UDIA WA 2023–24 State Budget Submission

Urban Development Institute of Australia
WESTERN AUSTRALIA

For the community creators

Working together to develop a better Western Australia

December 2022

FROM THE PRESIDENT

I am pleased to present the Urban Development Institute of Australia (UDIA WA) State Budget Submission for 2023-24.

Western Australia's pathway through the pandemic was unique, with the State Government's strict border controls and other restrictions limiting the spread of the virus and stimulus measures keeping the state's economy running. There is no doubt that the McGowan Government's willingness to listen and engage with industry helped ensure Western Australia fared well through the pandemic.

However, some of those restrictions and measures that protected us have had implications for our growth moving forward. We continue to navigate the ongoing impacts of the pandemic, particularly on our supply chains and the limited access to skilled workers. This is exacerbated by the high demand for housing we are experiencing, coupled with limited development-ready land right across the housing continuum. Affordable homes for ownership and rental are a particular concern. Interest rates have continued to rise, and we are seeing significantly extended construction timeframes and cost escalations. This is all threatening our longstanding housing affordability and our ability to attract and house the skills that our economy desperately needs moving forward.

With the State of Emergency now having ended and as our response to living with COVID continues to evolve, this State Budget will be critical in developing a clear pathway for long-term, sustainable economic growth.

With increasing demand and competition for talent across Australia and internationally, our future economic success is dependent on the liveability of Perth and our regions. This is fundamentally underpinned by the availability of diverse and affordable housing supply. To help enhance our liveability and the economic performance of our State, this submission sets out a series of recommendations across three key focus areas:

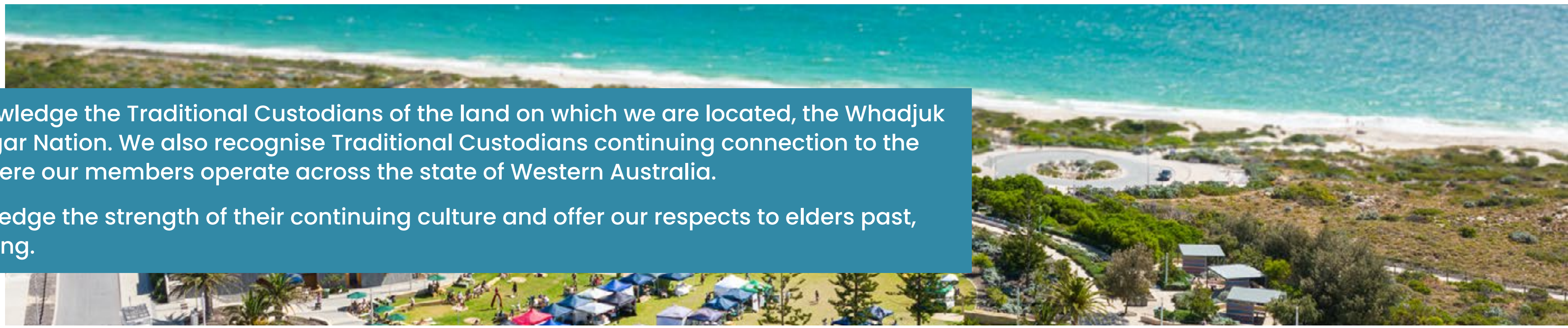
1. Filling the skills gap;
2. Creating capacity and boosting housing supply; and
3. Building a secure platform for sustainable growth.

The Government has demonstrated that it is not afraid of making difficult decisions and we were pleased to welcome several reforms this year which will be important as we move ahead. As an industry, we look forward to continuing to work together to resolve our economic challenges and building a platform for a prosperous future.

COL DUTTON

PRESIDENT

UDIA WA



The UDIA WA acknowledge the Traditional Custodians of the land on which we are located, the Whadjuk People of the Noongar Nation. We also recognise Traditional Custodians continuing connection to the land and waters where our members operate across the state of Western Australia.

We wish to acknowledge the strength of their continuing culture and offer our respects to elders past, present and emerging.

WA'S DEVELOPMENT INDUSTRY ECONOMIC IMPACT TO THE STATE

Employment

127,300

employees directly employed in the construction sector (as at August 2022) and an additional ~61,070 jobs supported through flow-on activity.[1]

10.7%

of WA's total FT Labour Force.

$9.6 billion

in income (wages & salaries) in 2020-21. 11.6% of total WA employee compensation across all industries and $5.6 billion in flow on activity.

1.6x

the employment of the Manufacturing sector in WA.

GSP

$21.0 billion

directly contributed to GSP by the construction sector in 2021-22 or 8% of total contribution to GSP by all industries in WA.[2]

1.7x

direct GSP contribution of the Finance & Insurance sector in WA.

$14.6 billion

further contributed to WA GSP through flow-on demand for goods and services.

$35.6 billion

in total direct and indirect contributions to the WA state economy.

Tax[3]

$3.356 billion

directly contributed by the property sector in property taxes to WA State Government revenues in 2021-22 (inclusive of land tax and stamp duties).

29.2%

of all WA State Government taxation received ($11.476 billion total).

CURRENT STATE OF THE MARKET AND EMERGING CHALLENGES

Following the dramatic spike in housing demand caused by the housing construction stimulus packages in mid-2020, lot sales continued to strengthen throughout the course of 2021 but equalised to pre-COVID levels during 2022.

Total lot sales for the year recorded as part of UDIA WA's Urban Development Index totalled 7,221 to September 2022, which was lower than the comparative periods in 2021 (7,628 lots) and 2020 (10,035 lots) but remained 6% higher than the five-year average and 3% higher than the 10-year average.

Further, dwelling approvals have declined through 2022 following a rapid increase from mid-2020, peaking in February 2021. Over the 12 months to October 2022, a total of 16,812 dwellings were approved, compared to 26,819 dwellings in the prior 12 months.[4]

The rapid escalation of housing demand, which followed five years of market decline, placed considerable strain on the entire industry and government regulators. Now, we are seeing the flow on effects of this and the ongoing strong competition for local labour across the resources industry and government infrastructure projects. This has adversely impacted the development industry's ability to expand and resize to service demand. As such, WA's skill shortage is likely to far exceed the 60,000 jobs currently being advertised[5] (approximately 4,700 in the construction industry).[6]

Added to this, increased demand and disruption in the global supply chain has added significant material cost pressures and delayed construction timeframes. According to ABS data for the September 2022 quarter, material input costs for housing construction have risen 11% from the end of 2021 (23% since December 2020)[7], with these estimates considered conservative.

Ongoing material delays and increases, together with increased labour costs, have caused the cost of housing construction to rise exponentially. Tight margins and further diminishment of the pool of builders has meant that the apartment development market has been especially exposed to these construction cost pressures, resulting in projects being placed on hold.

Urbis Apartment Market Essentials data for November 2022 shows that, for the first time since the survey began in 2014, no new apartment projects were formally launched to the market. The number of apartments in the pre-sale stage has also significantly dropped in the past two years (543 in Q3 2022, compared to 2,420 apartments during the same quarter of 2020), as have sales in apartment buildings already built (618 apartments being available compared to 1,647 apartments previously).

The diminishing pool of builders poses considerable risks as well as cost pressures for emerging and future development projects.

Compounding these housing construction challenges, there remains very little capacity in the rental market, with the rental vacancy rate continuing to decline throughout 2022, falling to 0.7% in October.[8] In the regions the situation is even worse with rental vacancy rates of just 0.1% in Busselton, 0.2% in Kalgoorlie and 0.3% in Albany.

With a backlog of 816,000 migration and temporary visas still waiting to be processed[9], the limited availability in the rental market is likely to drive significant housing cost increases and jeopardise our longer-term housing affordability and the competitiveness of our economy.

Cost of living pressures continue to increase. The Consumer Price Index (CPI) growth in Perth and Australia has increased significantly over the past year. Year-on-year growth in Perth at the September quarter did fall compared to the June quarter, largely driven by the $400 Household Electricity Credit, but it was still at 6%. Australia's rose 6.9% in the twelve months to October and for housing specifically, it was 10.5% (3.5% for rents which was an increased from 2.9% in September, and 20.4% for new dwelling purchases by owner-occupiers). In early December, the Reserve Bank of Australia (RBA) also handed down an eighth consecutive interest rate rise which saw Australia's cash rate target reach a 10 year high (3.10%), which will adversely impact borrowing and affordability for many, particularly with median house prices continuing to increase.

As we look forward, we face the prospect of further increases in inflation, growing cost of living pressures and population increases forecast above the long-term average, as well as the implications of a potential recession and the ongoing conflict in Ukraine.

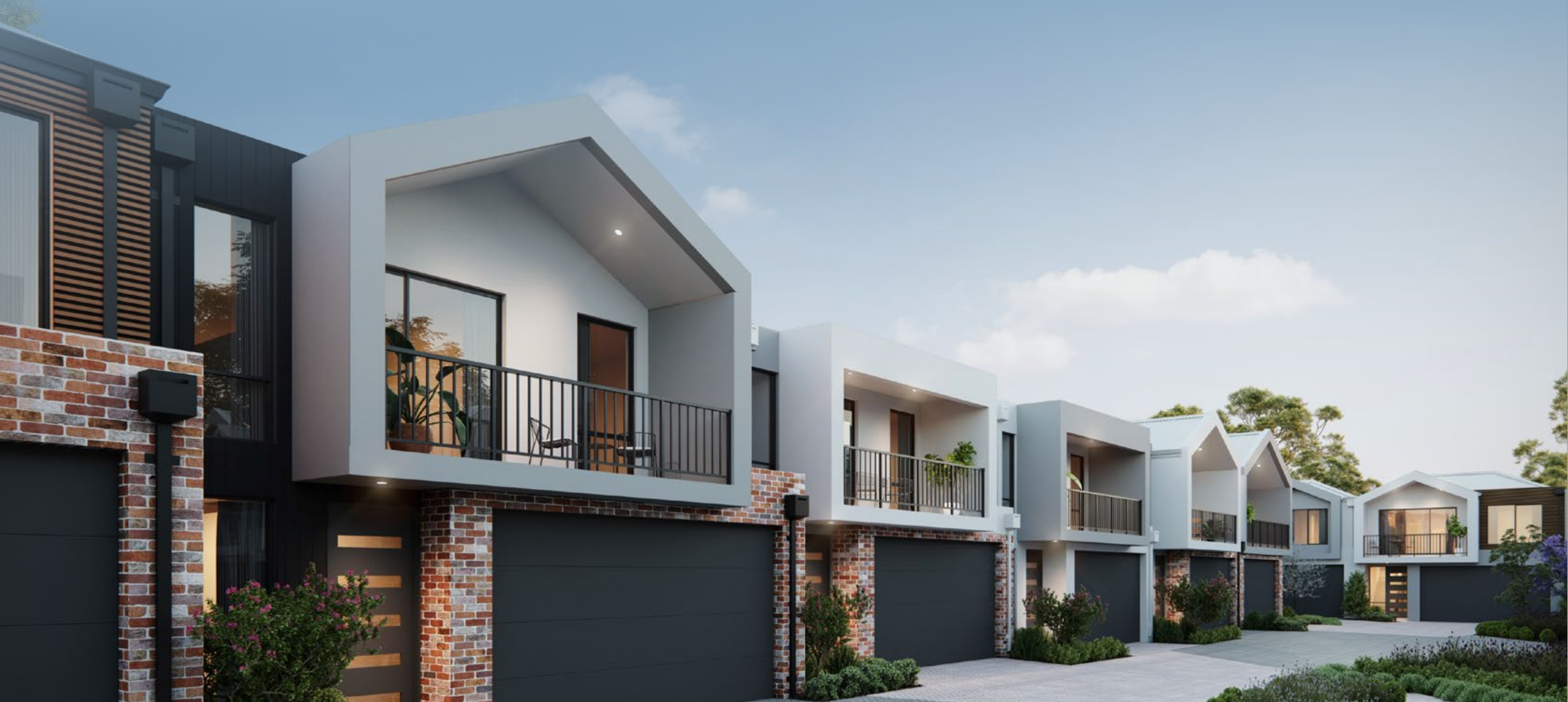
This will only amplify the housing supply challenge and pressures being felt by West Australians when it comes to the basic human need and right for affordable housing.

Given the context outlined here, it is imperative that the State Government acts now to address WA's critical shortage of housing, across the housing continuum, to help build a foundation for sustained economic growth. Addressing the diverse range of issues and challenges facing the development industry will require a multifaceted approach, working collaboratively with industry.

This submission sets out several recommendations for inclusion in the 2023-24 State Budget that are designed to support and enable the development industry to deliver the homes WA so desperately needs. Averting critical housing affordability pressures will be fundamental in underpinning the future economic performance of the State and the liveability of our city and communities. A holistic set of cross government and industry solutions is set out in UDIA WA's 2022 Policy Priorities document, which will be reviewed and refreshed in early 2023.

Developing a prosperous future

UDIA WA's recommendations for the 2023-24 State Budget



FILL THE SKILLS GAP

Develop a Construction Workforce Attraction Strategy for Perth and the regions

WA has a long history of taking advantage of overseas and interstate migration to supplement our local skills base to help grow and diversify our economy to the benefit of all Western Australians.

While the closing of the international border and tight interstate travel restrictions helped protect our economy during the pandemic, it has contributed to our growing local skills shortfall. The strong demand for labour and skills across various industries, combined with the stimulus investment and major Government infrastructure projects, has constrained the development industry from expanding to meet demand for housing, adding significant cost pressures and extending delivery timeframes.

In previous economic uplifts, the lifestyle we can offer international migrants and our typically counter-cyclical economic cycle to east coast markets have allowed the skills pool to be filled with few challenges. However, with strong demand for housing internationally and across Australia, WA faces considerable competition in attracting the skills we need. This challenge will only increase as Australia competes globally for migrants, with many of our traditional 'source countries' also experiencing aging populations and our qualification eligibility requirements being a constraint for migrants from many other countries currently. This is something national and state migration policy and strategy must grapple with.

The recently announced State and Federal 12-month Skills Agreement to inject $112 million into the WA skills and training sector to provide fee free TAFE and more vocational education places for WA is welcomed. However, attracting and retaining interstate and overseas migrants will continue to be critical in addressing the labour and skills shortage.

Therefore, it is imperative that the Government builds upon its 'Reconnect WA' package and continues to work with industry, including to quickly prepare and adopt a Construction Workforce Attraction Strategy for Perth and the regions. This strategy needs to be supported by a program of infrastructure investment that enables our regions to prosper by retaining and enhancing the local skills base.

UDIA WA welcomed and participated in the recent work being progressed by Infrastructure WA (IWA) in collaboration with Government and industry, at the Premier's request, to identify reform recommendations to address market capacity constraints. Important reform recommendations include a WA Skilled Construction Worker Registration and Licencing Scheme and Construction Industry Labour Agreement to support the mutual recognition of qualifications and skills, as well as a holistic review of policy levers to identify and address those that have a detrimental impact on the market (including those impacting access to and affordability of fit-for-purpose housing and other liveability criteria).

The negotiation of a construction skills and labour agreement (as exists for horticulture and hospitality for example) is supported to provide an immediate short-term solution until recommendations arising from the Federal Government's migration review are accepted and implemented. This would overcome challenges with the current employer sponsorship route, avoiding the need for employers to individually seek sponsorship approval and for labour market tests for each nominated position.

UDIA WA recommends that the State Government make provision in the 2023/24 State Budget to:

- **Fund the development and implementation a Construction Workforce Attraction Strategy and plan for Perth and the regions. This should seek to implement the IWA market capacity reform recommendations and include a commitment to negotiate a Construction Industry Labour Agreement with the Australian Government and Industry.**

CREATE CAPACITY: BOOST HOUSING SUPPLY

Extend support for Built-Form Development

The number of homes listed for rent has fallen steadily since mid-2017, however the rate of decline has increased dramatically since the start of the pandemic.

According to SQM Research insights, listings during 2022 peaked at 2,870 properties in May and have declined to only 1,894 properties in October. This compares to 2,631 in October last year and 3,216 at the same time in 2020. The lack of rental properties is creating housing affordability pressures with rental listing prices rising 15% over the past year and 25% compared to October 2020.

At the affordable end of the market, these price pressures are adding to the number of people in housing stress and placing additional strain on social housing. While WA's population rose by 1.1% in the year to March 2022, it continues to be well below the long-term average net growth per annum, demonstrating the root cause of the issue is the declining pool of private rental properties.

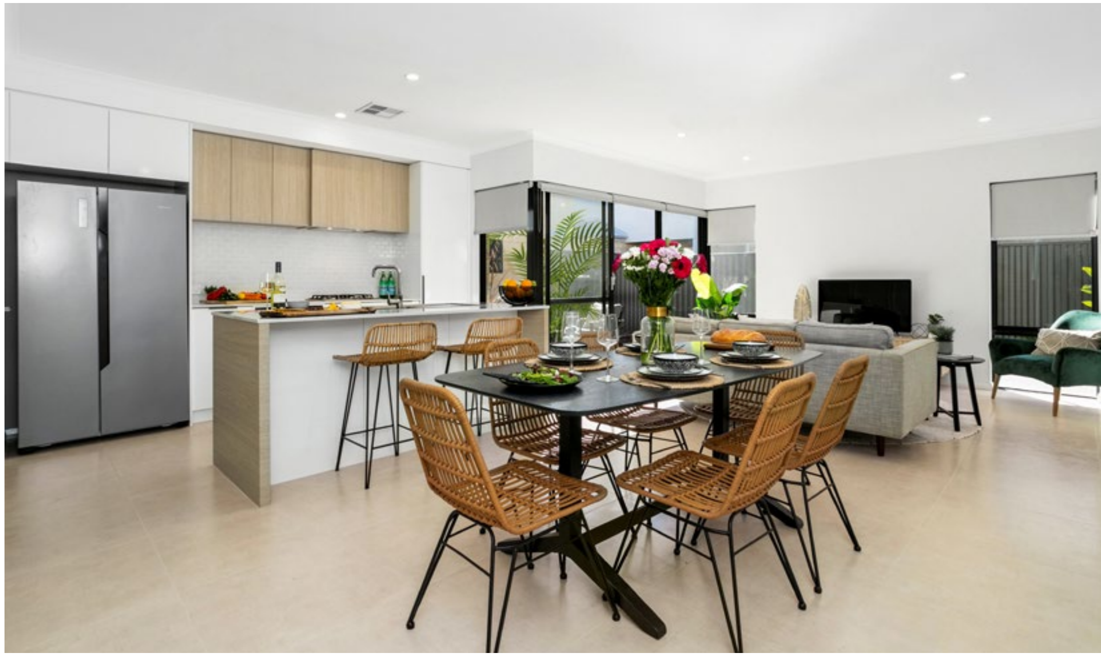
While the loss of investors in WA has negatively impacted all segments within the Perth property market, it has disproportionately affected built-form developers who are heavily reliant on pre-sales to commence projects.

Labour and materials shortages and cost escalations continued to impact on construction of new apartment projects throughout 2022 and into 2023, as demonstrated through the Urbis Apartment Essentials data, there is little certainty to attract investors to purchase new builds currently.

UDIA WA strongly supported the introduction of the 'off the plan' duty rebate for residential units and apartments in 2019, its subsequent extension in 2021 to 24 October 2023 and the introduction of the 100% rebate for dwellings up to $500,000 with a sliding scale to $600,000.

Since its initial introduction the scheme supported the sale of 3,866 apartments in Perth based on the Urbis Apartment Market Essentials data. Using the National Housing Finance and Investment Corporation (NHFIC) residential construction activity multiplier, it has supported 25,094 jobs. It has also helped lift Government revenues by equalising transfer duties across different housing typologies, encouraging more and higher value property transactions to occur. To demonstrate this, comparing the purchase of a new $550,000 apartment against that of $550,000 house and land package (with a land price of $255,000), the house and land package attracts duty of $7,155, while an apartment benefitting from the rebate attracts a duty of $10,070. Even with the rebate in place, the duty payable for an apartment remains some 40% above the amount payable for a house and land package.

Given the success of the scheme in assisting new apartment projects to get off the ground and create jobs, in conjunction with current construction cost pressures, the need to provide more certainty to attract investors and the critical housing shortage faced, it should be made permanent. At the very least, it should be extended across the Budget forward estimates to maintain a pipeline of urgently needed infill housing while a broader property tax review is undertaken. With an 18 to 24 month timeframe being typical from site acquisition to launch of a project to market and then securing sufficient pre-sales to commence construction, the scheme is now effectively closed for many new development proposals.

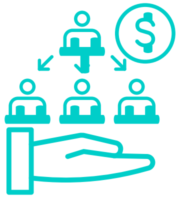


The Institute also strongly encourages the State Government to extend the scheme to projects under construction, based on a tiered rebate for pre-construction contracts and projects under construction, with the rebate closing on registration of the strata plan. Having it also apply to projects under construction would enable developers to complete sales more readily, providing more certainty and incentivising home purchasers and investors, and allow capital to be recycled into new projects more quickly to add further to the housing supply.

Further, it is recommended to remove the Foreign Buyers Surcharge, which is discouraging overseas investment in apartments and negatively impacting the State Budget. When announced in May 2018, Government projections estimated it would make the State $128 million to 2021-22 but from the declared revenues,[10] it has only generated half of that ($64 million). Had it not been introduced and the projected sales to foreign buyers had been maintained, is it estimated that the State Budget would have been approximately $9 million better off.

UDIA WA therefore recommends that the State Government make provision in the 2023/24 State Budget to:

- **Make the 'off the plan' duty rebate permanent, or at a minimum extend it across the budget forward estimates.**
- **Increase the 'off the plan' duty rebate purchase price cap to $650,000.**
- **Reinstate an 'off the plan' duty rebate for projects under construction.**
- **Remove the Foreign Buyers Surcharge.**



Encourage institutional housing investment and enable build-to-rent

'Build to rent' (BTR) offers an effective, sustainable solution to many of our existing and long-term rental challenges, however current taxation settings deter investment in this sector.

To level the playing field and encourage the delivery of affordable BTR, we require changes to Federal and State based tax obligations, specifically Managed Investment Trusts (MIT) and Land Tax and GST. Adopting these changes and the market responding sufficiently will take time, however there is solid evidence that BTR projects in North America and the UK have emerged as an attractive investment opportunity for large scale institutional investors and provided a much-needed supply of affordable rental homes.

Recognising the important role that this emerging sector can play, the New South Wales and Victorian State Governments have introduced a land tax concession for BTR until 2040. UDIA WA called on the State Government to implement such a concession and encourage the Federal government to amended MIT and GST settings to support the delivery of BTR projects in WA. UDIA WA subsequently welcomed the State Government's commitment to a 50% land tax concession for new BTR projects, to commence from 1 July 2023, announced in the 2022-23 State Budget.

With developments in the Perth and WA markets typically being of a smaller scale and nature to other states where BTR land tax exemptions currently operate, consideration must be given to a lower minimum size of development for eligibility than the 50 or more dwelling threshold in other states. UDIA WA recommends considering BTR projects of 20 dwellings or more being eligible across WA, but at the very least in regional WA. The scale and demand drivers are very different in a regional context and as such it would be challenging to create an attractive and eligible BTR proposition. It is important the scheme is designed to encourage affordable BTR, including outside the Perth Metropolitan Area.

UDIA WA recommends that the State Government make provision in the 2023/24 State Budget to:

- **Provide the 50% land tax exemption for Built to Rent projects with a minimum of 20 dwellings.**
- **Encourage the Australian Government to amend MIT and GST settings to support Build to Rent.**

Ensure Keystart thresholds limits reflect market conditions

According to the Housing Strategy, in 2020, one in five (200,000) households are estimated to need some form of housing assistance from the WA Government.

The total number is expected to increase by 25% by 2030. This number would be far higher without Keystart which, as at February 2022, had enabled over 120,000 Western Australians to get into their own home.[11]

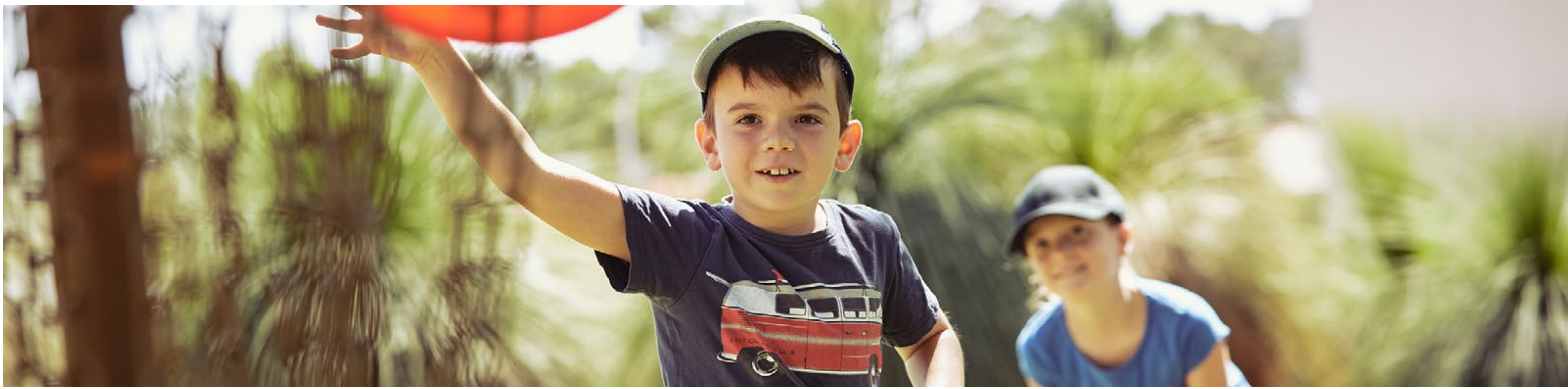
With the recent lift in house prices, the Keystart eligibility thresholds excluded large portions of housing in Perth's inner ring. Failing to keep pace with changing market conditions means people either need to travel further and spend more on getting to work, or continue to rent a home, further diminishing the rate of home ownership. We are now also seeing an increasing number of households entering retirement in rental properties. This all adds further pressures to our already constrained supply of social and community housing.

The Urban Connect Home Loan pilot announced in July 2022, providing 300 home loans to Western Australians earning under the income thresholds to buy two or more-bedroom apartments for $650,000 or less close to station precincts and in the inner metropolitan region, was welcomed to support priority infill areas. It was also pleasing to see the Keystart property purchase price cap for the metropolitan area increased from $480,000 to $560,000 on 11 December 2022.

As this continues to be a live issue, it is imperative that the State continues to monitor and take action to address declining home ownership and housing affordability. Therefore, UDIA WA is calling on the State Government to maintain the eligibility threshold criteria for Keystart loans through index linking against the median house price within that particular housing market.

UDIA WA recommends that the State Government make provision in the 2023/24 State Budget to:

- **Ensure Keystart eligibility thresholds are maintained through indexing against increases in median house prices.**
- **Commit funding to extend the Urban Connect Home Loan product.**



Boost the supply of affordable housing

In September 2022, there were 4,300 homes occupied by WA households and families under the 'National Rental Affordability Scheme' (NRAS), with a further 254 homes provisionally allocated.[12]

With the NRAS scheme coming to an end in 2026, the 20% below market rate subsidy that benefits these households and landlords will be lost.

Many of the low-income households that benefit from the NRAS scheme are highly sensitive and vulnerable to any cost-of-living increases. Therefore, the housing cost increases arising from the scheme's closing are likely to force many of these households out and on to the already bloated public housing wait list. It is particularly concerning that 657 of these homes are in regional and remote areas of WA where local housing options are limited and the shortage of private rental and social housing is even more acute.

The State Government should work collaboratively with the Federal Government to restart an NRAS-like scheme that gives Federal and State rental incentives to CHPs and/or private organisations to build at-scale housing developments that rent at a 20% discount to market. The original NRAS scheme had both Federal and State/Territory contributions to the incentive. Specifically, a new NRAS-like scheme would include:

- No requirement that affordable housing be delivered by a charity or CHP specifically, to ensure diverse project origination.
- The funding per dwelling be indexed to CPI and step-based on the type and size of dwelling provided (i.e., bedrooms, square meters) and location based on median rents.
- Tenant eligibility requirements that follow existing criteria for identifying low- and medium-income families under affordable housing criteria, and/or eligible key workers.
- The scheme remaining in place for 10-15 years to give investors comfort that it will not be disbanded (a key issue that delayed NRAS investment), and to match the investment span for many superannuation and mutual fund investors.

UDIA analysis shows that (by way of example), using the annual interest from the proposed $10 billion Future Fund could support the delivery up to three times the quantum of social and affordable housing earmarked by the Fund over a five-year period. Specifically, even a conservative 4% annual interest return on the Future Fund could be used to support 20,300 affordable rental dwelling units per year across the country under a new NRAS-like scheme, along with 880 newly built social housing dwellings (assuming government authorities could provide the land).

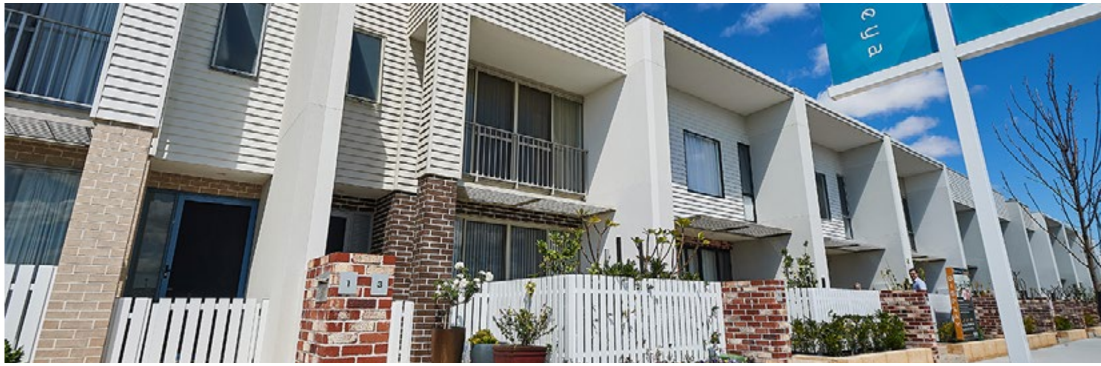
This approach will achieve much greater supply of social and affordable housing than the 6,000 dwellings per annum the Federal Government is currently targeting and would be a fundamentally improved opportunity for the Federal and State/Territory governments to deliver what is needed to close the housing gap.

it is imperative that the State seeks to establish a similar opportunity to support the private sector investment in affordable housing to low-income earners.

In a similar vein, in February 2022 UDIA WA welcomed the State Government's $2.1 billion commitment to a Housing Diversity Pipeline to encourage new developments on Government land to increase housing choice through market proposed design solutions. Expected to deliver 3,300 dwellings over four years, the HDP is an important step in supporting an increase in availability and improving the quality of social and affordable housing stock in WA.

UDIA WA recommends that the State Government work collaboratively with the Federal Government to:

- **Boost the supply of affordable housing and provide funding to enable the introduction of a new NRAS scheme.**



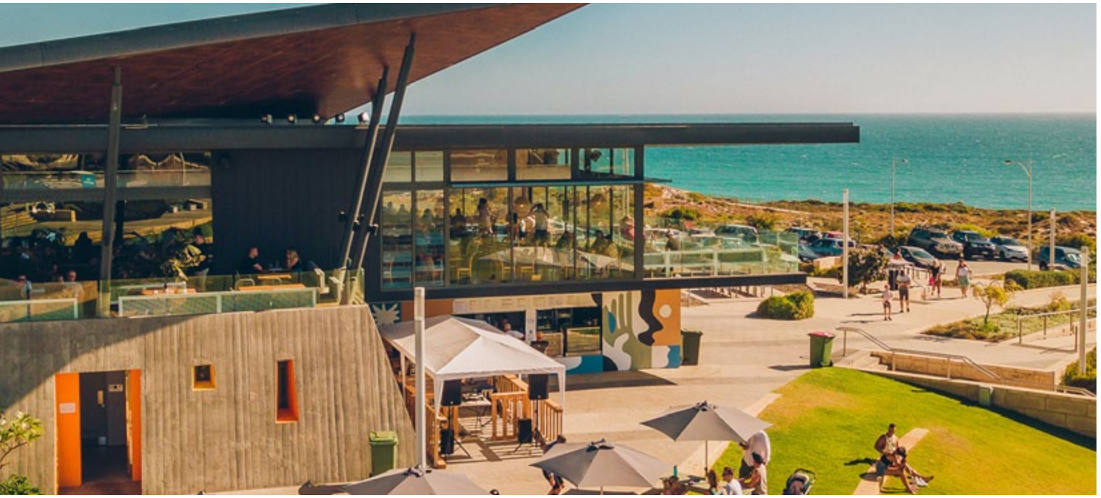
BUILD A SECURE PLATFORM FOR SUSTAINABLE GROWTH

Better co-ordinate the delivery of community infrastructure

As greenfield land parcels become increasingly smaller due to fragmentation and with infill development constrained by infrastructure capacity constraints, delivering development hand-in-hand with appropriate infrastructure is becoming increasingly difficult.

Better alignment and increased transparency regarding the timing of infrastructure delivery, by both State Government agencies and local government is needed to ensure the best possible outcome for the liveability of communities and the competitiveness of the economy.

UDIA WA acknowledges that IWA is yet to produce its 10-year infrastructure plan, however the failure to set out key strategic infrastructure projects early has meant WA has consistently not received its fair share of Federal infrastructure funding. Infrastructure Partnerships Australia estimates that across the 2021-22, 2020-21 and 2019-20 Federal budgets, WA consistently received less than half of the national average per capita infrastructure spend, the lowest of all states and territories.[13]



UDIA WA supports the IWA Market Capacity Reform recommendations around the development of a pipeline of significant projects and programs and a dynamic supply and demand data tool. Implementing these changes and preparing an Infrastructure Plan in close collaboration with the development industry should be an urgent priority for the State to provide more transparency and certainty, manage the demand pipeline and industry implications, and better position WA to attract Federal funding.

Further, service authorities must be appropriately resourced to enable a more proactive and strategic approach to the planning and provision of lead infrastructure to unlock land and support affordable and timely delivery of housing in identified growth areas; an example is in the northeast corridor where infrastructure availability is a critical constraint to development.

Similarly, local governments have often exclusively relied on developers to fund community infrastructure through Development Contribution Schemes (DCS). While State Planning Policy 3.6 Infrastructure Contributions has been amended to ensure these schemes do not undermine housing affordability, and to improve transparency and local government reporting, there remains a lack of consistency in the administration of schemes across local governments and uncertainty regarding delivery timeframes.

In late-2020, research commissioned by UDIA WA estimated that there was a total of approximately $2 billion being held by local governments in 54 DCS schemes. Administering these schemes is complex, and duplication across local government reduces efficiency of managing them.

UDIA WA called for a central co-ordinating agency for the management of these schemes to deliver 'scaled up' efficiencies and, through improved oversight of broader market trends and costs, enable the delivery of infrastructure in a more cost effective and coordinated manner. The Government's commitment in September 2022 to establish such a team within the Department of Planning, Lands and Heritage (DPLH) was welcomed.

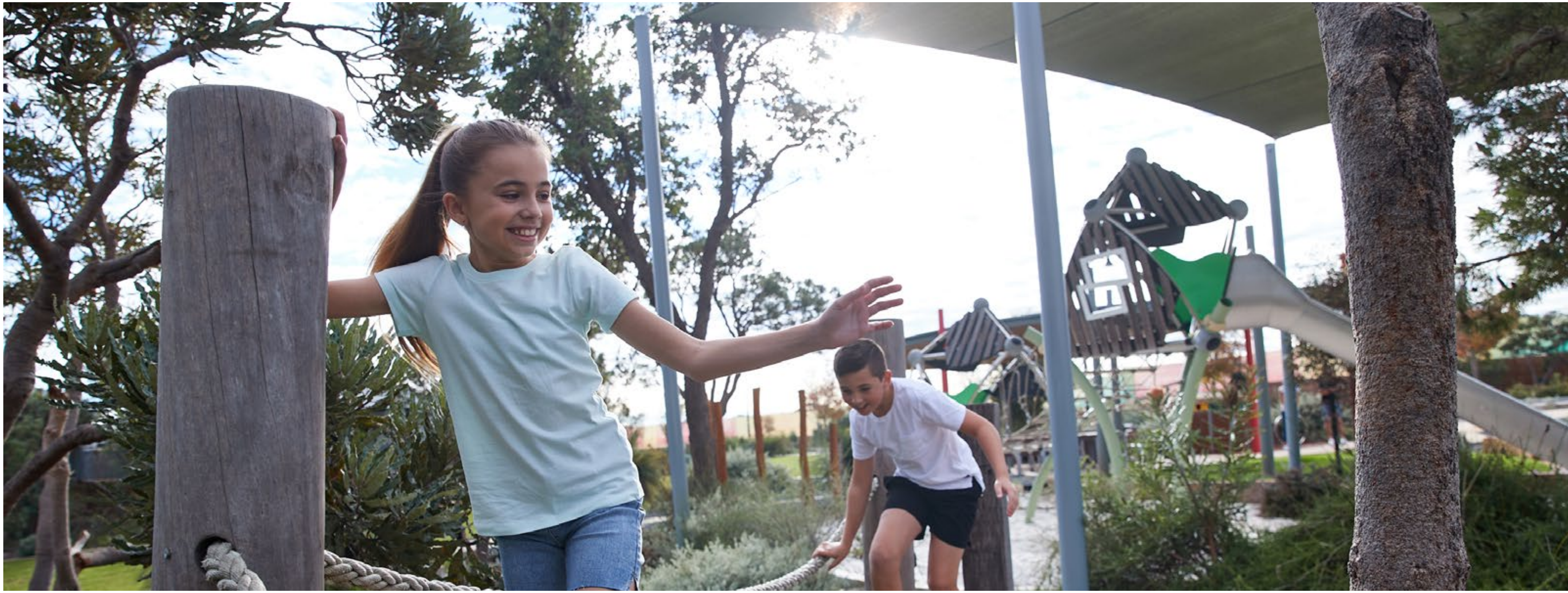
Ensuring appropriate resourcing and establishing clear roles and responsibilities to avoid any increased administrative burden, costs and delays will be essential in setting the foundations for effective operation.

Alongside improved scheme management, the existing development contributions framework is poorly designed and ill-equipped to tackle the challenges of upgrading existing and aging infrastructure to support infill development. Therefore, a new funding model is desperately needed to support infill development.

Opportunities to leverage complementary funding, such as through the $1 billion National Housing Infrastructure Facility which is available to State and local governments, also need to be explored to enable the timely provision of strategically important lead infrastructure for housing supply in growth areas.

UDIA WA recommends that the State Government make provision in the 2023/24 State Budget to:

- **Provide funding to accelerate the preparation of a State Infrastructure Program to improve WA's under-represented allocation of Federal infrastructure funding.**
- **Allocate funding to appropriately resource the implementation of IWA's market capacity reform recommendations to improve the approach to planning and demand pipeline management.**
- **Provide funding to service authorities for growth assets to support ongoing housing supply, supported by WAPC-led infrastructure coordination for items under $100M.**
- **Work with local government to bring forward strategically important lead infrastructure in growth areas, including through leveraging Federal funding opportunities to complement and better utilise committed Development Contribution Plan funds.**



Develop a Strategic Environmental Assessment Framework

UDIA WA fully appreciated the need for the Government's clear focus on the pandemic response in recent years and understood why the Strategic Assessment of the Perth and Peel Regions (SAPPR) was placed on hold in March 2020. However, as the State of Emergency has ended and with greater certainty about the future challenges we face, a strategic decision-making framework needs to be a priority to facilitate the appropriate and timely delivery of crucial housing supply.

The combination of an increasing range of environmental considerations and the lowering of consideration thresholds is leading to increased complexity and uncertainty regarding environmental assessment outcomes and elongating decision-making timeframes. For urban and urban deferred land particularly, which is identified for urban purposes in State endorsed strategies for the sustainable growth of Perth and Peel and is included in Government land supply calculations impact lot supply and housing affordability, this is unwarranted. Currently, UDIA WA members have approximately 142 hectares of existing (MRS zoned) urban land undergoing environmental assessment, 82 hectares of which is designated for urban development representing approximately 2,000 lots, $320 million of capital investment and 1,600 jobs which could be created (640 direct full time construction jobs and 960 indirect jobs in supporting industries). There is also a further 300 hectares of potential future urban land, which could provide 4,000 additional lots.

The declining supply of urban zoned land will place additional resource demands on approval authorities and negatively impact on housing affordability. Only through a coordinated, strategic response will we find a long term and productive solution to our environmental and housing supply challenges and deliver more efficient and enhanced environmental, economic and social outcomes.

UDIA WA welcomed the Independent SAPPR Review, which effectively addressed key concerns regarding the lack of stakeholder engagement and narrowed the previously overly ambitious scope of the SAPPR. As it closed, the Review had reached close alignment between industry and Government objectives.

Given the acute concerns about housing supply, it is critical that the environmental approval framework appropriately balances environmental and land use outcomes to effectively support the delivery of the Perth and Peel @3.5m Frameworks. Therefore, UDIA WA encourages the Government to develop a strategic environmental assessment framework, drawing on the learnings from the SAPPR review and with further consultation with industry. Government should explore innovative funding opportunities, including those from the Australian Government and institutional investors to assist in delivery. Further, as it would cover 'Matters of National Environmental Significance' (MNES), the State should seek Federal funding to assist with preparation.

UDIA WA recommends that the State Government make provision in the 2023/24 State Budget to:

- **Fund the preparation of a strategic environmental assessment framework for key growth areas, in consultation with the development industry.**
- **Seek the provision of Federal funding to assist and expedite the establishment of such a framework.**

Commit to longer-term property tax reform

While immediate taxation incentives are required to address the current rental crisis, there remains a need for a longer-term, more holistic review of property tax settings to provide a sustainable revenue base for Government while also encouraging private sector investment that aligns with housing and infill development objectives.

WA's population is aging and already there are legitimate concerns as to how efficiently we are using our housing stock, with stamp duty restricting the movement of households between different housing typologies as their housing needs change. Stamp duty prevents many older households downsizing and potentially aging in place and (short-term concessions aside) the inconsistent application is creating a barrier to the uptake of new multi-unit housing options including apartments and townhouses. This hampers delivery of the Government's METRONET objectives and urban infill targets.

Any perceived political challenges of property tax reform should not be an impediment to investigating potential reforms. Furthermore, we believe that there is general support for reforms with a UDIA WA survey last year revealing 58% of owner occupiers in Perth would favour a shift to land tax from stamp duty. As a first step in reform, we encourage the Government to undertake a comprehensive review of state-based property taxes.

UDIA WA recommends that the State Government make provision in the 2023/24 State Budget to:

- **Commit in forward estimates to a comprehensive review of state-based property taxes, including land tax and stamp duty regimes, and commit to longer-term reform to ensure our property taxes are fair, efficient and transparent.**

Endnotes

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