

UDIA WA

2024–25 Pre–Budget Submission



50 years
For the
community
creators

Working together to
accelerate housing supply

December 2023



Contents

From the President	3
WA's Housing Crisis	4
Priorities for the 2024-25 State Budget	6
Boosting supply across the housing continuum	8
Productivity improvements to increase market capacity	11
Infrastructure funding 'at the right time' to catalyse development	14



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.

From the President

I am pleased to present the Urban Development Institute of Australia (UDIA WA) Pre-Budget Submission. With a deepening housing crisis, the 2024-25 State Budget presents a significant opportunity to prioritise investments that will meaningfully accelerate delivery of much-needed supply across the housing continuum now, and to facilitate a more sustainable pipeline into the future.

In response to Australia's housing crisis, the National Housing Accord set a stretch target of 1.2 million homes to be created over the next five years. Western Australia's share would be approximately 25,000 new homes each year. However, over the past 15 years, there have only been three instances when WA has exceeded that number of completions.

WA is experiencing a perfect storm of headwinds, not least the record high construction costs and severe lack of skilled construction labour that is impacting industry's capacity to deliver sufficient and affordable housing supply. It is currently a challenge to meet year-on-year demand, let alone these stretch targets.

Beyond broader economic and demographic factors, ongoing challenges include the implications of the increasing layering of policy, regulation, and taxes, as well as increasingly complex approvals processes. These all add to delays and escalating costs of building new homes.

The development ready land supply pipeline has also not kept pace with demand. While there is land zoned for urban or future urban development, the reality is not all that land can be readily developed to provide housing due to a myriad of constraints.

Systemic changes to our planning system, streamlining approvals processes and ensuring 'at the right time' rather than 'just in time' infrastructure planning and provision will be essential to unlock land for development. More holistically, we need to address the siloed approach of government and to create a positive, collaborative culture to facilitate the delivery of housing and accommodate our growing population. Without this, our housing crisis will only continue to deepen.

The State Government has shown they are listening and understand the dire need to address the housing crisis in WA. The planning reform agenda that has been ongoing over the last few years is strongly supported by the development industry, including changes to Development Assessment Panels and the permanent State Development Pathway. The recent establishment of the Housing Supply Unit within Treasury, and initiatives being progressed through Streamline WA's red and green tape reduction and approvals reforms are also welcomed.

In supporting medium and higher density infill development for increased housing choice, UDIA WA also welcomed the land tax exemption for Build to Rent projects, changes to the purchase price cap for the off the plan duty concession for apartments, and the extension of the concession to apartment projects under construction. These are all measures UDIA WA strongly advocated for.

However, we cannot afford to stop now, we need to keep the momentum going to accelerate housing supply to ensure Western Australians can access diverse and affordable housing options to meet their needs. We need a balanced response driving housing supply across all segments of the housing continuum, in both established infill areas and newly created communities, aligning with the State Government's growth aspirations in Perth and Peel@3.5M.

In our Pre-Budget submission this year, we are focused on specific asks that we believe, if prioritised for funding in this Budget and forward estimates period, will make a real and tangible difference to accelerating the delivery of diverse and affordable housing supply now, over the medium term and to set up WA for a more sustainable forward pipeline.

Our focus areas are:

- **Boosting supply across the housing continuum;**
- **Productivity improvements to increase market capacity; and**
- **Infrastructure funding 'at the right time' to catalyse development.**

In an increasingly challenging climate, as an industry, we look forward to continuing to work together with the State Government to remove barriers to getting new homes on the ground. This is essential to tackle WA's deepening housing crisis so Western Australians have access to housing as a basic human right, and to ensure our state remains a great place to live, work, play, and invest.



A stylized, handwritten signature in black ink, appearing to read 'R. Pappas'.

RICHARD PAPPAS
PRESIDENT
UDIA WA

WA's Housing Crisis

Western Australia, like the rest of the country, is amid a housing crisis. Throughout the pandemic and through 2023 demand for new homes continues to escalate. Unfortunately, supply has not kept pace and, despite an uplift in greenfield market activity in recent quarters¹, this situation is set to continue. Based on recent forecasts, WA is set to be at least 20,000 homes short of what is needed over the next three years².



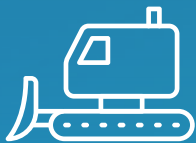
-38%

drop in dwelling approvals compared to long-run (10-year) average – with detached house approvals down 20% and multi-unit approvals down 41% on a rolling 12-month basis to September 2023 (Source: ABS; UDIA WA).



+32%

increase in building material input costs since pre-pandemic, March 2020 (Source: ABS; UDIA WA).



-30%

drop in total dwelling commencements over the 12 months to June 2023, 34% down on the long-run average (Source: ABS; UDIA WA).



-37%

drop in multi-unit and apartment commencements over the 12 months to June 2023, 48% down on the long-run average (Source: ABS; UDIA WA).



16.1 months

detached house completion timeframe, which is the longest in the country and considerably longer than the national average of 11.5 months (Source: HIA).



26,500

dwellings under construction (78% were separate dwellings) at the end of the June quarter, 53% up on the long run average (Source: ABS; UDIA WA).



-30%

drop in total dwelling completions over the 12 months to June 2023, 33% down on the long-run average (Source: ABS; UDIA WA).

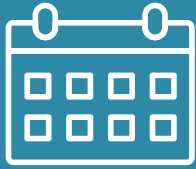


-41%

reduction in established properties on the market for sale in metropolitan Perth in November 2023 (3,900) compared to 12 months prior, 61% lower than the long-run average (Source: REIWA; UDIA WA).

¹ Perth's greenfield land market recorded three consecutive quarters of strong growth to September 2023 (up 12% on the June quarter and up 72% from 12 months earlier), underpinned by a significant increase in investor activity.

² Based on Federal government projections released in April 2023.



8 days

average time on the market for houses in Perth, 78% lower than the long-run average of 33 days (Source: REIWA; UDIA WA).



+10%

growth in Perth's median house price (\$600,000) in the 12 months to November 2023, compared to 7.8% growth over the prior 12 months (Source: CoreLogic; UDIA WA).



0.5%

rental vacancy rate in Perth (as at November 2023), which is the lowest in the nation and the lowest level recorded in 11 years. (Source: CoreLogic; UDIA WA).



\$597

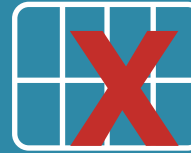


average weekly rent in Perth, 37% increase since March 2020 (Source: CoreLogic; UDIA WA).



+86,769

net increase in population for FY23 (Source: ABS; UDIA WA).



~8,200 ha (29%)

of undeveloped MRS urban zoned land and potential future urban zoned land in Perth and Peel is constrained – approx. 4,000 hectares with 'fundamental constraints' and 4,200 hectares with 'other constraints' (UDIA National Housing Pipeline).



122,000–160,000

potential new homes may not be realised across Perth and Peel due to these land supply constraints.



20,000

homes short over the next three years to meet expected year-on-year demand for new household creation in WA (Source: NHFIC).



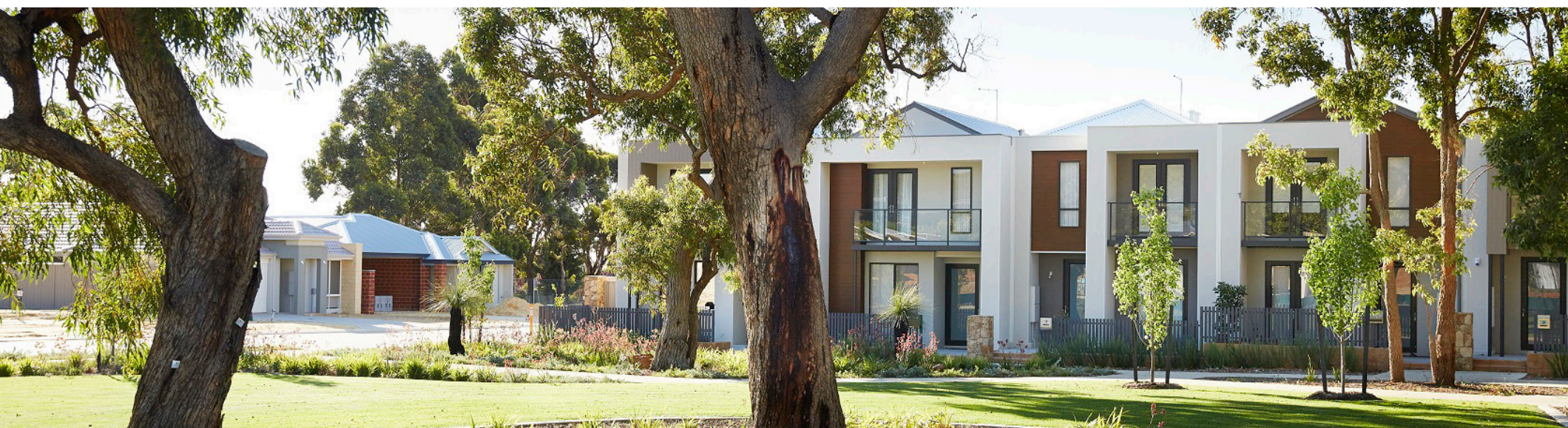
Priorities for the 2024–25 State Budget

UDIA WA's Pre-Budget Submission presents a series of 'asks', that we believe should be funded as a priority in the 2024–25 State Budget to accelerate much-needed supply across the housing continuum. These seek to respond to our current housing crisis and to help position WA for a better housing future.

The 2024–25 State Budget should be prepared through a housing supply and affordability lens, cognisant of the following guiding policy goals in mind:

- Facilitate housing choice through supporting a development ready supply pipeline and implementing measures to boost project viability, across the housing continuum.
- Ensure a planning-led, collaborative, and integrated design and approvals framework.
- Avoid further layering of regulation, policy, taxes or charges that adversely impact feasibility and the affordability of the supply of new housing, rightsizing to release capacity, and investment to increase rental availability.
- Seek to level the playing field on taxation to support infill development and Built to Rent.
- Ensure no reduction in resourcing within the infrastructure and service agencies necessary to facilitate the delivery of housing supply, for example within Western Power.
- Shift from a 'just in time' to an 'at the right time' approach to infrastructure planning, coordination, and funding.
- Prioritise infrastructure funding commitments to those items which will deliver the highest dwelling yields.
- Maximise the construction industry's capacity to deliver housing now and into the future through ensuring WA can attract and retain an appropriately skilled workforce, and facilitate innovation.
- Ensure a collaborative culture and governance framework that facilitates cross-Government commitment to deliver on the State Government's growth aspirations for Perth & Peel@3.5m.

More specifically, we recommend that the State Government makes provision in the 2024–25 State Budget as per the table on the following page:



Ask	Estimated funding requirement	Responsible Department/Agency
Boosting supply across the housing continuum		
Expand the Infrastructure Development Fund into an Infill Development Catalyst Fund enabling the delivery of medium and higher density residential projects which are currently unviable.	\$80M (\$51M already committed)	Department of Planning, Lands and Heritage
Make permanent the off-the-plan transfer duty concession (pre-construction and under construction), or at least extend it across the forward estimates.	\$116.8M (\$79.5M committed)	Department of Finance
Remove the Foreign Buyer Surcharge, or at a minimum introduce a moratorium on the Foreign Buyers Surcharge for two years.	\$67M	Department of Finance
In consultation with the development industry, prioritise the identification and release of State Government land that is feasibly able to be converted into housing supply	\$5M	Department of Planning, Lands and Heritage
Boost the supply of affordable housing and work collaboratively with the Federal Government to provide funding to enable the establishment a new NRAS scheme.	\$176.48M (\$8.879M committed)	Department of Communities
Productivity improvements to increase market capacity		
Task the Housing Supply Unit within Treasury to undertake a cross-government capability review to identify blockages to housing supply.	\$500K	Department of Treasury
Provide resourcing to enable EPA Services/DWER involvement in strategic planning.	\$2.49M	Department of Water and Environmental Regulation
Invest funding and collaborate with the Federal Government and industry to accelerate regional planning for Perth and Peel to create a planning-led environmental decision-making framework.	\$4M	Department of Water and Environmental Regulation
Resource the development of a strategic plan and fund for offsets and rehabilitation, particularly for the Swan Coastal Plain (SCP), and ensure multi-agency collaboration.	\$3.096M	Department of Water and Environmental Regulation
Fund the development and implementation of a Construction Workforce Attraction and Retention Strategy and plan for Perth and the Regions.	\$500K	Department of Jobs, Tourism, Science, and Innovation
Pilot an innovation fund to support industry to undertake R&D into advanced construction practices and technology and digitalisation to respond to skills and labour challenges.	\$5M	Department of Jobs, Tourism, Science, and Innovation
Infrastructure funding 'at the right time' to catalyse development		
Establish and resource a Coordinator General role and team for strategic infrastructure coordination and delivery.	\$2.49M	Department of Planning, Lands and Heritage
Establish a Growth Areas Catalyst Infrastructure Fund for planning and delivery of identified crucial enabling infrastructure items/packages to accelerate housing delivery in key growth areas.	<p>Initial commitment of approx. \$468M (\$110M committed)</p> <ul style="list-style-type: none"> • North Ellenbrook and Bullsbrook - \$288M (\$98M committed) • East Wanneroo - \$135M • Mundijong and Wellard - \$45M (\$12M committed) 	<p>Department of Planning, Lands and Heritage</p> <p>(Water Corporation, Western Power, Main Roads)</p>



Boosting supply across the housing continuum

Having a place to call home is a fundamental human need and right. In this challenging market, and with cost-of-living pressures and demand for housing continuing to increase, we must work collaboratively to boost supply and housing choice across the continuum. This includes supply for rental and ownership, across a range of housing types, sizes, and price points, and in a range of areas, to suit the different household needs of our current and growing population.

The problem:

We have seen a drastic decline in new apartment project commencements in WA, further compounding the housing crisis. According to Urbis Apartment Essentials data, four new apartment projects (totalling 307 apartments) commenced construction in the first three quarters of 2023, and four additional projects (totalling 443 apartments) were earmarked to launch in the final quarter. This 12-month supply – eight projects totalling 750 apartments – compares to a five-year average of 17 projects totalling 1,359 apartments starting construction annually.

When looking at apartments and multi-unit commencements, we have seen a 37% drop over the 12 months to June 2023, 48% below the long run average. This lack of new supply coming through is having an immediate impact on the housing market and will have longer term consequences.

With escalating materials costs; labour and skills shortages; high cost of infrastructure upgrades and provision; and the cumulative impact of the layering of other taxes, fees and charges, apartment projects are proving increasingly difficult to make viable for financing to get them off the ground. This is particularly the case for higher density projects and the provision of supply at the more affordable end.

The loss of investors in WA has negatively impacted all segments within the Perth property market. While we are starting to see investors return in the greenfield market, the loss continues to disproportionately affect built-form developers who are heavily reliant on pre-sales to commence projects. The Foreign Buyers Surcharge 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 revenues³, it had only generated half of that (\$64 million).

While Perth currently remains one of the most affordable capital cities in Australia, pressure on purchase and rental prices due to supply constraints is becoming increasingly evident. In fact, Perth experienced the strongest growth in property prices in the nation this year according to the Proptrack Home Price Index.

Affordability will continue to erode with the lack of availability of more diverse and affordable options for downsizers and to enable rightsizing, and for key workers, students and others whose lifestyle and needs could be more appropriately catered for by access to townhomes, units, and apartments. This is a challenge for both ownership and rental. With shrinking household sizes, increasing overseas migration, and increasing numbers of overseas students, demand for more compact living options close to transport and local services and amenities is set to increase.

Importantly, Build-to-rent (BTR) offers an effective, sustainable solution to many of our existing and long-term rental challenges. However, progress has been slow, not least due to current taxation settings which do not effectively incentivise investment to this sector.

We commend the State Government's willingness to listen to industry and act swiftly in working collaboratively to tackle barriers to medium and higher density infill development. In particular, introducing the land tax exemption for BTR projects once operational; changes to and extension of the off the plan and under construction duty concession for apartments; the interim measures for cash-in-lieu contributions for public open space; and the Medium Density Code review. These are all measures UDIA WA strongly advocated for.

Another welcome measure was the Infrastructure Development Fund, which provided some assistance for apartment projects. However, in the current market conditions it remains extremely challenging to make unviable projects viable. It is understood that successful projects are typically only eligible to receive around \$5,000 of the potential \$10,000 per apartment through the current Fund, and despite securing this funding some projects remain stalled. Other apartment projects which could commence construction in the near-term are ineligible because they are outside the central sub-region or METRONET station precincts, in infill areas where it is even more challenging for project feasibilities to stack up.

The opportunity:

Industry supports the State Government's vision for a more compact and connected city under the Perth and Peel@ 3.5 million frameworks and METRONET. If we are to achieve this vision and work towards everyone in Western Australia having a place to call home, now is the time to be putting all our collective efforts into getting a diversity of housing options on the ground.

We need to:

- Attract more investors – this is crucial for pre-sales to get projects going sooner, for rental stock and for overseas people coming here to live and work.
- Do more in both the short and longer term to attract institutional and smaller

scale investors to build the rental housing capacity in Perth and the regions.

- Take a more serious look at the cumulative cost and impact of policy, regulation, and taxation on the delivery of medium and higher density infill, especially apartments.
- Work collaboratively (Government, private and community housing sectors) to accelerate the supply of social, affordable, and diverse housing options so people have access to appropriate homes for ownership and rental. This should include measures like density bonuses to facilitate the viability of infill apartment projects.

The asks:

UDIA WA recommends that the State Government makes provision in the 2024-25 State Budget to:

Ask	Estimated Funding Requirement
<p>Expand the Infrastructure Development Fund into an Infill Development Catalyst Fund enabling the delivery of medium and higher density residential projects which are currently unviable.</p> <p>Such an expanded Fund should:</p> <ul style="list-style-type: none"> • support projects of 20+ dwellings (e.g. apartments, townhouses, BTR), in metropolitan infill areas (relaxing current locational restrictions). • allow the developer to apply for reimbursement of a range of statutory fees and charges imposed on development, such as the below where relevant: <ul style="list-style-type: none"> • Land tax e.g. from DA to construction completion • Headworks • Council costs – e.g. public art contributions, development contributions, council rates, and building license fees • Be structured to provide sufficient certainty to developers and financiers to account for the funding in project feasibilities and kick start construction while also reducing the risk to government. This could include: <ul style="list-style-type: none"> • Applications to be made once a DA is approved. • Construction to commence within two years of approval and complete within four years, with the potential for a 12-month extension (as per the current Fund). • Costs being paid on issue of a building license. 	<p>\$80M (\$51M already committed)</p> <ul style="list-style-type: none"> • FY24-25 Budget Year - \$35M (\$25.568M already committed) • FY25-26 - \$35M (\$25.575M already committed) • FY26-27 - \$15M <p><i>Capped at delivery of 4,000 units, at rebate of up to \$20,000 per unit in line with the scale of these costs imposed on apartment and townhouse projects.</i></p>

Ask	Estimated Funding Requirement
<p>Make permanent the off-the-plan transfer duty concession (pre-construction and under construction), or at least extend it across the forward estimates.</p> <p>The scheme has been successful in assisting new apartment projects to get off the ground and to create jobs. In the current challenging climate, there is a need to continue to accelerate pre-sales and construction to provide certainty to attract investors, increase consumer confidence and allow developers to release capital for new projects sooner. As such the concession needs to be extended past contracts signed by 30 June 2025.</p>	<p>\$116.8M (\$79.5M committed*)</p> <ul style="list-style-type: none"> FY24-25 Budget Year - \$22.3M (committed) FY25-26 - \$31.5M (committed) FY26-27 - \$31.5M (\$25.6M committed) FY27-28 - \$31.5M <p><i>*Based on lost revenue from revenue measures in the FY23-23 State Budget, additional \$13.9m for projects under construction committed in October 2023 and extension through forward estimates.</i></p>
<p>Remove the Foreign Buyer Surcharge, or at a minimum introduce a moratorium on the Foreign Buyers Surcharge for two years.</p> <p>With the Federal Government to introduce legislation in 2024 to increase charges for foreign buyers to incentivise properties being freed up for rental stock and to encourage the construction of new homes⁴, WA showing leadership by removing the surcharge (at least for two years) would be timely and complementary. There are also questions around whether State-based foreign-investor laws are incompatible with taxation treaties that Australia has with several countries.</p>	<p>\$67M**</p> <ul style="list-style-type: none"> FY24-25 Budget Year - \$32M FY25-26 - \$35M <p><i>**Estimated revenue loss based on FY2023-24 Mid-year Financial Projections Budget forecasts for FY24-25 and FY25-26.</i></p>
<p>In consultation with the development industry, prioritise the identification and release of State Government land that is feasibly able to be converted into housing supply.</p> <p>While UDIA welcomes the commitment from the State Government to work in partnership with the private and community housing sectors, with a requirement for 20% social housing, in the context of current market conditions the Housing Diversity Pipeline (HDP) sites present a challenge. More viable infill sites should be identified to supplement, and in some cases be prioritised over, the current HDP sites to accelerate delivery of social, affordable, and diverse supply.</p>	<p>\$5M</p> <ul style="list-style-type: none"> FY24-25 Budget Year - \$2.5M FY25-26 - \$2.5M
<p>Boost the supply of affordable housing and work collaboratively with the Federal Government to provide funding to enable the establishment a new NRAS scheme.</p> <p>With the current National Rental Affordability scheme commitment ending in 2026, the 20% below market rate subsidy that benefits the eligible households (3,580 as at 30 September 2023⁵) will be lost. This will put increasing pressure on our already constrained public housing waitlists and rental stock, and add to cost of living pressures for households which are sensitive to cost increases. 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% discounted rate to the market. It should ideally remain in place for 10-15 years.</p>	<p>\$176.48M (\$8.879 committed)***</p> <ul style="list-style-type: none"> FY24-25 Budget Year - \$42.5M (\$5.84M committed) FY25-26 - \$43.56M (\$3.04M committed) FY26-27 - \$44.65M FY27-28 - \$45.77M <p><i>***Based on commitments in the FY23-24 Budget and assuming \$8,500/dwelling⁶ for 5,000 affordable rental dwellings to be available each year, plus CPI at 2.5%.</i></p>

⁴ The new legislation will see the annual vacancy tax being doubled to encourage foreign investors to make their unoccupied residential properties available to renters, and application fees when purchasing an established home tripled (with the tripled fees being applied twice if the property is left vacant).

⁵ Australian Government, 2023. National Rental Affordability Scheme Quarterly Performance Report, As at 30 September 2023. https://www.dss.gov.au/sites/default/files/documents/10_2023/september-2023-nras-quarterly-performance-report.pdf

⁶ From work undertaken by Shelter WA.



Productivity improvements to increase market capacity

Ensuring we have the right culture, resources, capabilities, and processes in place is essential to support and increase capacity to deliver housing in WA. This will be vital not only in responding to our current housing crisis, but also for futureproofing so we are not destined to continue to experience the same constraints as we do today.

The problem:

Housing supply is influenced and impacted by a wide range of Government departments, agencies, and Government Trading Enterprises (GTEs), with many individual points of friction in the development process which, right now, are slowing the delivery of critically needed housing supply. The timeframes and processes involved in environmental assessments and approvals is a key challenge to unlocking land that has been zoned for urban development for new housing, as is working with Western Power to secure design approvals, clearances and energisation.

While some parts of the Government have shown a willingness to work with industry to release the pressure valve, there remain systemic issues and the cumulative impact of decisions made by those operating in siloes currently is crippling industry's capacity to deliver timely supply.

When it comes to environmental approvals, the development industry is acutely aware of the importance of conserving our environment and strives to achieve high standards of environmental outcomes in projects. However, the current conservative (not risk-based) approach to assessments and process over customer-centric and outcomes focused service delivery has led to many unnecessary and costly delays. Further, the introduction of the cost recovery system for environmental approvals in January 2022 was under the pretence of improving service delivery. This is yet to have paid dividends and there is a distinct lack of transparency around the expenditure of these funds.

The structural changes that the Department of Water and Environmental Regulation (DWER) have introduced this year, and the recently announced recommendations of the independent review of the environmental assessment process (initiated by Streamline WA and which UDIA WA participated in), have been strongly welcomed by the industry. These are important steps towards anticipated improvements in service provision and reduced timeframes and complexity of approvals.

However, these changes are just the start of a long required wider system overhaul to deliver improved land use, social and environmental outcomes under the Perth and Peel @ 3.5m frameworks.

The challenges experienced have been compounded by and stem from the lack of a strategic, planning-led approach to environmental decision-making. The current piecemeal approach provides little certainty around the delivery of housing on land currently zoned urban or identified as potential future urban zoned land, and it prevents opportunities for holistic environmental management responses. As it currently stands, there is also no comprehensive strategic plan for offsets and rehabilitation, which constrains the ability of industry to appropriately respond to offset requirements in developing land.

Beyond such systemic challenges in working with government to secure necessary approvals, the broader and ongoing labour and skills shortages within the construction industry significantly constrain capacity to deliver housing in WA. Attracting and retaining an appropriately skilled construction workforce in WA is not a new problem, with the cyclical nature of our industry it is a repeated occurrence. WA's construction market used to be counter-cyclical to the Eastern States, so we were able to draw labour from there, but we are now seeing competing demand from states like Queensland. The State Government's recent investments in training and development initiatives are welcomed and will help to increase the skilled workers within the State however, skilled migration is still critical to address immediate and ongoing shortfalls. Further, if we cannot both attract and retain the workforce in the WA construction industry, do not leverage the benefits of technology and digitisation, and continue to build the way we always have, we will continue to have skills, labour, and overall capacity constraints.

The opportunity:

There is a need for Government to think and act more holistically when it comes to the response to delivering housing supply across the continuum, both to tackle the immediate crisis and for a unified approach to facilitating its growth aspirations for Perth and Peel @ 3.5M. With the establishment of the Housing Supply Unit in Treasury, now is the opportune time to get the governance, culture, and processes right to facilitate this and ensure decisions are made through a housing supply and affordability lens. The effectiveness of this Unit will be highly dependent on taking a systems view of all friction points, potential barriers and Government levers that impact on the ability to deliver diverse and affordable housing supply.

To maximise capacity to deliver, we need to:

- Take a whole of Government view of housing supply, to understand what the current capabilities are and what needs to improve across the entire system rather than on a piecemeal basis.

- Continue working to reduce or eliminate friction points in the supply pipeline and provide greater certainty for industry (e.g. through strategic planning), recognising that speed to market is critical.
- Address the skills gap through an increased focus on attraction and retention, as well as innovation, research and development to improve resilience and productivity. In addition to the below, removal or at least temporary suspension of the Foreign Buyers Surcharge is a complementary measure which will help to make WA a more attractive option for foreign labour to settle.

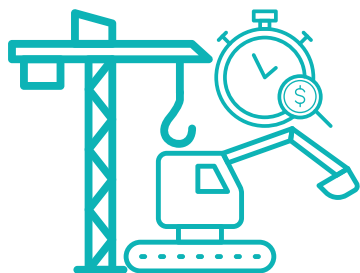
The asks:

UDIA WA recommends that the State Government makes provision in the 2024–25 State Budget to:

Ask	Estimated Funding Requirement
<p>Task the Housing Supply Unit within Treasury to undertake a cross-government capability review to identify blockages to housing supply.</p> <p>This is necessary to take a holistic and strategic view of the State Government's current capabilities and areas for improvement in facilitating the timely provision of much-needed supply, across the housing continuum. It should be undertaken consistently within the Agency Capability Framework (including a focus on culture and relationships) and by an independent reviewer external to the departments/agencies/GTEs that influence performance in relation to housing supply, with support from a dedicated team at the Public Sector Commission. In addition to the initial funding for the review, there must be a commitment to implementing the recommendations.</p>	<p>\$500K</p> <ul style="list-style-type: none"> • FY24–25 Budget Year – \$500K • FY25–26 – TBC for implementation • FY26–27 – TBC for implementation
<p>Provide resourcing to enable EPA Services/DWER involvement in strategic planning.</p> <p>There is currently a reluctance by the EPA to engage with industry outside of statutory obligations and processes and a need for enhanced collaboration between the EPA and WAPC, better balancing land use and environmental outcomes. The establishment of a strategic planning team should be prioritised in the immediate term to work more closely with the development industry outside of the statutory process (i.e. prior to schemes), which can be facilitated through the existing legislative framework.</p>	<p>\$2.49M*</p> <ul style="list-style-type: none"> • FY24–25 Budget Year – \$600K • FY25–26 – \$615M • FY26–27 – \$630K • FY27–28 – \$646K <p><i>*Based on 4 X FTE at approx. \$600K/annum, plus CPI at 2.5%</i></p>
<p>Invest funding and collaborate with the Federal Government and industry to accelerate regional planning for Perth and Peel to create a planning-led environmental decision-making framework.</p> <p>This must duly consider the federal overlay and State relevant matters to avoid duplication as part of the Nature Positive Reforms, and utilise the research and work undertaken for the Strategic Assessment of Perth & Peel Region. This is crucial to provide more certainty for industry now, and in the longer term, as well as to enable a more holistic response to environmental management.</p>	<p>\$4M</p> <ul style="list-style-type: none"> • FY24–25 Budget Year – \$1.5M • FY25–26 – \$1.5M • FY26–27 – \$1M

Ask	Estimated Funding Requirement
<p>Resource the development of a strategic plan and fund for offsets and rehabilitation, particularly for the Swan Coastal Plain (SCP), and ensure multi-agency collaboration.</p> <p>For TECs like Tuart and Banksia Woodland, as well as species such as black cockatoos, which are commonly encountered in development on the SCP, there would be value in establishing strategic expectations around the conservation outcomes overall for each, and the mechanisms proposed to do this. This would entail setting targets for TEC and black cockatoo habitat to be reserved and/or restored over the next 20 years. This piece should dovetail with regional planning and include a plan for and commitment to the purchase, rehabilitation, and management of strategic sites through the creation of a fund for a more strategic response as an alternative to the current piecemeal approach. This will result in more certainty for industry, provide accountability and deliver enhanced environmental outcomes.</p>	<p>\$3.096M**</p> <ul style="list-style-type: none"> • FY24-25 Budget Year – \$900K • FY25-26 – \$920K • FY26-27 – \$630K • FY27-28 – \$646K <p><i>** Includes 4 x 1 FTE at approx. \$600K/annum and operational funds/ consultancy expenses plus CPI at 2.5%. Further implementation funding will be required when the plan is developed.</i></p>
<p>Fund the development and implementation of a Construction Workforce Attraction and Retention Strategy and plan for Perth and the Regions.</p> <p>This should include the commissioning of a specialist consultant and a dedicated FTE to work with the peak bodies and the Federal Government to negotiate and administer a Construction Industry Labour Agreement.</p>	<p>\$500K</p> <ul style="list-style-type: none"> • FY24-25 Budget Year – \$500K • FY25-26 – TBC for implementation • FY26-27 – TBC for implementation
<p>Pilot an innovation fund to support industry to undertake R&D into advanced construction practices and technology and digitalisation to respond to skills and labour challenges.</p> <p>With the ongoing skills and labour challenges and the cyclical nature of the WA construction industry, there is a need for government to support industry in exploring more innovative ways to fill the void and futureproof the industry.</p>	<p>\$5m</p> <ul style="list-style-type: none"> • FY24-25 Budget Year – \$2.5M • FY25-26 – \$2.5M





Infrastructure funding 'at the right time' to catalyse development

Lead infrastructure is a crucial component of a development-ready pipeline. Working collaboratively to proactively plan, coordinate and deliver strategically important infrastructure at the right time has never been more crucial to catalyse development for the creation of new homes.

The problem:

Perth's greenfield land market recorded three consecutive quarters of strong growth to the end of the September quarter 2023 (up 12% on the June quarter and up 72% from 12 months earlier), underpinned by a significant increase in investor activity. However, dwelling approvals, commencements and completions are all significantly down on the long-run average. This will continue to be a problem, with supply not being able to keep pace with demand.

While we need to increase infill development, a balanced response is needed to WA's housing crisis. In continuing to provide affordable housing choices – many homes delivered in newly created communities are often at or under Perth's medium house price.

There is a perception that there is plenty of land available that is zoned for urban or future urban development however, the reality is not all that land can be developed into housing due to a myriad of constraints. UDIA's National Housing Pipeline (NHP) Perth and Peel Pilot Report released this year highlighted that one quarter of undeveloped urban zoned land in the Perth Metro Area is identified as being fundamentally constrained. A further 18% of all potential future urban land, such as land in planning investigation areas and zoned as urban deferred, is identified as fundamentally constrained. That equates to between 150,000 to 200,000 potential new homes that cannot be realised.

The NHP pilot also identified a further 20% of undeveloped urban zoned or potential future urban land that has 'other' types of constraints, which will prove challenging to the delivery of new homes.

Given these constraints, and as greenfield land parcels become increasingly fragmented, delivering development together with appropriate infrastructure is becoming increasingly difficult and we need a greater focus on addressing constraints wherever we can to unlock land for new homes.

This is also impacted by the 'just in time' infrastructure planning and funding approach of service agencies. This current approach, and lack of holistic understanding of the development pipeline intentions, impacts capacity to address:

- issues associated with land ownership fragmentation, which impact on the ability of industry to fund enabling infrastructure upfront;
- requirements for service agency commitment ahead of traditional planning framework requirements;
- State Government funding constraints, with submissions to Infrastructure Australia typically needing to exceed \$100 million – without packaging strategically important items, we will continue to miss opportunities for Federal funding such as through the National Housing Infrastructure Facility Critical Infrastructure (NHIF CI) Fund; and
- the need for industry and government to collaboratively leverage infrastructure to deliver timely housing supply in identified, key growth areas.

In the four years to 2022–23, WA received \$14.9 billion – approximately half of the national average per capita infrastructure spend, ranking last for the sixth consecutive year⁷ (refer to Figure 1 on the next page). UDIA WA welcomed the State Infrastructure Strategy prepared by IWA, highlighting the need for greater government infrastructure coordination and investment, as well as the State Government's \$80 million Infrastructure Development Fund commitment. While the Government has recently released its inaugural State Infrastructure Program, this largely reflects existing Budget commitments and only outlines broad themes for the forward infrastructure outlook. There is a continued lack of strategic infrastructure coordination across State Government and planning and delivery of crucial enabling infrastructure.

The State Government's failure to set out key strategic infrastructure projects and signal support and funding commitment (including securing Federal funding) to enable early planning for residential projects has and will continue to constrain land supply for housing.

The opportunity:

It is crucial that infrastructure coordination, funding and delivery align with development pipeline intentions for undeveloped urban zoned land and potential future urban land to deliver much needed homes and support the ongoing economic competitiveness and liveability of our State.

To do this effectively, there is a need to shift to an 'at the right time' approach to infrastructure planning and funding that will enable industry to:

- Bring new housing to the market faster than currently possible;
- Unlock diverse and affordable housing options, delivered below the Perth median house price;
- Work towards the consistent availability of land supply to the market;
- Support a collaborative response to WA's housing crisis.

The ask

UDIA WA recommends that the State Government makes provision in the 2024-25 State Budget to:

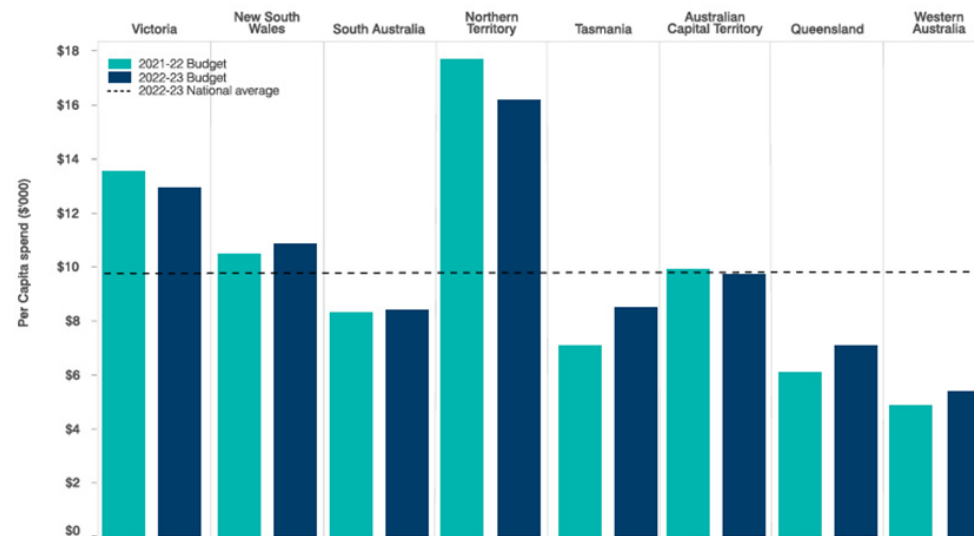


Figure 1 Per capita infrastructure funding by State and Territory (Infrastructure Partnerships Australia)

Ask	Estimated Funding Requirement
<p>Establish and resource a Coordinator General role and team for strategic infrastructure coordination and delivery.</p> <p>Leveraging the WAPC reform to drive accountability around strategic infrastructure coordination, this function could report to the WAPC Chair, or DPLH Director General. Similar to the new Coordinator General role to fast-track priority environmental approvals across Government, it should have a clear mandate to coordinate and facilitate the planning and delivery of strategically important infrastructure priorities to ensure appropriate multi-agency resourcing, prioritisation, and funding.</p>	<p>\$2.49M*</p> <ul style="list-style-type: none"> • FY24-25 Budget Year – \$600K • FY25-26 – \$615K • FY26-27 – \$630K • FY27-28 – \$646K <p><i>*Assumed 4 X FTE/annum plus CPI and see infrastructure packages below.</i></p>
<p>Establish a Growth Areas Catalyst Infrastructure Fund for planning and delivery of identified crucial enabling infrastructure items/packages to accelerate housing delivery in key growth areas.</p> <p>This Fund could be overseen by the Coordinator General role and team within WAPC/DPLH, with it initially focusing on progressing the identified infrastructure packages.</p>	<p>Initial commitment of approx. \$468M</p> <p>(\$110M committed)</p> <p><i>See identified infrastructure packages on following page.</i></p>

Initial enabling packages for the Growth Areas Catalyst Infrastructure Fund

Growth Area	Crucial enabling infrastructure items	Estimated funding requirement	Dwelling yield unlocked
North Ellenbrook and Bullsbrook	<ul style="list-style-type: none"> Multiple wastewater pump/transfer stations and sewer trunk infrastructure to connect into Barrambie Way. Extension of water reticulation trunk mains. Zone substation upgrades and feeder extensions. Railway Parade and Warbrook Road upgrades. North Ellenbrook Interchange. <p><i>This is crucial enabling infrastructure as no titling can occur until this is constructed. Funding is currently committed (including \$25m from land owners), with \$2m already allocated for FY22-23 and FY23-24, \$1m allocated for FY24-25, \$11m for FY25-26 and \$86m for 2026-27. However, it is understood that construction is due to commence in 2026 and cost escalation is expected. The ask is to bring forward funding to accelerate early works to ensure construction commences in 2025 and to cover potential cost escalation.</i></p>	<p>\$288M package (\$98M committed):</p> <p>\$170M</p> <ul style="list-style-type: none"> FY24-25 Budget Year – \$8.5M (5%) for planning FY25-26 – \$17M (10%) for planning and acquisition FY26-27 – \$102M (60%) FY27-28 – \$42.5M (25%) <p>\$118M (\$98M committed)</p> <ul style="list-style-type: none"> FY24-25 Budget Year – \$5M for planning, design & approvals FY25-26 – \$35M preparatory works on site & construction commencement FY26-27 – \$78M 	28,500
East Wanneroo	<ul style="list-style-type: none"> Jandabup 'A' and 'D' wastewater pump stations and interim pressure mains. Wanneroo Reservoir upgrade. Transmission line upgrades and construction of zone substation and HV network feeder extensions. Construction of groundwater management system. Planning for the ultimate Jandabup A pump station*. <p><i>*Upgrade of the pump station (\$40m) is in Water Corporation's CIP for 2035 but it will be required by 2030. To enable this, planning must commence within the forward estimates – \$2M in each FY26-27 (for planning) and FY27-28 (planning and acquisition).</i></p>	<p>\$135M package</p> <ul style="list-style-type: none"> FY24-25 Budget Year – \$6.75M (5%) for planning FY25-26 – \$13.5M (10%) for planning and acquisition FY26-27 – \$81M (60%) FY27-28 – \$33.75M (25%) 	30,000

Growth Area	Crucial enabling infrastructure items	Estimated funding requirement	Dwelling yield unlocked
Mundijong and Wellard	<ul style="list-style-type: none"> Mundijong Road upgrade (including intersections). District level wastewater pump station to Rockingham Treatment Plant. Planning of future substation site. Wastewater pump station and pressure main. <p><i>An allocation of \$12M for Mundijong Scott Raad pump station is included in Water Corporation's CIP but due to inability for developers to pre-fund, it needs to be brought forward to 2024-25 to provide for the reimbursement of pump station works on completion of construction.</i></p>	<p>\$45M package (\$12m committed):</p> <p>\$33M</p> <ul style="list-style-type: none"> FY24-25 Budget Year – \$3M FY25-26 – \$20M FY26-27 – \$10M <p>\$12M (committed)</p> <ul style="list-style-type: none"> FY24-25 Budget Year – \$12M 	<p>13,500</p> <p>Plus West Mundijong Industrial Area</p>

Note:

- In conjunction with the UDIA National Housing Pipeline, UDIA WA has been progressing work through our Infrastructure Committee to identify the infrastructure building blocks to unlock land for housing.
- This has involved a working group comprising developers, engineers and planners examining key corridors that can deliver substantial supply (based on planning frameworks, developer intentions, etc.) to identify the infrastructure constraints. There has also been preliminary engagement with service agencies and several local governments.
- Funding commitment is required for these crucial enabling infrastructure packages to unlock residential development in identified key growth areas.
- These initial areas are growth areas where a significant amount of housing could be unlocked in multiple projects if the enabling infrastructure constraints can be addressed.
- The development industry believes there is a direct correlation between the infrastructure funding and accelerated delivery to market.
- Unless otherwise indicated, there is currently no committed funding for these items.
- The packages include items to enable the delivery of new homes to commence, not necessarily additional infrastructure which will be required to deliver full dwelling yield.
- The costs are estimates only, based on publicly available information and industry expertise. Further work is required by Government to confirm the detailed costings for delivery of these crucial enabling infrastructure items.
- Work is continuing on the preparation of UDIA's NHP Infrastructure Requirements Report, which will provide further details for these and other key growth areas. The intent is to finalise it in early 2024 and update the information annually.



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