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MEDIA RELEASE

Private sector investment must be unlocked to hit housing targets

New analysis released today by the Property Council of Australia provides clear policy options designed to unlock private investment into Tasmania's affordable housing market to help address the current housing supply crisis.

The 'Unlocking Affordable Housing' report, prepared by APP Group on behalf of the Property Council, identifies discounted sale of government land, developer density bonuses, and accelerated planning as the most effective options to overcome current affordable housing investment hurdles.

The analysis confirms the increasing difficulties for the property industry to deliver housing at the affordable end of the market due to escalating delivery costs, extended planning delays and challenging taxation settings.

Property Council Tasmanian Executive Director Rebecca Ellston said in light of the increasing gap between housing targets and actual housing supply, the government has an obligation to address the failing feasibility of new housing developments.

The report identified that feasibility constraints are expected to persist until end of this decade, with investors pricing greater risk into projects due to labour and material shortages.

"There is an urgent need to provide support for the private sector to invest in affordable housing at scale to solve the current significant challenges," Ms Ellston said.

"The measures and mechanisms considered in this report identify best scenario options that not only clear current investment hurdles but consider current budget constraints.

"We know there is no silver bullet when it comes to addressing the housing crisis. However, by implementing the right policy solutions and incentives identified in the report concurrently, we can unlock thousands of new affordable homes every year."

The analysis concludes, for both infill and greenfield developments, a combination of policy measures is required to support medium density housing that includes an affordable housing component.

Meanwhile, research shows that greenfield projects can be supported to deliver greater affordable housing through a combination of fast-track planning, delays in authority charges and grants.








"We commend the state government on its commitment to housing during the 2024 campaign and the property industry remains ready and willing to help address the ongoing housing challenges of our state." Ms Ellston said.

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Assessed Mechanisms:

A summary of the mechanisms appears in the below table.

| | |
|---|---|
|  | Stamp Duty Reduction Affordable housing dwellings to be exempt from stamp duty tax obligations. |
|  | Accelerated Planning Framework Developments co-delivering affordable housing alongside market stock gain access to a 3-month expedited planning scheme. |
|  | Development Density Bonus Developments co-delivering affordable housing alongside market stock gain access to a density increase on the project. As part of planning scheme, the affordable housing stock is sold to an affordable housing asset owner at a 50% discount to market. |
|  | Capital Grant Government provides a grant to an affordable housing asset owner equivalent to 50% or 30% of the construction cost. |
|  | Discounted Sale of Government Land Well-located Government land is sold to a developer at a 50% discount to market value to enable the delivery and use of affordable housing. |
|  | Delayed Authority Charges Authority charges linked to development projects delivering affordable housing can be delayed until the end of a project. |
|  | Finance Reduction Affordable housing providers can attain capital, via a State or Commonwealth Government entity, at a 4% p.p discount to market interest rates. |

Overall Assessment of Mechanisms on Supply:

Table 9: Mechanism supply impacts

| Mechanism | Supply Impact Project One: Infill | Scale of Supply Impact (Infill) | Scale of Supply Impact (Greenfields) |
|--|--|---------------------------------|--------------------------------------|
| Stamp Duty Reduction | This mechanism will provide a small increase in investment performance and interest in the asset class. Given the limited reduction in developer costs, it is unlikely that a reduction in this tax will significantly influence investor interest. | Low | Low |
| Accelerated Planning Framework | Alleviations to project risk and assuredness surrounding project programs enable developers to more confidently plan and prepare for project hurdles. These improvements to investor confidence are powerful in increasing overall investment. More powerful as a mechanism for projects highly influenced by land holding costs and/or cash flow pressures. | Moderate | High |
| Density Bonus | A developer bonus system can provide a significant pipeline of affordable housing stock, however, requires project scale to be effective and will generate limited supply off the back of townhouse and low-density projects. The mechanism will require regulatory reform and a strong apartment market cycle. | Moderate | n/a |
| Capital Grant | Will provide a significant reduction in asset costs and increase in attractiveness for investment. The grant simultaneously improves project feasibility and alleviates developer cash flow challenges. | High | High |
| Surplus Government Land Sold at a Discount | This mechanism is ultimately constrained by the availability of surplus Government sites in suitable and well-positioned locations. Given the feasibility impacts of this mechanism on Greenfield projects, Government should prioritise offloading underperforming sites in each city's outer ring. | Low | Moderate |
| Delayed Authority Charges | Whilst the delayed authority charges would not significantly impact IRR, they will positively impact the need to raise capital and improve cash flow. | Low | Low |
| Government Finance | The impact on the private sector will depend on the leverage model. The institutional superannuation fund sector has low costs of capital, however private developers and the CHP sector will benefit from the measure. | Low to Moderate | Low |