

**Submission
No 255**

**INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE
HOUSING**

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Submission to Legislative Council Select Committee on Social, Public and Affordable Housing

ISSUE ONE

Housing affordability has become a problem for many reasons largely the cost of supply with requirements regulations and planning controls.

In the past 2 years Sydney has experienced unprecedented capital growth while other strong regional areas of the state such as Shoalhaven are in decline. This increase in Sydney at figures around 16% are artificially inflated by overseas investors. This is not by the relatively small number rather the practices of the development industry.

It is not the number of overseas buyers which is the issue.

Properties being marketed offshore for 10 to 15% above the domestic market. These new overinflated sales, because of the number of them significantly increase the domestic price of future supply of off the plan purchases and ultimately the broader market.

Many of the purchasers are aware they are paying a premium due to the process and convenience.

Please note the column in Bold Below. These are the \$ we are talking about from the FIRB annual Report.

Table 2.11: Approvals by country of investor in 2012-13 — industry sector

Country(a)	Number of approvals (e)	Agriculture forestry & fishing \$m	Finance & insurance \$m	Manufacturing \$m	Mineral exploration & development \$m	Real estate \$m	Resource processing \$m	Services \$m	Tourism \$m	Total \$m
USA	264	880	1,647	1,563	5,381	4,406	60	6,666	25	20,627
Switzerland	51	-	-	12	15,763	346	-	2,266	-	18,387
China(b)	6,102	328	23	957	8,273	5,932	-	291	-	15,803
Canada	218	553	-	355	1,545	4,926	25	6,987	-	14,392
UK	1,197	-	159	494	3,198	1,671	-	1,318	-	6,849
Japan	111	-	129	-	2,906	895	-	654	-	4,589
Qatar	26	11	-	-	3,461	-	-	-	-	3,482
Singapore	675	380	-	-	189	2,008	-	563	-	3,145
Malaysia	894	-	-	826	147	1,600	-	198	-	2,785
Germany	113	-	129	253	-	769	330	635	-	2,117
NZ	34	-	-	82	60	644	-	1,116	-	1,903
United Arab Emirates	45	-	-	-	15	885	-	809	-	1,709
Sth Korea	114	-	11	643	19	903	-	-	-	1,579
Hong Kong	251	14	18	350	386	649	-	74	-	1,491
South Africa	223	-	-	-	31	953	-	306	-	1,290
France	122	-	69	36	730	100	-	333	-	1,273
Spain	15	-	-	-	32	325	-	830	-	1,187
Netherlands	56	-	-	-	22	229	-	858	-	1,109
Other(c)	2,332	205	79	725	1,570	10,216	-	767	-	13,561
<i>Sub-total</i>	<i>12,843</i>	<i>2,396</i>	<i>2,279</i>	<i>6,299</i>	<i>43,728</i>	<i>37,457</i>	<i>422</i>	<i>24,669</i>	<i>25</i>	<i>117,279</i>
Australia(d)	578	461	645	210	1,414	14,450	-	1,241	-	18,420
Total	13,421	2,858	2,924	6,509	45,142	51,907	422	25,909	25	135,699

Large development companies have exemptions with the FIRB allowing more than 20 % of a project to be sold in this manner.

EXAMPLE

A dominant developer in a suburb with FIRB clearance may sell 50% of stage one to the international markets at 10% more than the domestic Market.

This result is then reflected in the Australian Market in Stage 2 which is priced based on the results of Stage 1. This example would deliver a 5% increase which is totally artificial. on a typical inner city two bedroom apartment of \$800,000.00 this is \$40,000.00 this may continue to occur over 4 stages of a development.

Mortgage insurers will adjust their protection around this and buyers who have exchanged may not be able to settle in two years when projects are complete.

RECOMMENDATION

Consumer protection agencies (Fair Trading) need to ensue there is not two levels of pricing (Domestic and International) we have a duty to see non English speaking people do not fall victim to this practice and a duty to the Australian consumer which protects them from this artificial increase.

Any justification for taking the product to the Asian purchaser in charging costs should not be capitalised into the purchase price but form a independent contract between the vendor and purchaser. This is a cost of business for a developer who wishes to market off shore and needs to be dealt with as such.

Agents commission and other charges need to be capped at 3% of the purchase price. The agents acting in the conveyance could be responsible for reporting a breach to Fair Trading.

FIRB needs to hold firm on the 20% cap in the Sydney Metropolitan Area as there is a shortage of supply of residential housing and what is being constructed does not satisfy the demand of a domestic market at a fair price.

ISSUE TWO

First home buyers grant needs to be made available in line with other states. Currently NSW has a lower maximum amount in a more expensive city than other states.

EXAMPLE

In the inner city a person can not afford to buy a one bedroom apartment but can purchase a 50% share of a two bedroom as tenants in common. If people are not able to enter the

housing market and spend a lifetime paying rent the problem will fall on the state to provide more housing.

RECOMENDATION

NSW provide a grant which supports a modest apartment on a shared basis Tenants in Common a state supported scheme be set up to protect a party in the event of a default by the second or third party. This program should not cost money other than its administration and the long term benefit on reduced demand for public housing would be substantial.

ISSUE THREE

Cost of compliance with BCA and codes outside the metropolitan area are unviable. A relaxing of SEPP 65 in regional areas will help. Post War housing crisis produced Quadplexes . This provided apartment living in a residential scale. For example fire separation of a duplex is to the underside of the roof while medium density requires far more fire separation.

EXAMPLE

A project in Huskisson which is 13 units. these are costing almost double to construct as a project home in the area due to compliance cost of this type of development which given the socioeconomics of the regional town is not affordable the average resident of the area. These areas are poorly serviced by public transport and need to consolidate within walking distance of the town centre.

RECOMENDATION

Produce a State code for Quadplex development as a SEPP. These should be designed in conjunction with the project home industry to deliver with the lowest possible BCA requirements to keep development costs at a low. These should be able to be subdivided as Torrens allotments avoiding the costs of administration of strata schemes and providing few barriers to lending criteria of financial institutions. Multi level examples will need to remain Strata.

This SEPP should be available to any lot over 750m² within 1km of a town centre a definition of town centre needs to be defined based on Post office, bank , supermarket, library etc.

SEPP 65 be amended for more affordable application in regional areas and list the relevant Local Government Area.

Regards

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