

Restoring Housing Affordability

- the industry's perspective

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Housing Industry Association Ltd



About HIA

- Voice of the housing industry
- Only national association
- Small family businesses



About the industry

- A complicated process
 - Over 1,000 products
 - As many as 20 trades
- Produce:
 - A new home every 50 seconds
 - Renovation every 90 seconds
 - New kitchen/bathroom every 30 seconds



The industry's perspective

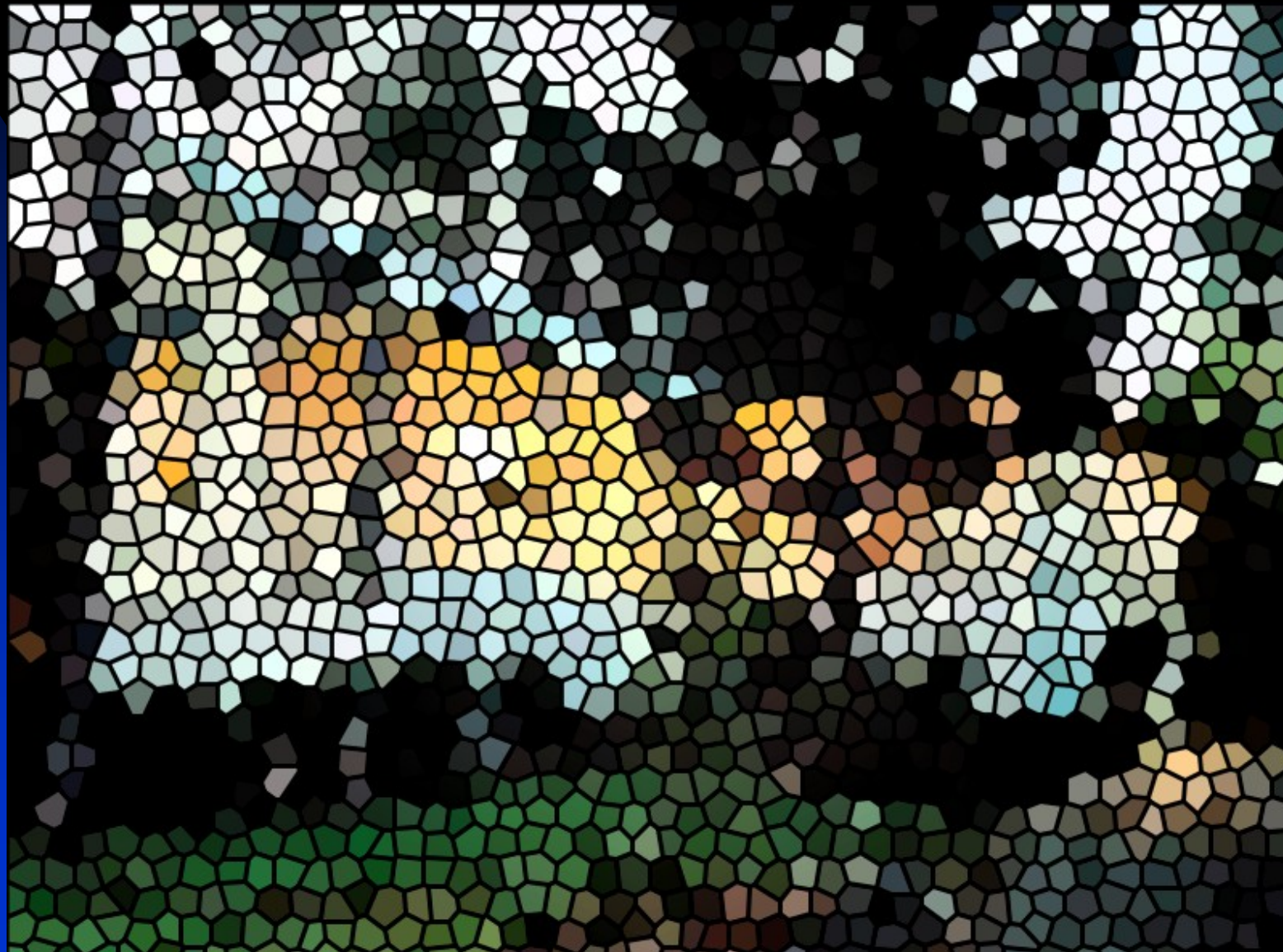
- Focus on supply issues.
- Two housing markets – new homes 9% versus existing 37%.
- The role of new housing in affordability.
 - Pressure valve
 - Entry point



Housing – the usual view



Government's perspective



What's new?

- Public interest – PC Inquiry
- Focus on housing
- Major opportunity
- New approaches needed



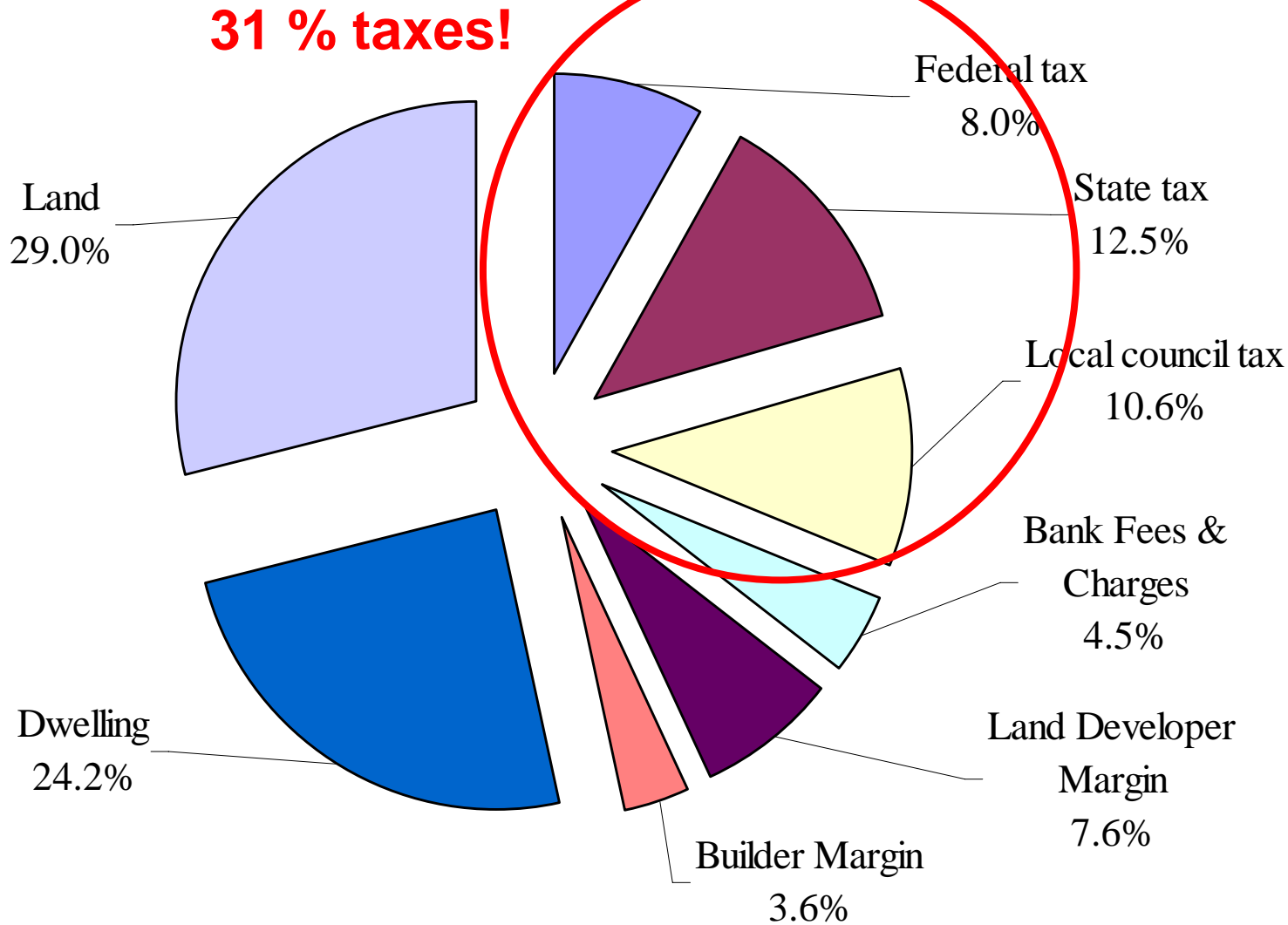
HIA's affordability work

Supply response is strangled by

1. Hidden taxes
2. Land shortages
3. Regulatory nightmare



1. Hidden taxes



Tax attack

Cascading of taxes:

- Stamp duty on stamp duty
- GST on stamp duty
- Stamp duty on GST
- GST and stamp duty on local taxes

2. Land shortages

Land's share of a New Home (%)

	1976	1992	2002
Sydney	32	44	60
Melbourne	24	24	37
Brisbane	21	39	49
Adelaide	16	26	32
Perth	22	32	42

3. Regulatory nightmare

- Planning & building regulation is broken
- Inequitable and inefficient financing of infrastructure
- No in-fill strategy



Insights from the industry's perspective

- Yield gap just 4%

$$\text{Yield} = \frac{\text{rent} + \text{capital gains} + \text{net tax}}{\text{upfront costs} + \text{annual costs}}$$

- Lowering building costs will raise yields.



A way forward

- Maintain momentum of debate
- Researchers – look at supply savings
- Housing organisations – humanise the debate

