

16 September 2009

---

## **Dramatic Drop in New Housing Construction Development Industry Calls for Urgent Changes for NSW Stamp Duty Reduction**

In response to the disastrous dwelling commencement statistics released yesterday by the Australian Bureau of Statistics, the Urban Development Institute of Australia (UDIA NSW) has written to the NSW Treasurer seeking urgent amendments to the Government's Housing Construction Acceleration Plan (HCAP).

UDIA NSW Chief Executive Stephen Albin said that, "we've just seen a 40 percent reduction in the construction of new apartments and semi-detached housing – some very concerning results for both policy makers and the development industry. We need to ensure that the levers of Government are targeted appropriately to help relieve the incredibly tough conditions faced by developers at the moment."

The HCAP was announced as a key budget measure for the NSW Government in June 2009, designed to stimulate demand in the housing market. The HCAP provides a 50% reduction in stamp duty payable for new home purchases other than first homebuyers for homes under \$600,000 until 31 December 2009.

In light of the dramatic decline in new apartment construction, UDIA NSW is calling on the NSW Government to extend the stamp duty reduction until at least July 2010 so that developers can start acquiring new sites and begin bringing new stock to the market. Stephen Albin said that, "the HCAP is clearly targeted towards investors in the apartment market and is based on the assumption that there is a lot of stock in the development pipeline. This simply is not the case. To have some real impact on investment in new dwelling stock, the HCAP needs to influence development acquisition activity across the market. A six month burst of activity may help move some existing stock, but there just isn't the development pipeline there that we've had in the past."

Stephen Albin said that "housing demand is being supported by Government stimulus and cyclical conditions but the supply response is being held back by slow rezoning processes and incredibly challenging conditions for securing finance for new projects. Now is the time to ensure that the levers of Government are used to ensure that demand is maintained to influence a strong supply response and any roadblocks to bringing new housing to the market are removed. If we don't see a dramatic turnaround in housing supply soon, we run the real risk of house price inflation and declining housing affordability."

Stephen Albin said that, "the Government has boldly forecast a 40 percent increase in housing production to 24,595 in Sydney in the 09/10 financial year. Yesterday's figures from the ABS reveal that this forecast is becoming increasingly difficult to achieve."

UDIA NSW has also warned that the HCAP as it stands, only applies to either the transaction of house and land packages or new apartments, not on the sale of blocks of land. Stephen Albin said that, "the stamp duty reduction needs to be broadened to include the sale of new blocks of land. The biggest potential for upswing in housing supply will be from the sale of new blocks of land that can support houses and this area of the market has been completely overlooked by the Government in its stamp duty budget measures."

Stephen Albin added that, "it is becoming increasingly obvious that the apartment market will struggle to contribute to the Governments housing supply forecasts to the extent required and there are very few

developers who are speculating on house and land packages, the finance for these sorts of projects just simply isn't available.

"The Government needs to respond to what's happening in the market. If we don't see a targeted response to this very critical position the housing market is in, we run the real risk of a serious decline in housing affordability."

**For Media Enquiries, please contact:**

Lisa Marshall  
Communications Manager  
0417 493 899  
02 9262 1214