

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2020 - 2021

Division/Agency: Social Policy Division

Question No: N/A

Topic: Economics Budget Estimates | Letter from the Opposition

Reference: Written (23 October 2020)

Senator: Alex Gallacher

Question:

Ahead of the next round of estimates examination by Senate committees, I write to advise the following subjects in relation to housing will be of interest to the Opposition.

1. The HomeBuilder Scheme, the National Housing Infrastructure Facility, the expansion of the First Home Loan Deposit Scheme, the First Home Buyer Super Saver Scheme
2. National Housing Finance and Investment Corporation and research and studies; and
3. The identification and release of Commonwealth land for affordable housing developments and initiatives for older Australians to help reduce barriers to downsizing.

I also request that Department officials table the most current data collected on the following issues, broken down by region and electorate where relevant:

- Homebuilder Scheme applications, approvals and payments broken down by state and territory and divided into substantial renovations and new builds;
- National Housing and Infrastructure Facility funding;
- First Home Load Deposit Scheme applications
- Housing forecasts; and
- Social Housing modelling and costings.

Answer:

Home Builder Data as at 16 October

Applications* as at 16 October									
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	TOTAL
New Build	1,710	3,750	2,495	535	890	436	296	35	10,147
Substantial Renovation	905	883	547	46	165	63	170	3	2,782
Total	2,615	4,633	3,042	581	1,055	499	466	38	12,929

**Applications reported have not necessarily been assessed for eligibility by states and territories. Further, states and territories may use different definitions to report applications due to differences in application processes across jurisdictions, limiting cross-state comparisons.*

Grants** paid by states and territories as at 16 October.									
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	TOTAL
New Build	240	191	277	112	42	21	2	9	894
Substantial Renovation	72	11	39	4	0	0	1	1	128
Total	312	202	316	116	42	21	3	10	1,022

***Grants paid reflects preliminary data as reported by states and territories and does not reflect payments from the Commonwealth to states and territories.*

In accordance with the National Partnership on HomeBuilder, payments from the Commonwealth to states and territories occurs monthly in arrears, based on the monthly summary reports provided by the States. The first round of payments to states and territories occurred on 7 October 2020, for HomeBuilder grants certified by states and territories as paid to eligible recipients in August 2020.

States and Territories have different definitions of payment milestones for new builds (including off-the-plan dwellings), which means recipients may be paid the grant at different times in different jurisdictions.

National Housing and Infrastructure Facility (NHIF) funding

- The NHIF provides finance for infrastructure to unlock new housing supply, particularly affordable housing.
 - The \$1 billion NHIF uses tailored financing (\$825 million split between loans and equity, and up to \$175 million in grants) to partner with eligible recipients to fund new or upgraded infrastructure such as water, transportation, sewerage and electricity, as well as site remediation works.
 - Eligible recipients include states or territories, local governments, local government-owned investment corporations and utility providers, state or territory government-owned utility providers, registered community housing providers (CHPs), or a special purpose vehicle involving at least one of these core partners.

FHLDS applications

<i>First Home Loan Deposit Scheme – status of 2019-20 guarantees, as at 19 October 2020</i>			
	<i>Capital city, regional centre or other/rest of state</i>	<i>Applications by intended purchase location*</i>	<i>Certificates issued by purchase location</i>
NSW	<i>Sydney</i>	<i>1,705</i>	<i>1,520</i>
	<i>Other/rest of state</i>	<i>788</i>	<i>797</i>
	<i>Newcastle and Lake Macquarie</i>	<i>330</i>	<i>289</i>
	<i>Illawarra</i>	<i>148</i>	<i>149</i>
VIC	<i>Melbourne</i>	<i>1,642</i>	<i>1,434</i>
	<i>Other/rest of state</i>	<i>339</i>	<i>339</i>
	<i>Geelong</i>	<i>156</i>	<i>141</i>
QLD	<i>Brisbane</i>	<i>1,066</i>	<i>1,032</i>
	<i>Other/rest of state</i>	<i>765</i>	<i>747</i>
	<i>Gold coast</i>	<i>234</i>	<i>227</i>
	<i>Sunshine Coast</i>	<i>113</i>	<i>91</i>
WA	<i>Perth</i>	<i>517</i>	<i>491</i>
	<i>Other/rest of state</i>	<i>51</i>	<i>42</i>
SA	<i>Adelaide</i>	<i>342</i>	<i>316</i>
	<i>Other/rest of state</i>	<i>57</i>	<i>56</i>
TAS	<i>Hobart</i>	<i>86</i>	<i>66</i>
	<i>Other/rest of state</i>	<i>76</i>	<i>82</i>
ACT	<i>n/a</i>	<i>185</i>	<i>168</i>
NT	<i>n/a</i>	<i>34</i>	<i>34</i>
Other	<i>Christmas Island and Cocos (Keeling) Islands</i>	<i>1</i>	<i>-</i>
	<i>Jervis Bay Territory and Norfolk Island</i>	<i>-</i>	<i>-</i>

*Includes multiple applications by the same first home buyer with different panel lenders. Note these only take up one Scheme place.

First Home Loan Deposit Scheme – status of 2020-21 guarantees, as at 19 October 2020

	<i>Capital city, regional centre or other/rest of state</i>	<i>Applications by intended purchase location*</i>	<i>Certificates issued by purchase location</i>
NSW	<i>Sydney</i>	<i>2,104</i>	<i>965</i>
	<i>Other/rest of state</i>	<i>860</i>	<i>583</i>
	<i>Newcastle and Lake Macquarie</i>	<i>314</i>	<i>197</i>
	<i>Illawarra</i>	<i>136</i>	<i>109</i>
VIC	<i>Melbourne</i>	<i>1,963</i>	<i>823</i>
	<i>Other/rest of state</i>	<i>313</i>	<i>226</i>
	<i>Geelong</i>	<i>167</i>	<i>105</i>
QLD	<i>Brisbane</i>	<i>1,156</i>	<i>763</i>
	<i>Other/rest of state</i>	<i>660</i>	<i>517</i>
	<i>Gold coast</i>	<i>219</i>	<i>153</i>
	<i>Sunshine Coast</i>	<i>137</i>	<i>73</i>
WA	<i>Perth</i>	<i>626</i>	<i>373</i>
	<i>Other/rest of state</i>	<i>52</i>	<i>37</i>
SA	<i>Adelaide</i>	<i>285</i>	<i>152</i>
	<i>Other/rest of state</i>	<i>63</i>	<i>53</i>
TAS	<i>Hobart</i>	<i>71</i>	<i>22</i>
	<i>Other/rest of state</i>	<i>65</i>	<i>49</i>
ACT	<i>n/a</i>	<i>205</i>	<i>111</i>
NT	<i>n/a</i>	<i>28</i>	<i>21</i>
Other	<i>Christmas Island and Cocos (Keeling) Islands</i>	<i>-</i>	<i>-</i>
	<i>Jervis Bay Territory and Norfolk Island</i>	<i>-</i>	<i>-</i>

*Includes multiple applications by the same first home buyer with different panel lenders. Note these only take up one Scheme place

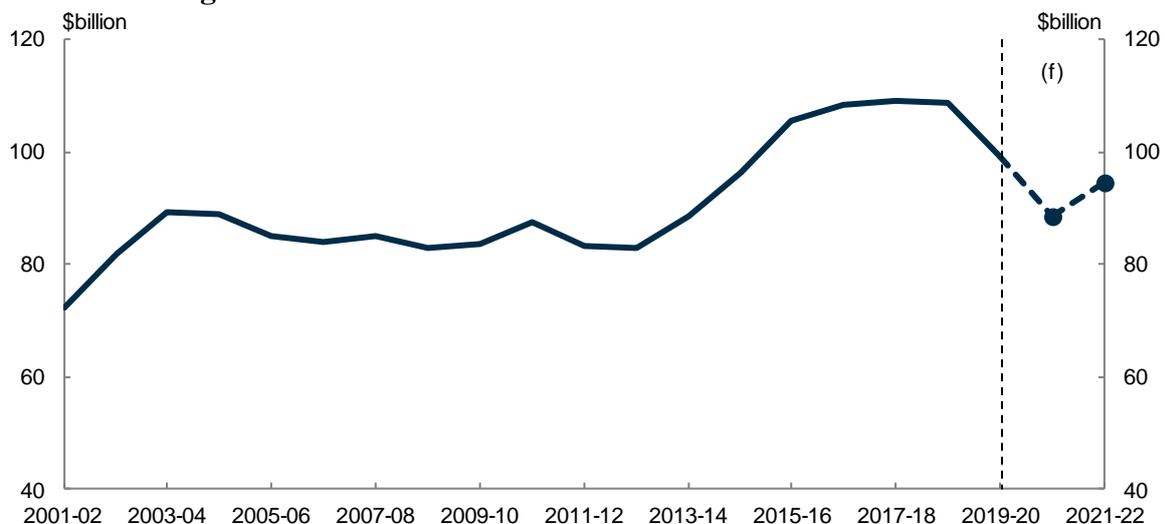
Social housing modelling and costings

- Treasury does not conduct modelling or costings of social housing.
- State and territory governments are primarily responsible for housing and homelessness. However, the Commonwealth Government provides substantial support to states and territories so they can fund important initiatives to improve housing.
- In 2020-21, the Commonwealth Government expects to spend around \$8.4 billion in housing and homelessness, which includes HomeBuilder and the National Partnerships for Remote Housing, with around \$7.5 billion in programs managed by the Social Services portfolio.
 - This includes (but is not limited to) around \$1.6 billion a year through the National Housing and Homelessness Agreement to states and territories to support housing and homelessness services and around \$5.5 billion a year in Commonwealth Rent Assistance (CRA) to assist income support and family tax benefit recipients in the private rental market and community housing.

Dwelling investment is expected to remain weak in the near term, with a forecast fall of 11 per cent in 2020-21. The sharp contraction in the June quarter 2020 largely reflected a pre-existing slowing in activity. Further declines are expected in the September quarter 2020 as commencements continue to slow and Stage 4 restrictions in Melbourne reduce the level of activity, particularly for apartment development sites.

However, early indicators of demand for new housing construction and liaison with industry suggest the HomeBuilder scheme in conjunction with other housing policies and low interest rates is pulling forward demand and will provide notable support to activity in late 2020 and into 2021. Dwelling investment is forecast to rise by 7 per cent in 2021-22.

Chart: Dwelling investment

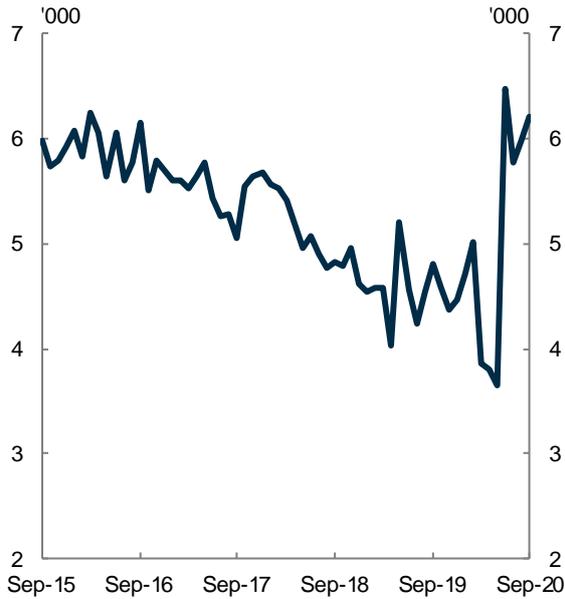


Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury.

The dwelling investment forecasts are the result of modelling based on historical data and leading indicators for investment, with adjustments to account for shocks, including Stage 4 restrictions in metropolitan Melbourne and broader COVID-19 impacts across Australia. Data that underlie the forecasts include Housing Industry Association (HIA) new home sales, private dwelling approvals and the value of residential building work in the pipeline.

The HIA data on new home sales indicate that there has been a strong pick up in the number of new houses sold since June 2020.

Chart: Monthly number of new home sales



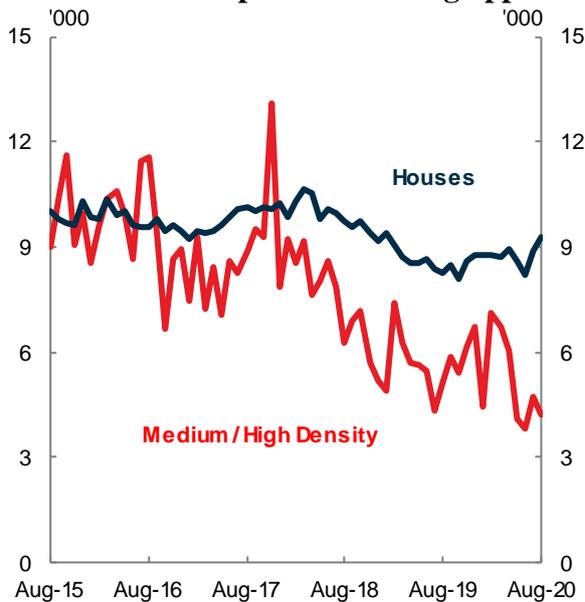
New home sales growth

	Month on Month (%)	Through the year (%)
	Sep-20	Sep-20
New homes	3.8	29.1

Source: HIA.

New home sales are a leading indicator of dwelling approvals. The ABS measure of private dwelling approvals shows that approvals for detached housing have recently increased, while approvals for medium-high density dwellings have declined.

Chart: Number of private dwelling approvals – by dwelling type



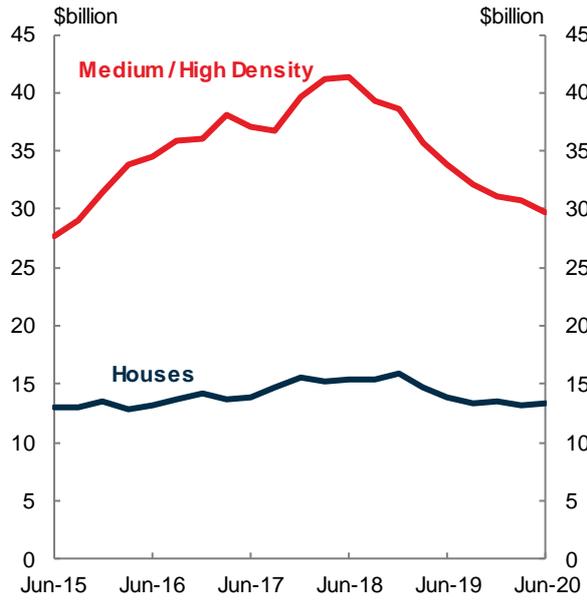
Private approvals growth

	Month on Month (%)	Through the year (%)
	Aug-20	Aug-20
Houses	4.8	12.4
Medium / High Density	-11.0	-18.4
Total	-0.7	0.6

Source: ABS Building Approvals.

New dwelling approvals will add to work in the residential building pipeline and flow through to dwelling investment over the coming years. The ABS measure of work in the pipeline shows that the detached house pipeline increased in the June quarter 2020, but the medium-high density pipeline declined.

Chart: Value of new residential work in the pipeline – by dwelling type



Source: ABS Building Activity. Note: Original data.

New dwelling pipeline growth

	Quarter on Quarter (%)	Through the year (%)
	Jun-20	Jun-20
Houses	2.2	-3.2
Medium / High Density	-3.1	-11.9
Total	-1.5	-9.4