to building a highly productive industry and a prosperous South Australian community and economy.

The building and construction industry undertakes about \$16 billion of work every year, contributing more than \$1 for every \$7 of economic activity within the State. Indirectly, more than one-quarter of South Australia's wealth is produced by the building and construction industry.

In the year to February 2018, there were 65,100 people directly employed in the construction industry across all sectors, including residential, commercial, civil engineering, land development and building and completion services. This represents 7.8 per cent of the total workforce<sup>1</sup>. Indirectly, the industry supports tens of thousands more South Australian jobs.

Master Builders SA is proud of the industry it represents, the jobs it creates, the 11,000 homes it built and extended for families last year, the outstanding health, education and sporting facilities it has constructed, and the offices it has built for South Australian businesses.

South Australia's building and construction industry is focused on the development and transfer of skills into a life-long career. It is consistently among the leading sectors when it comes to training and apprentices and last year provided new apprentice places for more young workers than the Northern Territory, ACT and Tasmania combined. Unfortunately, our industry has been part of the disturbing decline in the number of apprenticeships in South Australia over the past five years. Apprentice in-training numbers have declined from 15,132 in 2011/12 to 9,791 in 2017, the lowest number since 1999<sup>2</sup>.

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<sup>1</sup> Australian Bureau of Statistics, Labour Force Survey; Department of State Development (2018)

<sup>2</sup> Australian Bureau of Statistics, Labour Force Survey; Department of State Development NCVER, Apprentices and Trainees, In-Training (2018)

## 2. Overview

Master Builders SA is deeply concerned by ABS Building Approvals statistics that show a persistent decline in building approvals.

### **Number of Private Sector Houses Approved – States and Territories; (Trend).**

Source: ABS 8731.0 – Building Approvals, December 2018. Table 08

Date	South Australian Figures
December 2017	715
January 2018	708
February 2018	703
March 2018	699
April 2018	695
May 2018	687
June 2018	672
July 2018	653
August 2018	637
September 2018	625
October 2018	618
November 2018	617
December 2018	621

Coinciding with these statistics are the heartbreaking stories of five residential builders that have gone under since November last year – OAS Group, ODM Group, Platinum Fine Homes, Tudor Homes and JML Developments. Whilst none of these companies were Master Builders SA members, some of our subcontractor members are owed money and the ripple effect goes right through the whole economy.

Put simply: when building is strong, the economy is strong. Building homes drives the state economy, creates jobs, stimulates other industries and helps create better communities. According to the ABS, for every \$1 million spent in construction, a possible \$2.9 million of output would be generated, including 37 jobs.

Master Builders SA believes a persistent decline in building approvals for private sector houses combined with the alarming spate of insolvencies demands immediate reforms to stimulate the market and protect jobs across industry.

The latest Industry Forecast by Macromonitor (an industry research and forecasting company specialising in building and construction) predicts a decrease in the value of housing work done for each of the next four years, increasing the sense of urgency:

#### **SOUTH AUSTRALIA – RESIDENTIAL BUILDING WORK DONE BY SECTOR**

\$M, chain volume measures, constant 2015/16 prices – Year Ended June

SOURCE: Master Builders Australia, Macromonitor, ABS data.

	2018-19	2019-20	2020-21	2021-22	2022-23
Residential Building	3,470	3,179	2,853	2,602	2,416
	3.2%	-8.4%	-10.3%	-8.8%	-7.2%
Houses	2,072	1,933	1,725	1,556	1,428
	0.2%	-6.7%	-10.8%	-9.8%	-8.2%
Other Dwellings	959	806	689	606	547
	11.9%	-15.9%	-14.6%	-12.0%	-9.7%
Alterations & Additions	438	439	439	440	440
	0.1%	0.1%	0.1%	0.1%	0.1%



For too many young Australians, home ownership has become an unattainable dream. Master Builders SA is committed to ensuring affordability for South Australians across a diverse range of housing options.

Master Builders SA welcomes the strong growth South Australia experienced in the non-housing residential sector. However, consumers want choice and the dream of the white picket fence and a backyard must not be allowed to die. Not everybody works in the CBD, and many families want room for their children to play. A healthy building sector requires the right mix of urban infill and greenfields development.

In the year to 31 March 2018, South Australia's net interstate migration was -5.7 per cent. Often these people are our best and brightest, and the most likely to invest in South Australia and buy a home. More affordable housing will slow the drain of South Australians moving interstate and assist in creating a more vibrant community that will not face an excessive burden due to an ageing population. A decline in our economy and lifestyle compared to other states is inevitable unless we give South Australians reasons to stay, and other to come.

There are levers the government can pull to increase demand. A range of state-based policies will promote confidence in the housing industry and support the aspirations of young South Australians' dream of home ownership.

Creating a booming housing sector cannot happen overnight. However, there are levers the government can pull to increase demand and support the aspirations of young South Australians' dream of home ownership. Our suggested approach is the same as how to eat an elephant - "one bite at a time". By constantly chipping away at the factors that drive up the cost of builds, a much healthier housing sector will result.

Master Builders SA strongly urges the Marshall Government to adopt our five point plan to rejuvenate housing and help get more first homebuyers into the market.

### 3. Recommendations

#### 3.1 Stamp duty exemption for first homebuyers

Currently first homebuyers must borrow to pay for stamp duty, meaning the \$19,830 tax on a median home becomes a \$60,000 plus noose with interest over the duration of their mortgage.

Master Builders SA reiterates the need for a stamp duty exemption for first homebuyers on new builds up to the median house price, which was \$480,000 for the December 2018 Quarter<sup>3</sup>.

Similar incentives currently available in other states have proven to be a terrific stimulus for their housing markets. For example, in Victoria, stamp duty for first-home buyers with a dutiable value of not more than \$600,000 was abolished for contracts entered into from 1 July 2017<sup>4</sup>. In New South Wales, stamp duty was abolished on new and existing homes worth up to \$650,000 from 1 July 2017<sup>5</sup>. Master Builders SA has used ABS statistics to create the table on the next page highlighting the increase in first home buyer dwellings financed in the 18 months after these policies came into effect compared to the previous 18 months. Victoria recorded a 34.52 per cent increase, whilst New South Wales had a whopping 75.54 per cent jump. South Australia recorded just a 14.36 per cent increase.

**"The number of loans to first home buyers has recorded strong growth in recent months. The increase has been driven mainly by changes to first home buyer incentives made by the New South Wales and Victorian governments."**

- Australian Bureau of Statistics, 5609.0 - Housing Finance, Australia, December 2017.

Latest ABS statistics reveal that first home buyer participation in Australia's mortgage market is now at its healthiest since 2012. First homebuyer share of owner occupier loans was at 26.6 per cent nationally during January after dipping below 20 per cent in early 2017. However, the South Australian market has consistently recorded the lowest first home buyer share out of any state.

As well as boosting building activity over the short term, having more home owners will also increase the demand for renovations over coming decades.

<sup>3</sup> State Revenue office Victoria. "First Home Owner". Available at <https://www.sro.vic.gov.au/first-home-owner>

<sup>4</sup> <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/first-home-buyers/>

<sup>5</sup> National Construction Code is available at <https://www.abcb.gov.au/ncc-online/NCC>

Date	Victoria	New South Wales	South Australia
Jan-2016	1741	1094	309
Feb-2016	2056	1325	400
Mar-2016	2086	1376	460
Apr-2016	2296	1431	395
May-2016	2564	1486	518
Jun-2016	2535	1531	516
July-2016	2204	1335	381
Aug-2016	2188	1346	426
Sept-2016	2215	1284	423
Oct-2016	2240	1327	430
Nov-2016	2506	1490	461
Dec-2016	2333	1476	372
Jan-2017	1851	1028	344
Feb-2017	1889	1105	376
Mar-2017	2296	1463	486
Apr-2017	1850	1169	350
May-2017	2431	1600	491
Jun-2017	2366	1526	517
Jul-2017	2619	1950	439
Aug-2017	3162	2427	491
Sept-2017	3002	2395	456
Oct-2017	3250	2397	459
Nov-2017	3526	2700	574
Dec-2017	3116	2412	470
Jan-2018	2705	1874	403
Feb-2018	2619	2246	443
Mar-2018	2848	2382	451
Apr-2018	2677	2177	441
May-2018	3236	2701	522
Jun-2018	3097	2374	478
Jul-2018	2994	2415	470
Aug-2018	3041	2484	529
Sept-2018	2588	2250	483
Oct-2018	3044	2597	544
Nov-2018	3155	2752	598
Dec-2018	2656	2285	503
TOTAL: 1-Jan 2016 – 30-Jun 2017	39 647	24 392	7655
TOTAL: 1-Jul 2017 – 31-Dec 2018	53 335	42 818	8754
<b>PERCENTAGE INCREASE</b>	34.52%	75.54%	14.36%

Source: Australian Bureau of Statistics 5601.0 – Lending to households and businesses, Australia, Dec 2018. Table 12: Lending to households for owner occupied first home buyers, number and value of commitments, original. Released 12/02/2019

### **3.2 Remove the requirement to have a rainwater tank**

Since 1 July 2006 South Australian building rules have required that new dwellings and some extensions or alterations have an additional water supply to supplement mains water. The most common way to meet this requirement is to install plumbed minimum-sized rainwater tanks. The additional water supply must be installed before a house or extension is occupied.

This requirement was inserted into the National Construction Code (see below, NCC 2016 Building Code of Australia – Volume Two, SA 2.2 Acceptable Construction Practice, page 512)<sup>6</sup>. The NCC contains the technical requirements and standards for the construction of buildings. Whilst Australia has a national technical standard for buildings, our federation provides for each state and territory to have its own laws governing the implementation of the NCC.

The Australian Building Codes Board (ABCB) is responsible for the NCC. The Marshall Government can remove the requirement to have a rainwater tank by simply writing to the ABCB and requesting that it be removed from the NCC.

We strongly believe the cost of installing tanks outweighs benefits to individuals and communities. Times have changed. This requirement was introduced by the Rann Government in response to the “Millennium Drought” that began in 2001. However, since then the Adelaide Desalination Plant at Lonsdale was built to provide long-term water security for South Australia and has been delivering drinking water since 2011. The plant is capable of producing 100 gigalitres per year, however SA Water has been running it at minimal capacity of around 10 per cent<sup>7</sup>. South Australians have also generally become much smarter about limiting their water use.

When Queensland abolished this requirement in 2013, it was estimated the average home buyer saved more than \$5,000<sup>8</sup>. If South Australia did the same and a stamp duty exemption was introduced, these two policies alone would mean the average first homebuyer would not have to borrow approximately \$25,000. This would be a powerful incentive for young people to remain and invest in the State.

Master Builders SA supports consumer choice. We have no problem with rainwater tanks, we just don't think they should be compulsory. People should have the freedom to make their own decisions based on their own budget, priorities and

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<sup>6</sup> Helbig, Koren, “Newman Government drops mandate for water tanks and energy-saving measures on new homes built in Queensland”.

<sup>7</sup> Revenue SA, “First Home Owner Grant”.

<sup>8</sup> State Revenue office Victoria. “Changes First Home Owner Grant and Stamp Duty”.

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lifestyle. There would be nothing stopping anybody who wanted a rainwater tank from getting one, or installing one in the years ahead when it is more affordable. The most important thing is first homebuyers at least have the option of getting into their own home as cheaply as possible first.

#### SA 2.2.0 Definitions

The following definitions are used in this part:

*Rainwater tank* means a vessel for the storage of surface water collected from the roof catchment area of the building.

*Roof catchment area* means the area of the roof (expressed in square metres), measured on the horizontal (no allowance for slope or vertical surfaces) and includes the plan area of the gutters.

#### SA 2.2.1 Application

Compliance with the acceptable construction practice provisions of SA 2.2 for water efficiency satisfies *Performance Requirement SA 2.1*.

#### SA 2.2.2 Rainwater tank capacity

- (a) Where the roof catchment area of the building is not less than 50 m<sup>2</sup>, the building must be designed to ensure that surface water run-off from not less than 50m<sup>2</sup> of the roof catchment area is:
  - (i) collected by a drainage system complying with Clauses 3.5.1 and 3.5.2 of the Building Code of Australia; and
  - (ii) stored in a rainwater tank, the storage capacity of which is not less than 1 kilolitre (1000 litres); and
  - (iii) plumbed to at least a water closet or a water heater or all laundry cold water outlets.
- (b) Where the roof catchment area of the building is less than 50m<sup>2</sup>, all the surface water run-off from the roof catchment area must be collected, stored and plumbed in accordance with (a)(i), (a)(ii) and (a)(iii).

#### Explanatory information:

Clause SA 2.2.2 requires the rainwater tank to be plumbed to a water closet, water heater or all laundry cold water outlets. The Office of the Technical Regulator regulates plumbing work in South Australia under the *Water Industry Act 2012*, including the plumbing of the rainwater tank to the water closet, water heater or laundry cold water outlets. Stormwater connections, including from the roof to the rainwater tank, and from rainwater tank overflow, are regulated by the local council or relevant authority under the *Development Act 1993*.

#### SA 2.2.3 Rainwater tank overflow

The rainwater tank must be fitted with an overflow device that disposes of overflow from the rainwater tank in accordance with:

- (a) any specific requirements of the relevant authority; and
- (b) Part 3.1.2 of the Building Code of Australia.

#### SA 2.2.4 Rainwater tank water quality

The inlet and overflow of the rainwater tank must be fitted with mosquito proof, non-degradable screens.

#### Explanatory information:

Clause SA 2.2.4 requires the fitting of mosquito proof, non-degradable screens to the rainwater tank. The quality of the water stored in the rainwater tank should be managed in

### **3.3 South Australian Productivity Commission investigation**

Master Builders SA is a strong and public supporter of the Marshall Government's Productivity Commission. We wholeheartedly support the goal of South Australia being the "least regulated state in the country." Too often red tape is unnecessary or inefficiently applied, preventing businesses from growing and employing more South Australians, and first homebuyers entering the market.

A number of factors have led to a worsening of housing affordability. These include inefficient land release strategies, excessive development levies, taxes and charges, and excessive planning and building requirements. It is estimated that these factors drive up house prices by about 40 per cent. We need to remove impediments to the building of more houses if we are to enjoy the benefits of a strong housing industry and a strong economy. Therefore, Master Builders SA recommends a South Australian Productivity Commission review of all taxes and charges related to land and property development. This review would also consider the other issues identified above.

### **3.4 First Home Owner Grant boost for the regions**

Currently, a first Home Owner Grant of up to \$15,000 applies to the purchase or construction of a new residential property, including a house, flat, unit, townhouse or apartment that meets local planning standards<sup>9</sup>.

Master Builders SA recommends that the existing First Home Owner Grant be increased to \$20,000 in regional South Australia. The eligible transaction can be a contract for the purchase of a new residential premises or a comprehensive building contract, and would be available until 30 June 2022. This policy is based on the very successful model for regional Victoria<sup>10</sup>.



<sup>9</sup> "Adelaide desalination plant too expensive, Liberals say, despite falling electricity bill".

<sup>10</sup> Government of South Australia, Planning and Property, "Median house sales by quarter".

### **3.5 Planning Reforms must promote economic growth, not threaten housing affordability**

South Australia is currently undergoing the biggest changes to its planning system in decades.

The building and construction industry is crucial to South Australia's economy and the state being a vibrant place where people want to live and work.

Given this vital contribution and the current state of the housing industry extreme caution must be exercised where there is a potential negative impact on affordability.

There have been numerous proposals put forward, for example to ensure the development of climate-smart buildings and encourage water sensitive urban design, green infrastructure, urban greening and tree canopy enhancement.

Whilst these initiatives might sound appealing to many we believe insufficient consideration has been given to the cost implications of these policies. In isolation an individual proposal might not seem like a big deal, but the point is they all add up and have a negative impact on affordability.

Requirements also need to be cohesive. For example, there is no sense in telling homebuyers to have double glazing windows and then them using evaporative air conditioning which needs the windows to be open.

Master Builders SA believes there should be independent cost modelling on any proposal that would increase the cost of a build.

It must also be reinforced that without improved population growth there will always be a low ceiling on building and the wider economy. South Australia's population grew by just 0.8 per cent in the year to September 2018, the lowest out of any state. Whilst it is pleasing to see that the net interstate outflow of 4600 people was 31 per cent lower than in the previous 12 months, that is still a net loss and therefore there is plenty of work to be done.

The new Designation Area Migration Agreements allowing South Australian employers to sponsor skilled overseas workers for positions they are unable to fill locally is certainly a step in the right direction.

#### **4. Summary**

Master Builders SA is deeply concerned about the persistent decline in building approvals for private sector houses and urges the Marshall Government to immediately adopt the above recommendations.

If you would like to discuss further, please contact Policy and Communications Manager Will Frogley on 8211 7466.

## 5. References

1. Australian Bureau of Statistics, Labour Force Survey; Department of State Development
2. Australian Bureau of Statistics, Labour Force Survey; Department of State Development NCVER, Apprentices and Trainees, In-Training (2018)
3. State Revenue office Victoria. "First Home Owner". Available at <https://www.sro.vic.gov.au/first-home-owner> (accessed 5 October 2018).
4. <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/first-home-buyers/>
5. National Construction Code is available at <https://www.abcb.gov.au/ncc-online/NCC> (accessed 10 October 2018)
6. Helbig, Koren, "Newman Government drops mandate for water tanks and energy-saving measures on new homes built in Queensland". Available at <https://www.couriermail.com.au/news/queensland/newman-government-drops-mandate-for-water-tanks-and-energy-saving-measures-on-new-homes-built-in-queensland/news-story/604970be8f17f7bdf7031bad53544b8d?sv=ddd4a7a1ba67fe705d1ccf5a141294d2> (accessed 10 October 2018).
7. Revenue SA, "First Home Owner Grant". Available at <https://www.revenuesa.sa.gov.au/grants-and-concessions/first-home-owners> (accessed 10 October 2018).
8. State Revenue office Victoria. Available at <https://www.sro.vic.gov.au/news/changes-first-home-owner-grant-and-stamp-duty> (accessed 5 October 2018).
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