



MASTER BUILDERS
TASMANIA

Building Tasmania Since 1891

SUBMISSION

**House of Assembly Select Committee on
Housing Affordability**

August 2019

Introduction

Master Builders' Association of Tasmania Inc. (Master Builders - MBT) welcomes the opportunity to provide a submission to the House of Assembly, for the establishment of a Select Committee on Housing Affordability.

There are few services more essential to a society than housing. As well as providing shelter and facilitating the strengthening of a society's social capital, an adequate housing stock facilitates the proper function of a competitive labour market and allows for mobility amongst the population.

Master Builders acknowledges that housing supply is just one of several issues that need to be addressed in any strategy to improve housing affordability. Other issues include more support for specialist services, especially for the homeless or people at risk of becoming homeless who have complex needs, short-term accommodation that is located close to service providers and building greater capacity into our community support network generally.

However, we believe that the major cause of the housing crisis is that supply is not keeping up with demand. There is abundant evidence to support this and it simply cannot be dismissed as an issue.

The remaining sections of this submission provide information as to the importance of housing affordability to the Tasmanian economy and a list of policy recommendations aimed at keeping housing affordable, to increase supply and ensure the provision of social housing is sufficient to provide for those most vulnerable in our community.

Master Builders agrees that more can be done to improve housing outcomes from social housing and other community programs, but ultimately, we need to ensure that new housing supply meets demand across the spectrum of housing needs if we are to seriously address housing affordability.

Master Builders' Association of Tasmania Inc.

This submission is made on behalf of Master Builders' Association of Tasmania Inc.

Master Builders' Association of Tasmania Inc. (Master Builders - MBT) is the State's peak building and construction industry association. Over its 127 years the movement has expanded to greater than 650 businesses, Master Builders' members represent all segments of the building and construction industry in Tasmania, including the largest commercial and civil construction firms, small and medium sized businesses, building industry service providers and regional and remote business operators. Around 45 per cent of all residential construction undertaken by accredited builders in the State is undertaken by MBT members.

MBT provides a wide range of services for members covering industrial relations, contractual, legal, legislative, educational and technical matters. In addition, Master Builders is widely represented on many industry and government bodies and provides on-going assistance to both industry participants and members of the public on all matters relating to the building and construction industry.

As part of our mission, MBT seeks to lead the development and professional standards of the industry to further the interests of its members and the Tasmanian community.

The building and construction industry is an extremely important part of and contributor to the Tasmanian economy and community. The industry contributed more than \$2.5 billion to the Tasmanian economy in 2018, including the construction of more than 2,500 new homes, new schools, hospitals and roads to service a fast-growing Tasmanian population.

The cumulative building task over the next five years will require work done to the value of more than \$15 billion and for the number of people employed in the industry to rise to 25,000.

The building and construction industry:

- Consists of over 3,600 business entities, almost all of which (95%) employ fewer than 20 people and over half (55%) having no employees;
- Employs over 20,000 people, 80 per cent of which are full-time skilled workers;
- The value of work done represents approximately 8 per cent of Gross State Product;
- Trains more than half of the total number of trades-based apprentices in Tasmania every year; and
- Performs construction work each year to a value of over \$2.5 billion.

Importance of Housing Affordability to the Tasmanian Economy

For both renters and homeowners, housing is often the largest cost item in the household budget. Over the last few decades, new housing supply has consistently struggled to keep pace with demand, with housing affordability deteriorating steadily as a result. Back in 1988, the median Australian house price was \$83,000. This reached \$138,500 a decade later and by 2008 was \$373,000. In mid-2018, the median house price was \$550,000. As a factor of total household income, the median house price has risen from approximately 4 in 1998, to 6.5 in 2018.

Tasmania has traditionally been a more affordable place to buy a house and raise a family. But house price growth has consistently outpaced that in other state capital cities for more than two years. House prices in Tasmania have, on average, grown faster than incomes for the best part of a decade.

Despite a significant increase in total residential building approvals in the past year, new housing supply has not kept pace with population growth and is putting pressure on house prices. This is not just a problem for the building industry, it is a threat to the aspiration of homeownership and to living standards.

The problem is that we are not building enough houses to keep pace with demand. This is true across the spectrum of housing needs in the community.

The housing shortage is putting additional pressure on community service providers and the government to provide social and public housing. It has raised the likelihood of homelessness for those most affected by higher housing and rental prices and is making it harder for those looking to enter the housing market and start growing wealth of their own.

It is not simply up to government to solve this problem. But government does need to support industry to deliver on the growing housing needs of the community. This is true whether we are talking about homelessness accommodation, social housing or new houses for first home buyers and existing owner occupiers.

Last year the residential construction industry:

- Completed more than 2,800 new dwellings, growth of 3.9% on the previous year
- Completed \$134 million in renovations, growth of 6.5% on the previous year
- Employed approximately 7,500 people

Master Builders Policy Priorities for Housing Affordability

The latest population projections from the ABS indicate that population growth is on track to remain strong over the coming decades. Last year, population growth in Tasmania ticked over 1 per cent and added more than 4,000 permanent residents to the community.

Rapidly growing student and tourist numbers are placing additional strain on the housing stock. Last year Hobart topped the list of capital cities in terms of rental price growth and had the lowest residential and hotel vacancy rates in the country.

At current rates, over the next ten years the population of Tasmania will grow by approximately 52,000 people. To account for this, as well as the expected increase in demand from tourism and the international education sector, MBT forecasts new housing demand to exceed 25,000 over the decade.

If supply does not keep up with demand, prices for housing are likely to rise and put pressure on affordability. Therefore, Master Builders policy prioritises focus on the adequate provision of housing across the spectrum of housing needs in the community.

Master Builders calls for:

- Increased emphasis on the provision of adequate stock of public housing and action to provide suitable accommodation to those families assessed as being in greatest need.
- Land release policies tied to housing supply targets.
- Greater funding to upgrade utilities infrastructure, particularly in major growth corridors and areas slated for new residential development. Doing so could significantly cut the cost of land development and the price paid by consumers for new housing.
- State government incentive payments tied to local government performance with respect to delivering housing affordability policy outcomes against key performance metrics – including local government housing supply targets.
- State government incentive payments tied to local government performance with respect to efficiency improvements in planning and zoning.
- Funding to investigate the performance of local government and agencies with respect to planning and adequate land release.
- Housing policies which prioritise/incentivise homeownership

Master Builders Residential Construction Forecasts

Forecast Building and Construction Activity

	Unit	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
New Dwelling Starts	#	2,443	2,177	2,825	2,936	2,799	2,520
Home Renovations	\$m	\$141.2	\$131.3	\$125.8	\$134.0	\$138.7	\$141.5
Commercial Building	\$m	\$564.7	\$654.9	\$600.9	\$858.9	\$1,062.1	\$1,247.1

Source: Master Builders Australia, Macromonitor

Forecast Building and Construction Activity Growth

	Unit	2016/17	2017/18	2018/19	2019/20	2020/21
New Dwelling Starts	#	-10.9%	29.8%	3.9%	-4.7%	-10.0%
Home Renovations	\$m	-7.0%	-4.2%	6.5%	3.5%	2.0%
Commercial Building	\$m	16.0%	-8.2%	42.9%	23.7%	17.4%

Source: Master Builders Australia, Macromonitor

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